

COUNTRY GARDEN

Holdings Company Limited
碧桂園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2007

2017

ANNUAL
REPORT





What is
Country
Garden?

Contents

As a large enterprise listed on the Main Board of SEHK (Stock code: 2007.HK), Country Garden ranks 467th on the Fortune Global 500 and 273th on Forbes The World's 2,000 Largest Public Companies. Country Garden not only develops and operates residential communities, but also constructs and manages green, ecological and smart cities. For the year of 2017, Country Garden's residential property contracted sales has reached approximately RMB550.8 billion (equivalent to USD84.7 billion) with an area of 60.66 million square meters, climbing to top spot in the global property market.

Country Garden has been consistently trying to promote residential civilization. Leveraging a craftsmanship professional spirit, and utilizing scientific planning and human-centric design, it aims to build good and affordable housing for the whole world. Such housing typically features complete community public facilities, beautiful landscaping, and safe and comfortable residential environment. Country Garden has developed more than 1000 residential, business and urban construction projects globally and offers its services to over 3 million property owners.

Country Garden has been making relentless efforts to promote urbanisation. With its two decades of urbanization experience, Country Garden has been actively developing Tech Town projects in an attempt to create a good platform for advanced technological innovation and to provide an ecosystem for industrial revitalization.

Country Garden has been making steady and strong efforts to promote urbanization. Country Garden is very popular in China. It is also gaining a strong position globally, as it is the developer for Forest City in Malaysia's Iskandar Development Region, lying adjacent to Singapore. Forest City is going to be a city with a substantial focus on sustainable development, integrating business, finance, tourism, culture and entertainment elements. It sets a precedent for construction of a green, ecological and smart city, and serves as a good example for future cities. It won the "Global Human Settlement Planning and Design Award" at the United Nations Conference on Housing and Sustainable Urban Development, and was invited to attend the United Nations Climate Conference. With Forest City's development and operation model as its standard, Country Garden has engaged in community building in Australia, Malaysia, Indonesia, etc.

Country Garden has been consistently pursuing promotion of global commercial civilization, and has been focusing on keeping pace with excellent enterprises around the world. It has worked with global talents, among whom are more than a thousand doctorate degree holders from the most prestigious institutions all over the world, and they have joined Country Garden to become "Future Leaders" (management trainee programme). Since its establishment, Country Garden has committed to becoming an enterprise with a strong awareness of social responsibility, and it has donated over USD500 million for charities. All Country Garden employees have been trying to make contributions to the people and the society.

We are Country Garden, and we consistently work towards the progress of human society.

Country Garden hopes to create a better world with our existence.

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Design Concept

The theme of design is "be ambitious and work hard". In particular, we use the wood-imitating carving hard box of slipcase to symbolize the craftsmanship and refinement of Country Garden's products. The company Logo, which is an image of phoenix, was surrounded by phoenix feathers in a leaf shape, representing the core values of Country Garden: five-star living for you.

Feathers were engraved with patterns which symbolized better homes, new construction technology mechanism and the company's iconic building to express the value that Country Garden upholds, "To build value-for-money houses for the society", and also to present a vision of striving for the world's prosperity and progress.



— Country Garden — Headquarter, Foshan



Corporate Overview





Corporate Profile



— Country Garden
— Coral Palace, Lingshui



Country Garden Holdings Company Limited (stock code: 2007.HK) is China's leading largest residential property developer focusing on urbanization. The Group runs a centralized and standardized business model that comprises property development, construction, decoration, property management, property investment, as well as hotel development and management. Country Garden offers a broad range of products to cater for diverse market demands. Its various products include residential projects such as townhouses, condos, as well as car-parks and retail shops. The Group also develops and manages hotels within some of its projects to enhance the potential for property value appreciation. The Group operates independent hotels as well.

Country Garden was listed on the main board of the Stock Exchange on 20 April 2007. The listing not only provided the Group with additional funding to sustain healthy growth in the future, but it also assisted the Group to establish its foothold in the international capital market. Country Garden was well recognized by the market after listing. It was included in the MSCI Global Standard Index on 1 September 2007. It also became constituent stock of the Hang Seng Composite Index and Hang Seng Mainland 100 on 10 September 2007, FTSE China 50 Index on 14 September 2016, Hang Seng China (Hong Kong-listed) 25 Index on 12 June 2017, and Hang Seng Index on 4 December 2017. All the above facts symbolized the capital market's recognition of Country Garden as a major component of the Hong Kong stock market and also strengthened the Group's position in the international capital markets.

Since the beginning, Country Garden has been benefited from the thriving economy of the PRC. It has also expanded its business operation out of Guangdong Province into other regions with high economic growth. As of 31 December 2017, excluding Guangdong Province, Country Garden had property development operations in a number of strategically selected locations in 29 provinces/municipalities/autonomous regions in Mainland China. The Group was included in Fortune Global 500, ranking 467th as of July 2017.

Looking forward, Country Garden will continue to focus on real estate business and leverage on various financing measures to strengthen or consolidate different community-related businesses in the property industry chain, to improve the platform for community resources consolidation, and to build an industry chain that covers different stages of life cycles, with an aim of unleashing the value of the Group's assets. The Group will continue to further strengthen its competitive edge as a market leader in the industry.



Core Value

To shape a prosperous future through our conscience and social responsibility awareness

Core Value

Five-Star Value System of Country Garden



Five-Star products

Ingenuity and attention to details

Five-Star Amenities

Think of you, do our best

Five-Star Environment

Eco-friendly surrounding

Five-Star Service

Wholeheartedly caring

Five-Star Culture

Friendly neighborhood





Corporate Mission

To create a better society with our existence



Corporate Spirit

To benefit people and the society

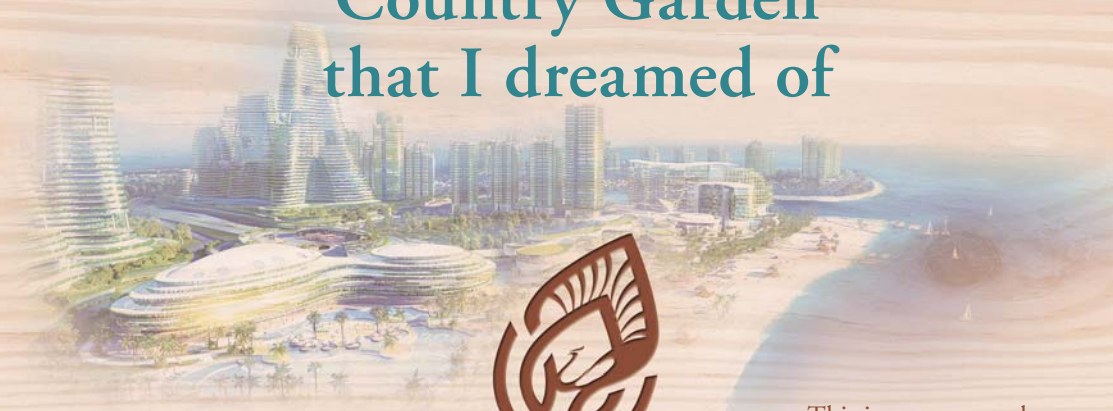


Service Concept

Five-star living for you

Mr. YEUNG Kwok Keung :

Country Garden that I dreamed of



This is an elitist company

This is a good place for the talents

This is a place to learn and make progress

This is a harmonious big family

This is a company of integrity and commitment, operating in compliance with laws and regulations

This is a sensible company that constantly corrects itself

This is a company of equality which rewards excellence

This is a company that prospers and constantly betters itself with experiences and practices

This is a company that builds quality and affordable houses for the whole world

This is a company that excels in social well being, corporate benefits and staff benefits

This is a company that is highly recognized and appreciated by the society

This is a company dedicates to the development of human society





Corporate Information

DIRECTORS

Executive Directors

Mr. YEUNG Kwok Keung (*Chairman*)
Ms. YANG Huiyan (*Vice Chairman*)
Mr. MO Bin (*President*)
Ms. YANG Ziying
Mr. YANG Zhicheng
Mr. SONG Jun
Mr. LIANG Guokun
Mr. SU Baiyuan
Mr. WU Jianbin (resigned on 1 April 2017)
Mr. SU Rubo (resigned on 1 April 2017)
Mr. OU Xueming (resigned on 1 April 2017)
Mr. ZHU Rongbin (resigned on 1 June 2017)
Mr. XIE Shutai (resigned on 2 March 2018)

Non-executive Director

Mr. CHEN Chong

Independent Non-executive Directors

Mr. LAI Ming, Joseph
Mr. SHEK Lai Him, Abraham
Mr. TONG Wui Tung
Mr. HUANG Hongyan
Mr. YEUNG Kwok On
Ms. HUANG Xiao (resigned on 1 April 2017)
Mr. MEI Wenjue (resigned on 2 March 2018)

CHIEF FINANCIAL OFFICER

Ms. WU Bijun (appointed on 1 April 2017)
Mr. WU Jianbin (resigned on 1 April 2017)

COMPANY SECRETARY

Mr. LEUNG Chong Shun

AUTHORIZED REPRESENTATIVES

Ms. YANG Huiyan
Mr. MO Bin
Ms. ZUO Ying (*alternate to Ms. YANG Huiyan*)
(appointed on 1 April 2017)
Ms. SIN Lai Lan (*alternate to Mr. MO Bin*)
Mr. WU Jianbin (*alternate to Ms. YANG Huiyan*)
(resigned on 1 April 2017)

AUDIT COMMITTEE

Mr. LAI Ming, Joseph (*Chairman*)
Mr. SHEK Lai Him, Abraham
Mr. TONG Wui Tung
Mr. HUANG Hongyan
Ms. HUANG Xiao (resigned on 1 April 2017)

REMUNERATION COMMITTEE

Mr. TONG Wui Tung (*Chairman*)
Mr. YEUNG Kwok Keung
Mr. MO Bin
Mr. LAI Ming, Joseph
Mr. SHEK Lai Him, Abraham
Mr. HUANG Hongyan
Ms. HUANG Xiao (resigned on 1 April 2017)

NOMINATION COMMITTEE

Mr. YEUNG Kwok Keung (*Chairman*)
Mr. LAI Ming, Joseph
Mr. TONG Wui Tung
Mr. HUANG Hongyan
Ms. HUANG Xiao (resigned on 1 April 2017)

CORPORATE GOVERNANCE COMMITTEE

Mr. YEUNG Kwok Keung (*Chairman*)
Ms. YANG Huiyan
Mr. MO Bin

EXECUTIVE COMMITTEE

Mr. YEUNG Kwok Keung (*Chairman*)
Ms. YANG Huiyan
Mr. MO Bin
Ms. YANG Ziying
Mr. YANG Zhicheng
Mr. WU Jianbin (resigned on 1 April 2017)
Mr. ZHU Rongbin (resigned on 1 June 2017)

FINANCE COMMITTEE*

Ms. WU Bijun (*Chairman*)
(appointed on 1 April 2017)
Ms. YANG Huiyan
Mr. MO Bin
Ms. YANG Ziying (appointed on 20 March 2018)
Mr. YANG Zhicheng (appointed on 1 April 2017)
Mr. WU Jianbin (*Chairman*) (resigned on 1 April 2017)

* Other two members are senior management of the finance centre of the Company



REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Country Garden Centre
No. 1 Country Garden Road
Beijiao Town, Shunde District, Foshan
Guangdong Province 528312
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1702, 17/F
Dina House, Ruttonjee Centre
11 Duddell Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

(In Alphabetical Order)

Agricultural Bank of China Limited
Bank of China Limited
Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
China CITIC Bank Corporation Limited
China Construction Bank Corporation
China Development Bank Corporation
China Guangfa Bank Co., Ltd.
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
Hang Seng Bank Limited
CIMB Bank Berhad

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Malayan Banking Berhad
Ping An Bank Company Limited
Postal Savings Bank of China
Shanghai Pudong Development Bank Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited
Wing Lung Bank Limited

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISORS

As to Hong Kong law:

Woo Kwan Lee & Lo
Sidley Austin LLP
lu, Lai & Li

As to PRC law:

Allbright Law Offices
Chongqing Shariea Law Firm
Guangdong ETR Law Firm
Guangdong Guardian Law Firm
King & Wood Mallesons
Shanghai City Development Law Firm, Wuhan Branch
Tahota Law Firm (Chongqing Office)
Tahota Law Firm (Chengdu Office)

STOCK CODES

Stock Exchange	2007
Reuters	2007.HK
Bloomberg	2007 HK Equity

WEBSITE

<http://www.countrygarden.com.cn>

Financial Calendar 2018

Announcement of 2017 Annual Results	20 March
Record Date for Shareholders to attend, speak and vote at 2018 AGM	11 May
2018 AGM	17 May
Ex-dividend date for proposed final dividend	21 May
Record Date for Eligible Shareholders to be entitled to proposed final dividend	25 May
Despatch dividend warrants	11 July
Announcement of 2018 interim results	August

— Asian Games Town, Guangzhou



Performance



Chairman's Statement



YEUNG Kwok Keung
Chairman

Dear shareholders,

Country Garden is grateful for having been born into a great era of Chinese national revival and its unstoppable urbanization. The Group is blessed to be able to do its best to fully capitalize on these developments.

For the year ended 31 December 2017 (the “Year”), the Group together with its joint ventures and associates achieved contracted sales of approximately RMB550.80 billion, and operated a total of 1,468 projects, covering 768 counties/towns, 220 cities and 30 provinces in Mainland China at the end of the Year. We are now the largest residential property developer in the world, outperforming the competition.

Yet, we can hardly afford to rest on our laurels. Rather, we have to keep it up. I have a vision of Country Garden becoming an everlasting enterprise in progress, always working to improve the well-being of society. The Company was fortunate to have been founded and evolving during the era of China’s reform and opening-up, and as such, it cherishes the valuable opportunity for further progress. Humble and indebted for the good fortune, Country Garden is working diligently for a bright future so as not to miss the golden opportunity arising from the revival of the nation. During the Year, the Group’s revenue increased by 48.2% to approximately RMB226.90 billion; gross profit grew by 82.4% to approximately RMB58.79 billion; profit attributable to the owners of the Company grew by 126.3% to approximately RMB26.06 billion; and core net profit attributable to the owners of the Company rose by 106.0% to approximately RMB24.69 billion. The delivery of more sold properties to buyers are expected to boost the revenue in the future.

This era makes Country Garden what it is today.



Chairman's Statement



— Lanzhou Country Garden, Lanzhou

Forty years ago, I did not have a penny to my name, mired in hunger and homelessness. By a stroke of fortune, plus hard work, I have reached a point where I can spare some efforts and resources to contribute to society's well-being. I am really indebted for what I have achieved. I firmly believe that Country Garden, as a practitioner of new urbanization in China, has social responsibility for building quality and affordable homes for the people. This is also an avenue of expanding market share and maximizing returns to our shareholders. A geographical breakdown shows that, during the Year, the Group derived approximately 58% of its contracted sales from the country's third- and fourth-tier cities. Even if the sales from the first- and second-tier cities were considered, the average contracted selling price of the Group's properties during the Year was approximately RMB9,080 per square metre (sq.m.), which was the lowest among Mainland China's top 10 real estate developers. Adapting itself to the trends of the country's development, Country Garden will continue to meet the needs of the people and society as well as its own needs for business operation. In the future, Country Garden will aim for a broader market by developing thoroughly the local property markets of cities and townships at various administrative levels.

Backing up our ambitious plans for development is our strong financial position. During the Year, the Group collected approximately RMB500.33 billion cash from property sales and recorded net operating cash flow of approximately RMB24.08 billion, achieving positive net operating cash flow once again since 2016. On the back of the 78.3% growth in contracted sales in 2017, the Group recorded a net gearing ratio of 56.9%, cash and bank deposits (including restricted cash) of approximately RMB148.40 billion, with bank facilities of approximately RMB248.51 billion remained undrawn. With its abundant working capital, the Group has been recognized by credit rating agencies for its strong financial position and has thus secured support from major financial institutions. To prepare for its future development, the Group enhanced its financial position by conducting equity financing in early 2018.

Country Garden will achieve more breakthroughs in this era.

As an enterprise that works for the benefits of both society and business, Country Garden must put in place a well-developed mechanism for management to strike a balance between social responsibility and returns to



— Wuhan Country Garden, Wuhan

shareholders. Only by aligning the interests of both the professional business managers and shareholders can we ensure a prudent approach to every investment and avoid the frenzy in investment and pricing, which are short-sighted behaviours detrimental to both social harmony and a business' interests. To raise the efficiency of the management and thus to maximize the social and commercial benefits, the Group has built a competitive team of excellence including 1,037 PhDs. It is Country Garden's mission to serve society and fulfil its social responsibility. The Group firmly believes that maximizing social benefits is the avenue to a business' sustainability and good returns to the shareholders for the long term.

Therefore, in addition to its mainstay business of real estate development, the Group also develops a long-term property leasing business in cooperation with major financial institutions, supporting the government's initiatives for providing sufficient housing for the people. During the Year, the Company established its long-

term property leasing department which prepared itself for the long-term property leasing projects in such first- and second-tier cities as Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan and Xiamen, etc. 2,963 apartments of such projects were under construction, and the total number of the apartments of such long-term property leasing projects secured by the Group was over 8,000. In 2018, the Group's multiple projects in a number of cities are expected to commence operation, thus ensuring the housing supply.

According to China's grand plan for a new type of urbanization, rural villages are to be transformed into ideal places for living and work. Deng Xiaoping, a former national leader who was also dubbed "the architect of modern China" once said, "Some regions and some people of the country can get rich first so that they can help others to get rich later, with the ultimate goal of common prosperity." As an entrepreneur, I do my best to contribute to my country's development through a business; and as a man from a rural community, I feel

Chairman's Statement

an even stronger sense of responsibility to contribute to the revival of rural economy, through active participation in the alleviation of poverty. Since 1997, the Group, my family and I have offered assistance to about 200,000 people through a number of charity programmes on education and training to stem poverty. Meanwhile, my family and I founded a free private high school Guohua Memorial Middle School (國華紀念中學), a vocational school Guangdong Country Garden Polytechnic (廣東碧桂園職業學院), and special bursary funds such as Zhongming Fellowship for College Students (仲明大學生助學金) and Huiyan Educational Aid Fund (惠妍教育助學金). Such moves demonstrate our commitment to fight against poverty.

Environmental protection is part of corporate social responsibility. Having spent my childhood in the countryside, I am deeply attached to the natural environment. To join an environmental cause, Country Garden now pilots its new SSGF¹ construction and manufacturing technology at its 111 property projects and will apply the technology to more projects once it matures. As an integration of various core technologies that enable construction on an industrial scale, the SSGF technology can enhance the quality of the buildings, shorten the construction period, reduce emissions and save energy. According to our internal review, the SSGF technology has enabled us to save more than 90% of plaster. For example, if all the newly started property development projects in Mainland China had applied the SSGF technology in 2016, it could have saved a forest that covers an area twice that of Shanghai and the water consumed by 700,000 people in a year; and it could have reduced the yearly carbon dioxide emissions equivalent to the total from the global aviation industry; and it could have decreased the sediment discharge by an amount which was 5 times that of the Pearl River in a year. Country Garden is trying its best to build better houses while protecting the environment.



— Country Garden — Shenhui City, Huiyang

Country Garden's fulfilment of social responsibility also means the fulfilment of its lifelong commitment to its 1 million home owners: providing a "five-star living for you". Our aspiration to provide a better living environment for customers has motivated the Group to start a property management business, which, as part of our real estate-related businesses, made considerable progress during the Year. The Group undertook contracts to manage properties with total gross floor area of approximately 329.5 million sq.m. in over 240 cities across 28 provinces in Mainland

1 *SSGF: Sci-tech, Safe & share, Green and Fine & fast. SSGF is a construction and manufacturing technology that features excellent quality, high speed, high efficiency, safety and environmentally-friendly practices in carrying out such processes as assembly, casting, installation of electromechanical devices and interior decoration of buildings on an industrial scale.



— Dalang Country Garden, Dongguan

China. The Group's revenue from property management and community-based businesses rose by 35.6% to approximately RMB2,656 million, and its operating profit from that business segment increased by 20.0% to approximately RMB487 million. The financial results show that the Group has made good progress in building up the value chain of its own real estate business.

Seize the day!

Founded in Shunde in 1992, Country Garden is always at the forefront of China's urbanization, so that it evolved into the country's top property developer in 2017. Having witnessed Country Garden's rise to dominance through the ups and downs in the past 25 years, what lies ahead in Country Garden's future can dwarf whatever happened in the past. Let's make the most of the lives, and march on.

Join us.

YEUNG Kwok Keung

*Country Garden Holdings Company Limited
Chairman*

Shunde, Guangdong, China, 20 March 2018

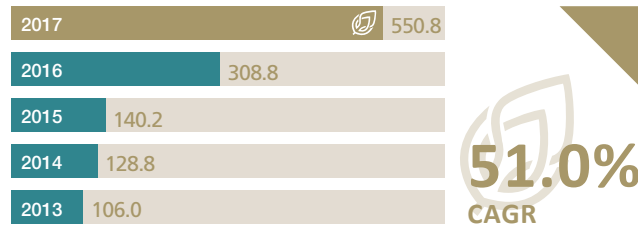
Business Overview

Property Development

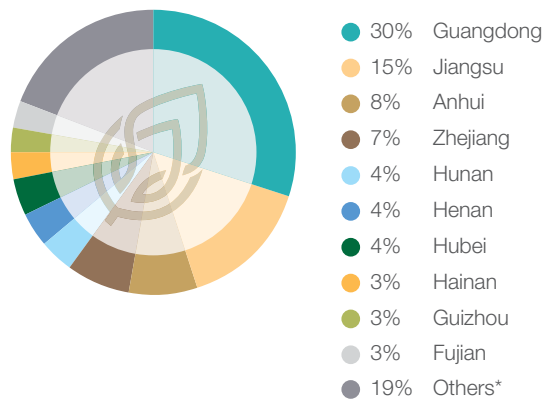
Contracted Sales

In 2017, the Group together with its joint ventures and associates reached approximately RMB550.80 billion contracted sales, with contracted gross floor area of approximately 60.66 million sq.m.. From 2013 to 2017, the contracted sales compound annual growth rate was approximately 51.0%, and contracted sales in 2017 increased by 78.3% as compared with 2016. In 2017, the contracted sales outside Guangdong Province was around 70% of that of the Group, reflecting the Group's efforts in geographic diversification. In terms of tier cities, around 50% of the contracted sales in Mainland China was contributed by projects located in tier 3&4 cities targeting tier 3&4 cities, around 33% was contributed by projects located in tier 2 cities targeting tier 2 cities and 17% was contributed by the others.

Contracted Sales (RMB billion)

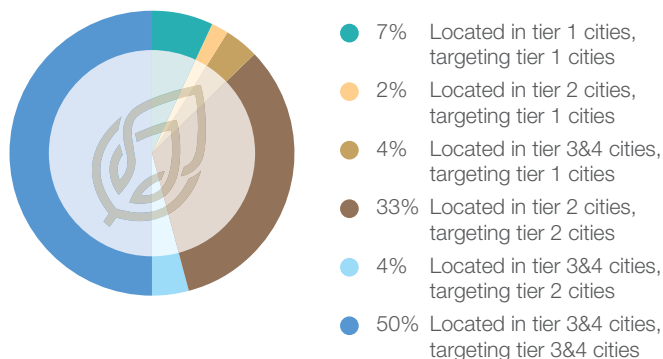


Geographical breakdown of contracted sales in 2017



Note: Others* including Guangxi, Hebei, Liaoning, Shandong, Malaysia, Shanghai, Sichuan, Shaanxi, Gansu, Chongqing, Jiangxi, Yunnan, Tianjin, Shanxi, Inner Mongolia, Qinghai, Jilin, Heilongjiang and Australia.

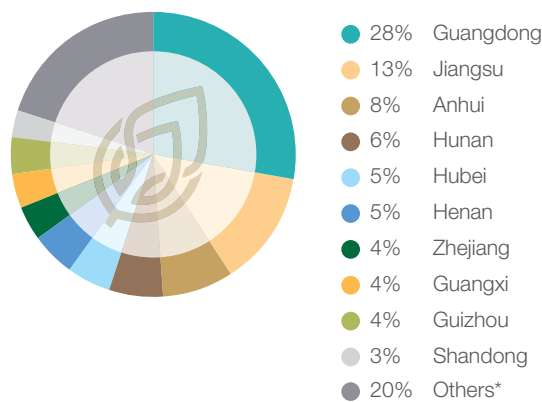
Contracted sales breakdown in Mainland China by city type in 2017



Landbank – Mainland China

As of 31 December 2017, the acquired GFA in Mainland China of the Group together with its joint ventures and associates was 281.83 million sq.m. 72% of the landbank was located outside of Guangdong province. By development stage, around 43% of the landbank was under construction, and 20% was presold. The acquired GFA in Mainland China attributable to owners of the Company was 188.56 million sq.m.

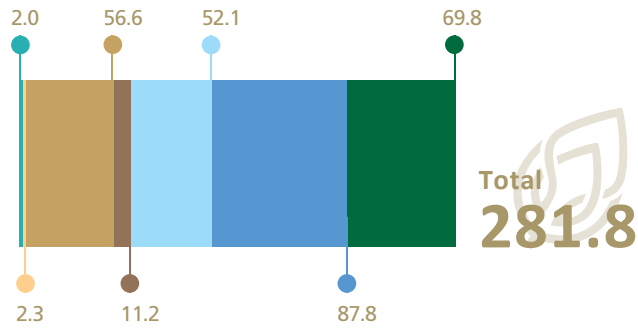
Landbank GFA breakdown by location in Mainland China



Others* including Fujian, Chongqing, Hebei, Shaanxi, Jiangxi, Ningxia, Sichuan, Tianjin, Beijing, Yunnan, Shanxi, Hainan, Xinjiang, Shanghai, Liaoning, Gansu, Jilin

Business Overview

Landbank GFA breakdown by development stage in Mainland China (million sqm)



- Completed and presold pending delivery
- Completed but unsold
- Under construction – sold
- Under construction with sales permit – unsold
- Under construction without sales permit
- With land grant contracts
- Project acquired, pending land grant contracts



— Sanming Country Garden, Sanming

Business Overview

Project Location

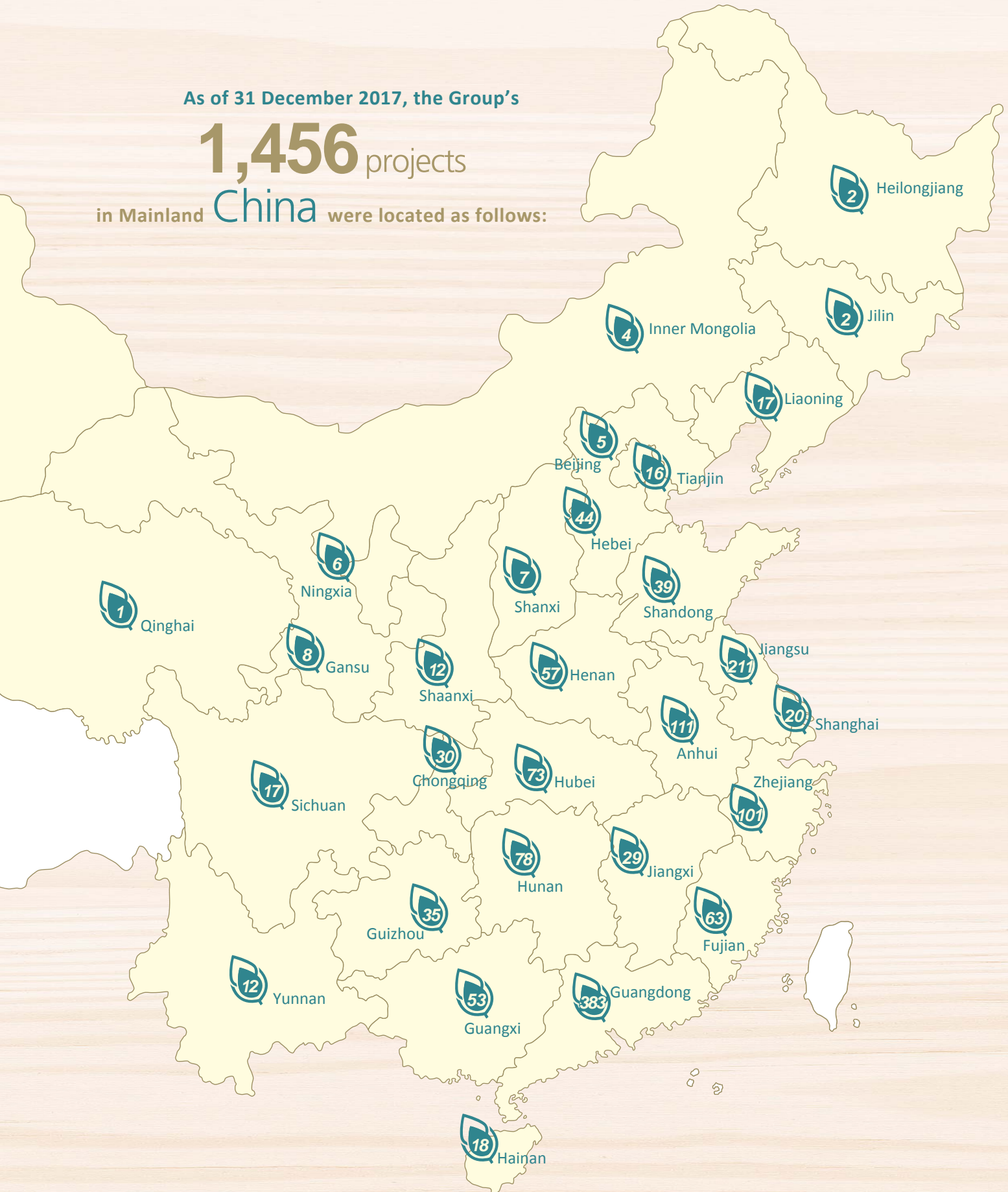
As of 31 December, 2017, the Group operated 1,468 projects under different development stages, 1,456 of these projects were located in Mainland China and 12 outside Mainland China.



As of 31 December 2017, the Group's

1,456 projects

in Mainland **China** were located as follows:



Business Overview

Top 100 projects with the highest contracted sales in 2017 in Mainland China

Serial number	Project	City (District)	Aggregate saleable GFA for entire project	Interest attributable to the Company	Completed property developments ⁽¹⁾			
					Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	
					sq.m.	sq.m.	sq.m.	sq.m.
1	Country Garden – Coral Palace (碧桂園•珊瑚宮殿)	Lingshui (Yingzhou)	1,505,446	49%	531,493	530,976		
2	Asian Games Town (亞運城)	Guangzhou (Panyu)	3,659,761	27%	1,318,370	1,296,194	841	
3	Country Garden – Ten Miles Beach – including Xiaojing Bay City (碧桂園•十里銀灘 (含小徑海岸城))	Huizhou (Huidong)	5,375,166	37%	3,752,940	3,749,226		
4	Country Garden – Phoenix City (碧桂園•鳳凰城)	Xi'an (Weiyang)	1,607,280	49%	298,867	298,537		
5	Country Garden – Dragon City – Phases One & Two (碧桂園•龍城 – 一至二期)	Zhengzhou (Xingyang)	888,776	41%				
6	Country Garden – Yingzhou Mansion (碧桂園•穎州府)	Fuyang (Yingzhou)	613,575	65%				
7	Lanzhou Country Garden (蘭州碧桂園)	Lanzhou (Chengguan)	2,669,256	100%	1,446,109	1,429,578		
8	Country Garden – Phoenix City (碧桂園•鳳凰城)	Zhenjiang (Jurong)	7,011,650	85%	2,636,632	2,555,431	1,543	
9	Country Garden – Europe City (碧桂園•歐洲城)	Chuzhou (Nanqiao)	1,990,626	100%	1,106,955	1,103,863	643	
10	Country Garden – Central Mansion (碧桂園•中央首府)	Haikou (Longhua)	350,632	85%				
11	Country Garden – Grand Garden – including Coast City (碧桂園•豪園 (含水岸花園))	Guangzhou (Zengcheng)	1,279,222	50%	893,327	892,192	1,135	
12	Country Garden Hill Lake City (碧桂園山湖城)	Qingyuan (Qingcheng)	1,537,206	85%	810,946	806,980	706	
13	Country Garden Longyue (碧桂園•龍悅)	Wenzhou (Lucheng)	124,657	95%				
14	Country Garden – Cullinan Bay (碧桂園•天璽灣)	Quanzhou (Fengze)	384,051	42%				
15	Country Garden – Yanshan Mansion (碧桂園•燕山公館)	Changzhou (Liyang)	328,505	5%				
16	Songhu Country Garden (松湖碧桂園)	Dongguan (Dalingshan)	355,533	97%	319,416	192,996	109,078	
17	Country Garden – Park Palace (碧桂園•公園上城)	Huizhou (Dayawan)	1,075,031	51%	172,334	152,261		
18	Country Garden – Phoenix Bay – Phases One & Two (碧桂園•鳳凰灣 – 一至二期)	Xinxiang (Pingyuan)	894,245	60%	56,478	51,456		
19	Country Garden – Gui'an One (碧桂園•貴安1號)	Guiyang (Gui'an)	680,318	85%	78,973	78,973		
20	Chongmingdao Country Garden (崇明島碧桂園)	Nantong (Qidong)	386,734	68%				

Completion date	Properties under development ⁽²⁾				Properties for future development ⁽³⁾			GFA for future development with land grant contracts sq.m.
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date	
	sq.m.	sq.m.			sq.m.			
25/Aug/17	938,726	529,879	7/Nov/14	2nd Quarter, 2020				35,227
30/Jun/17	397,937	275,009	11/Jun/12	4th Quarter, 2019	1,943,454	1st Quarter, 2018	4th Quarter, 2023	
30/Dec/17	500,621	429,947	23/Mar/12	4th Quarter, 2019	1,121,605	1st Quarter, 2018	4th Quarter, 2021	
23/Sep/15	816,500	331,503	12/Oct/13	2nd Quarter, 2020	491,913	3rd Quarter, 2018	4th Quarter, 2021	
	888,776	586,321	30/Sep/16	2nd Quarter, 2020				
	576,889	359,763	30/Sep/16	4th Quarter, 2019	36,686	2nd Quarter, 2018	4th Quarter, 2019	
28/Dec/17	830,672	406,871	4/Mar/16	2nd Quarter, 2020	392,475	2nd Quarter, 2018	2nd Quarter, 2021	
27/Dec/17	1,404,552	652,306	10/Jan/14	4th Quarter, 2020	2,497,476	2nd Quarter, 2018	4th Quarter, 2024	472,990
26/Oct/17	653,661	549,882	11/Mar/16	4th Quarter, 2019	230,010	2nd Quarter, 2018	4th Quarter, 2020	
	350,632	169,621	16/Nov/16	2nd Quarter, 2019				
14/Dec/17	385,895	369,359	29/Apr/16	4th Quarter, 2018				
17/Aug/17	237,586	191,480	14/Jun/17	1st Quarter, 2019	488,674	2nd Quarter, 2018	2nd Quarter, 2021	
	124,657	61,280	23/May/17	3rd Quarter, 2019				
	327,597	164,320	27/Sep/16	2nd Quarter, 2019	56,454	2nd Quarter, 2018	4th Quarter, 2019	
	328,505	131,049	20/Apr/17	2nd Quarter, 2019				
29/Dec/17	36,117	22,985	18/Mar/16	4th Quarter, 2018				
27/Dec/17	604,024	142,886	9/Dec/16	2nd Quarter, 2020	298,673	2nd Quarter, 2018	4th Quarter, 2021	
23/Nov/17	668,879	326,724	8/Jan/16	2nd Quarter, 2020	168,888	2nd Quarter, 2018	4th Quarter, 2020	
7/Dec/17	550,275	260,654	8/Aug/16	2nd Quarter, 2020				51,070
	386,734	235,273	14/Apr/17	4th Quarter, 2019				

Business Overview

Serial number	Project	City (District)	Aggregate saleable GFA for entire project	Interest attributable to the Company	Completed property developments ⁽¹⁾			
					Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	
					sq.m.	sq.m.	sq.m.	
21	Country Garden – Lakeside Mountain (碧桂園•湖畔樾山)	Suzhou (Xiangcheng)	344,026	43%				
22	Country Garden – Qinhuai Aristocratic Family (碧桂園•秦淮世家)	Nanjing (Lishui)	388,131	47%				
23	Humen Country Garden (虎門碧桂園)	Dongguan (Humen)	278,910	90%	250,351	226,562	141	
24	Country Garden – Tianlu One (碧桂園天麓1號)	Qiannanzhou (Longli)	795,307	90%	75,949	75,307		
25	Country Garden – Ronghui (碧桂園•榮匯)	Shenzhen (Longgang)	91,343	56%				
26	Country Garden – Dexin Mansion (碧桂園•德信公館)	Quzhou (Kecheng)	348,065	50%				
27	Country Garden – Galaxy Palace (碧桂園•銀河城)	Shenyang (Yuhong)	3,085,080	92%	2,567,820	2,536,197	922	
28	Country Garden – Guiyang One (碧桂園•貴陽1號)	Guiyang (Huaxi)	650,863	43%				
29	Huilai Country Garden (惠來碧桂園)	Jieyang (Huilai)	459,785	93%				
30	Huayao Country Garden – Ten Miles Riverside (華耀碧桂園•十里江灣)	Hengyang (Shigu)	1,105,948	31%	45,426	23,672	16,720	
31	Country Garden – Jiayu Garden (碧桂園•嘉譽花園)	Guangzhou (Zengcheng)	173,549	43%				
32	Country Garden – Ten Miles Riverside (碧桂園•十里江灣)	Liuzhou (Chengzhongqu)	443,920	43%				
33	Country Garden – Park Royal (碧桂園•皇家花園)	Dongguan (Guancheng)	146,670	87%	31,494	31,204		
34	Nantong Jiaqiman (南通佳期漫)	Nantong (Chongchuan)	213,081	33%				
35	Country Garden – Phoenix Bay (碧桂園•鳳凰灣)	Foshan (Shunde)	2,736,584	42%				
36	Country Garden – Ziyun Mansion (碧桂園•紫雲名邸)	Suzhou (Changshu)	115,876	29%				
37	Xinhui Country Garden – Phase One to Eight (新會碧桂園 – 一至八期)	Jiangmen (Xinhui)	1,502,953	55%	1,284,845	1,284,845		
38	Tianshui Country Garden (天水碧桂園)	Tianshui (Taizhou)	456,830	93%				
39	Chaozhou Country Garden (潮州碧桂園)	Chaozhou (Xiangqiao)	508,853	85%				
40	Country Garden Longxi Hill (碧桂園龍熹山)	Huizhou (Dayawan)	204,892	91%				

Completion date	Properties under development ⁽²⁾				Properties for future development ⁽³⁾			GFA for future development with land grant contracts sq.m.
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date	
	sq.m.	sq.m.			sq.m.			
	344,026	235,944	23/Mar/17	2nd Quarter, 2019				
	388,131	238,400	28/Jun/17	4th Quarter, 2019				
1/Dec/17	28,559	324	8/Aug/16	4th Quarter, 2018				
24/Nov/17	597,610	365,348	31/May/16	4th Quarter, 2019				121,748
	91,343	58,577	17/Jan/17	2nd Quarter, 2019				
	348,065	172,188	3/Nov/16	2nd Quarter, 2019				
30/Dec/17	466,678	447,439	14/Aug/15	3rd Quarter, 2019	47,290	2nd Quarter, 2018	4th Quarter, 2019	3,292
	390,397	349,508	14/Dec/16	2nd Quarter, 2019				260,466
	459,785	389,528	2/Dec/16	1st Quarter, 2020				
13/Dec/17	748,371	612,640	18/Sep/15	2nd Quarter, 2020	312,151	2nd Quarter, 2018	4th Quarter, 2020	
	173,549	163,697	24/Mar/17	4th Quarter, 2018				
	276,277	200,816	30/Sep/16	4th Quarter, 2019	167,643	2nd Quarter, 2018	2nd Quarter, 2020	
31/Oct/17	115,176	109,125	18/Nov/16	4th Quarter, 2018				
	213,081	141,890	9/Jun/17	4th Quarter, 2019				
	1,314,890	480,165	10/Aug/16	4th Quarter, 2020	1,421,694	2nd Quarter, 2018	4th Quarter, 2023	
	115,876	114,453	29/Jun/17	1st Quarter, 2019				
28/Dec/17	218,108	191,034	30/Sep/15	1st Quarter, 2019				
	456,830	359,861	15/Sep/16	2nd Quarter, 2019				
	508,853	300,071	16/Dec/16	4th Quarter, 2019				
	204,892	151,209	14/Dec/16	4th Quarter, 2018				

Business Overview

Serial number	Project	City (District)	Aggregate saleable GFA for entire project	Interest attributable to the Company	Completed property developments ⁽¹⁾			
					Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	
					sq.m.	sq.m.	sq.m.	
41	Shijie Country Garden (石碣碧桂園)	Dongguan (Shijie)	212,324	60%				
42	Country Garden Taifu International (碧桂園泰富國際)	Wuhan (Caidian)	383,664	20%				
43	Country Garden – City One (碧桂園•首座)	Dongguan (Dalang)	421,878	52%	78,695		73,929	
44	Country Garden – Wantou Central Mansion (碧桂園•皖投中央名邸)	Chuzhou (Nanqiao)	322,117	34%				
45	Wuhu Country Garden (蕪湖碧桂園)	Wuhu (Sanshanqu)	1,849,800	100%	1,426,830	1,419,264	4,604	
46	Country Garden – The Cullinan (碧桂園•天璽)	Liu'an (Yu'an)	458,548	60%	72,159	71,799		
47	Country Garden – Central City One (碧桂園•城央壹品)	Dongguan (Guancheng)	97,857	87%	93,515	93,233		
48	Beihai Country Garden (北海碧桂園)	Beihai (Yinhai)	361,085	80%	37,900	33,706		
49	Country Garden – Times City (碧桂園•時代悅城)	Nantong (Chongchuan)	282,566	47%				
50	Ningbo Yinzhou Wetland Park Project (寧波鄞州濕地公園項目)	Ningbo (Yinzhou)	115,714	92%				
51	Shengze Country Garden – including Times City (盛澤碧桂園(含時代城))	Suzhou (Wujiang)	629,816	85%				
52	Country Garden Longyue (碧桂園龍悅)	Hangzhou (Xiaoshan)	116,874	94%				
53	Country Garden – River One (碧桂園•濱江壹號)	Jiangmen (Pengjiang)	154,756	95%				
54	Danzao Country Garden (丹灶碧桂園)	Foshan (Nanhai)	292,354	94%	77,673		75,901	
55	Country Garden – Coast one (碧桂園•江灣1號)	Shaoxing (shengzhou)	498,168	51%				
56	Country Garden – Jade Bay – Phases One to Three (碧桂園•翡翠灣 – 一至三期)	Suzhou (Zhangjiagang)	293,847	51%	87,676	86,933		
57	Country Garden – Xijiang Mansion – Phase One & Two (碧桂園•西江禦府 – 一至二期)	Jiangmen (Pengjiang)	481,497	47%	88,751	84,467		
58	Country Garden – Grand Mansion (碧桂園•華府)	Foshan (Shunde)	364,146	80%	186,938	184,329	94	
59	Sanming Country Garden (三明碧桂園)	Sanming (Meilie)	995,781	100%	626,590	625,996		
60	Country Garden – South Station New City (碧桂園•南站新城)	Huizhou (Huiyang)	4,081,057	60%				

Completion date	Properties under development ⁽²⁾				Properties for future development ⁽³⁾			GFA for future development with land grant contracts sq.m.
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date	
	sq.m.	sq.m.			sq.m.			
	212,324	148,318	23/Jun/17	2nd Quarter, 2019				
	310,086	203,905	11/Oct/16	2nd Quarter, 2019	73,578	2nd Quarter, 2018	4th Quarter, 2019	
5/Dec/17	343,183	22,728	12/Apr/17	2nd Quarter, 2019				
	313,735	258,734	22/Dec/16	4th Quarter, 2018	8,382	1st Quarter, 2018	2nd Quarter, 2019	
18/Jan/17	422,970	356,846	31/Oct/16	2nd Quarter, 2019				
30/Dec/17	386,389	372,766	9/Sep/16	1st Quarter, 2019				
11/Dec/17	4,342	624	3/Mar/17	4th Quarter, 2018				
27/Oct/17	323,185	163,638	5/Dec/16	2nd Quarter, 2019				
	207,197	126,995	4/Sep/17	3rd Quarter, 2019	75,369	1st Quarter, 2018	4th Quarter, 2019	
	115,714	113,153	24/Jun/16	4th Quarter, 2018				
	470,498	324,938	13/Apr/16	2nd Quarter, 2019	159,318	3rd Quarter, 2018	4th Quarter, 2019	
	116,874	110,601	24/Jun/16	4th Quarter, 2018				
	154,756	151,788	23/Dec/16	3rd Quarter, 2019				
7/Dec/17	214,681	172,807	5/Mar/17	3rd Quarter, 2019				
	400,104	220,727	18/Nov/16	2nd Quarter, 2019				98,064
13/Dec/17	206,171	194,255	8/Aug/16	4th Quarter, 2018				
23/Nov/17	392,746	265,070	28/Jun/16	4th Quarter, 2019				
4/Dec/17	177,208	149,124	5/Dec/16	1st Quarter, 2019				
23/Dec/16	369,191	331,503	21/Feb/14	4th Quarter, 2019				
	158,433	157,352	14/Nov/16	4th Quarter, 2018	3,922,624	2nd Quarter, 2018	4th Quarter, 2024	

Business Overview

Serial number	Project	City (District)	Aggregate saleable GFA for entire project	Interest attributable to the Company	Completed property developments ⁽¹⁾			
					Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	
					sq.m.	sq.m.	sq.m.	
61	Country Garden — Jade Mansion (碧桂園•翡翠華府)	Wuhu (Wuwei)	326,827	49%				
62	Country Garden — Jade Mansion (碧桂園•翡翠華府)	Nantong (Chongchuan)	130,359	43%				
63	Taishan Country Garden (台山碧桂園)	Jiangmen (Taishan)	2,510,528	100%	1,343,448	1,342,725	723	
64	Country Garden — Jade Riverside (碧桂園•翡翠濱江)	Taizhou (Jingjiang)	190,362	57%				
65	Country Garden — Spring City (碧桂園•清泉城)	Lingshui (Yingzhou)	92,417	47%	92,417	86,355	6,062	
66	Country Garden — Jiyang Mansion (碧桂園•暨陽府)	Wuxi (Jiangyin)	717,434	85%				
67	Binjiang Dexin — Park One (濱江德信•公園壹號)	Jinhua (Yiwu)	134,242	34%				
68	Country Garden Poly Linglan Mansion (碧桂園保利鈴蘭公館)	Shanghai (Pudong)	88,576	10%				
69	Changde Country Garden (常德碧桂園)	Changde (Wuling)	332,192	85%	47,647	43,546		
70	Country Garden — City Garden (碧桂園•城市花園)	Guangzhou (Zengcheng)	448,793	100%	342,961	338,863		
71	Shaoguan Country Garden — Sun Palace (韶關碧桂園•太陽城)	Shaoguan (Xilian)	3,724,105	85%	1,584,527	1,577,305	604	
72	Country Garden — Bay One (碧桂園•海灣1號)	Guangzhou (Nansha)	169,402	85%	169,402	138,714	25,092	
73	Jieyang Country Garden (揭陽碧桂園)	Jieyang (Jiedong)	544,256	65%	46,239	36,635	8,594	
74	Country Garden — Century City (碧桂園•世紀城)	Yangjiang (Binhaixinqu)	435,132	54%				
75	Country Garden — Ten Miles Golden Beach (碧桂園•十里金灘)	Yantai (Haiyang)	2,208,856	90%	708,266	644,414	2,330	
76	Country Garden — Forest Court (碧桂園•森林裡)	Dongguan (Dalingshan)	85,112	29%				
77	Country Garden Cuihu Bay (碧桂園翠湖灣)	Huizhou (Huiyang)	255,361	63%	90,878	90,015		
78	Country Garden Me & You (碧桂園•蜜柚)	Guangzhou (Nansha)	170,443	100%				
79	Country Garden Zhidi Central Park (碧桂園置地中央公園)	Liu'an (Jin'an)	487,831	30%				
80	Shantou Country Garden (汕頭碧桂園)	Shantou (Longhu)	153,470	94%				

Completion date	Properties under development ⁽²⁾				Properties for future development ⁽³⁾			GFA for future development with land grant contracts sq.m.
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date	
	sq.m.	sq.m.			sq.m.			
	326,039	300,509	15/Nov/16	4th Quarter, 2018	788	—	4th Quarter, 2018	
	130,359	107,485	14/Dec/16	4th Quarter, 2018				
22/Dec/17	270,770	210,381	8/Oct/16	1st Quarter, 2019	896,310	2nd Quarter, 2018	4th Quarter, 2021	
	190,362	171,293	1/Dec/16	2nd Quarter, 2019				
22/Nov/17								
	287,151	113,685	27/Apr/17	2nd Quarter, 2019	430,283	3rd Quarter, 2018	4th Quarter, 2020	
	134,242	60,258	16/May/17	1st Quarter, 2019				
	88,576	88,576	10/Oct/16	4th Quarter, 2018				
16/Oct/17	284,545	249,579	21/Sep/16	4th Quarter, 2018				
6/Dec/17	105,832	103,861	30/Sep/16	2nd Quarter, 2019				
12/Dec/17	525,276	176,114	28/Mar/17	2nd Quarter, 2020	1,614,302	2nd Quarter, 2018	4th Quarter, 2024	
19/Dec/17								
24/Nov/17	498,017	496,793	22/Jun/16	2nd Quarter, 2019				
	435,132	211,944	11/May/17	4th Quarter, 2019				
5/Sep/17	340,908	77,425	15/Aug/13	2nd Quarter, 2019	1,013,925	2nd Quarter, 2018	4th Quarter, 2023	145,757
	85,112	83,164	28/Apr/17	3rd Quarter, 2018				
21/Dec/17	164,383	132,751	17/Mar/17	2nd Quarter, 2019	100	1st Quarter, 2018	2nd Quarter, 2019	
	170,443	162,381	5/Aug/16	3rd Quarter, 2018				
	231,086	188,873	9/Jun/17	2nd Quarter, 2019	256,745	1st Quarter, 2018	4th Quarter, 2019	
	153,470	128,909	19/Jan/17	2nd Quarter, 2019				

Business Overview

Serial number	Project	City (District)	Aggregate saleable GFA for entire project	Interest attributable to the Company	Completed property developments ⁽¹⁾			
					Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	
					sq.m.	sq.m.	sq.m.	
81	Dongshangu Country Garden (東山谷碧桂園)	Meizhou (Meijiang)	504,055	83%	125,265	117,297	6,905	
82	Country Garden – Amber Garden (碧桂園•琥珀花園)	Guangzhou (Zengcheng)	142,801	43%				
83	Country Garden Runyang Valley (碧桂園•潤楊溪谷)	Huizhou (Huiyang)	1,789,479	45%				
84	Lunjiao Country Garden (倫敦碧桂園)	Foshan (Shunde)	445,850	95%				
85	Country Garden – Tianyu Mansion (碧桂園•天譽華府)	Ningbo (Cixi)	119,603	47%				
86	Country Garden – Mansion One (碧桂園•首府)	Qinhuangdao (Haigang)	342,048	20%				
87	Country Garden – City Garden (碧桂園•城邦花園)	Zhanjiang (Mazhang)	498,389	53%				
88	Gaoyou Country Garden (高郵碧桂園)	Yangzhou (Gaoyou)	248,562	25%				
89	Country Garden – City of Light (碧桂園•城市之光)	Liu'an (Jin'an)	366,155	60%				
90	Longyou Country Garden (龍游碧桂園)	Quzhou (Longyou)	123,401	66%				
91	Zhengkai Country Garden (鄭開碧桂園)	Kaifeng (Xinqu)	241,932	66%				
92	Country Garden – Cullinan Bay (碧桂園•天璽灣)	Wuhan (Jiangxia)	276,361	41%				
93	Country Garden – Ten Miles Riverside (碧桂園•十里江灣)	Yangjiang (Binhaixinqu)	425,510	87%				
94	Country Garden – Haichang Star Phase Four (碧桂園•海昌之星四期)	Wuhan (Dongxihu Area)	553,667	43%	452,412	452,412		
95	Country Garden – Qiwasong (碧桂園齊齊頌)	Sanya (Haitang)	125,467	43%				
96	Zhangjiagang Country Garden Jade Mansion (張家港碧桂園翡翠公館)	Suzhou (Zhangjiagang)	494,679	34%				
97	Country Garden – Phoenix City (碧桂園•鳳凰城)	Jinan (Zhangqiu)	609,236	100%	277,368	277,368		
98	Xining Country Garden (西寧碧桂園)	Xining (Chengbei)	378,759	94%				
99	Shatian Country Garden (沙田碧桂園)	Dongguan (Shatian)	371,093	93%	43,705	43,459		
100	Country Garden – Mansion 1895 (碧桂園公館1895)	Nantong (Chongchuan)	115,367	46%				
Total			80,560,297		25,779,987	25,105,285	336,567	

Note:

- Those are based on the surveying reports relevant government departments.
- Those are based on the actual measurements by the project management department of the Group.
- “GFA for future development” for each project is the GFA expected to be built.

(1), (2), (3) are obtained land use right certificates, development and operation rights or land titles.

Completion date	Properties under development ⁽²⁾				Properties for future development ⁽³⁾			GFA for future development with land grant contracts sq.m.
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date	
	sq.m.	sq.m.			sq.m.			
28/Dec/17	356,846	195,942	18/Aug/16	4th Quarter, 2019	21,944	3rd Quarter, 2018	4th Quarter, 2019	
	142,801	137,453	6/Jan/17	1st Quarter, 2019				
	385,322	81,801	31/Mar/17	4th Quarter, 2019	1,404,157	3rd Quarter, 2018	4th Quarter, 2021	
	445,850	245,059	16/Nov/16	4th Quarter, 2019				
	119,603	118,202	15/May/17	4th Quarter, 2018				
	198,869	159,459	18/Nov/16	2nd Quarter, 2019	143,179	2nd Quarter, 2018	4th Quarter, 2019	
	407,846	227,008	13/Jan/17	1st Quarter, 2020	90,543	3rd Quarter, 2018	4th Quarter, 2020	
	248,562	222,954	15/Jan/15	4th Quarter, 2018				
	349,812	164,642	1/Aug/17	2nd Quarter, 2019	16,343	3rd Quarter, 2018	4th Quarter, 2019	
	123,401	121,204	23/Dec/16	4th Quarter, 2018				
	241,932	171,939	4/Jan/17	2nd Quarter, 2019				
	276,361	116,250	28/Sep/17	2nd Quarter, 2019				
	307,047	200,432	24/Feb/17	1st Quarter, 2020	118,463	2nd Quarter, 2018	3rd Quarter, 2020	
29/Dec/17	101,255	96,031	10/Apr/17	4th Quarter, 2018				
	34,552	28,297	20/Mar/17	4th Quarter, 2018	90,915	1st Quarter, 2018	3rd Quarter, 2019	
	226,992	143,255	16/Aug/17	4th Quarter, 2019				267,687
29/Oct/14	331,868	178,801	26/May/16	2nd Quarter, 2019				
	253,768	214,422	21/Oct/16	3rd Quarter, 2020	124,991	2nd Quarter, 2018	4th Quarter, 2020	
13/Jun/16	171,003	83,982	9/Dec/16	2nd Quarter, 2019	156,385	2nd Quarter, 2018	4th Quarter, 2019	
	115,367	63,549	22/Sep/17	1st Quarter, 2019				
	33,030,279	21,159,864			20,293,730			1,456,301

Business Overview

Landbank GFA breakdown by location in Mainland China

Location	Aggregate saleable GFA for entire project sq.m.	Completed property developments ⁽¹⁾			Properties under development ⁽²⁾		Properties for future development ⁽³⁾	GFA for future development with land grant contracts sq.m.
		Total completed saleable GFA sq.m.	Total saleable GFA sold and delivered sq.m.	Total saleable GFA pre-sold pending delivery sq.m.	Total saleable GFA under development sq.m.	Total saleable GFA pre-sold sq.m.	GFA for future development sq.m.	
Guangdong	132,840,046	55,571,712	54,089,014	847,454	31,177,205	13,863,675	31,887,168	14,203,961
Jiangsu	47,170,574	11,441,617	10,764,772	435,343	16,742,905	8,395,658	9,662,291	9,323,761
Anhui	35,346,969	12,283,167	11,997,213	18,560	12,825,514	5,791,134	6,646,036	3,592,252
Hunan	21,458,978	6,071,891	5,864,015	79,664	7,015,375	4,073,799	4,234,014	4,137,698
Hubei	21,186,923	7,727,512	7,335,274	318,958	4,703,560	2,321,508	5,262,033	3,493,818
Henan	13,892,419	1,222,208	1,174,360	4,165	6,011,827	2,623,216	3,548,906	3,109,478
Zhejiang	13,722,876	2,275,783	2,146,820	43,929	6,598,075	2,304,679	1,635,469	3,213,549
Guangxi	11,988,709	1,662,790	1,573,057	1,970	4,300,998	2,343,793	2,617,187	3,407,734
Guizhou	11,535,739	1,407,050	1,322,910	18,578	4,919,660	2,615,295	1,478,341	3,730,688
Shandong	11,052,636	2,300,312	2,146,005	55,900	2,067,607	813,616	2,487,831	4,196,886
Fujian	10,046,836	2,049,528	2,031,945	460	4,082,218	1,924,572	1,385,321	2,529,769
Liaoning	9,784,336	5,962,144	5,815,456	13,987	1,577,422	1,108,571	1,960,256	284,514
Hebei	9,117,283	1,405,266	1,365,280	2,411	3,960,774	2,460,187	2,130,069	1,621,174
Chongqing	8,569,097	1,468,866	1,446,778	4,186	1,586,837	491,386	1,904,660	3,608,734
Sichuan	5,926,265	1,855,564	1,707,791	70,514	1,921,947	1,111,507	1,210,521	938,233
Jiangxi	5,822,108	1,093,232	1,059,811	16,588	2,066,788	568,780	944,861	1,717,227
Hainan	5,121,443	1,598,830	1,553,210	6,693	2,090,839	925,527	1,122,908	308,866
Inner Mongolia	4,665,230	1,611,249	1,581,986	11,167	235,107	94,617	2,818,874	-
Shaanxi	4,635,288	396,880	395,338	-	1,291,036	604,963	712,100	2,235,272
Gansu	3,931,946	1,608,062	1,553,505	333	1,602,159	848,309	421,575	300,150
Tianjin	3,622,422	1,142,408	1,080,617	6,672	726,493	205,421	1,490,922	262,599
Yunnan	2,763,030	268,701	254,043	134	489,443	316,832	795,558	1,209,328
Shanxi	1,590,148	62,787	36,686	20,319	647,830	297,276	519,470	360,061
Shanghai	1,346,725	72,643	55,097	4,528	805,913	243,436	310,067	158,102
Beijing	1,021,287	-	-	-	-	-	316,910	704,377
Ningxia	687,345	-	-	-	58,973	12,220	-	628,372
Xinjiang	574,260	-	-	-	-	-	-	574,260
Heilongjiang	478,073	373,152	352,079	-	104,921	55,027	-	-
Jilin	415,045	177,692	162,213	126	40,715	-	196,638	-
Qinghai	378,759	-	-	-	253,768	214,422	124,991	-
Total	400,692,795	123,111,046	118,865,275	1,982,639	119,905,909	56,629,426	87,824,977	69,850,863

Note:

1. Those are based on the surveying reports from relevant government departments.
2. Those are based on the actual measurements by the project management department of the Group.
3. "GFA for future development" for each project is the GFA expected to be built.

(1), (2), (3) are obtained land use right certificates, development and operation rights or land titles.



— Chong Ming Island Country Garden, Nantong

Business Overview

The development status of the Group's hotel properties

The Group has developed and currently operated 2 five-star hotels and 2 four-star hotels, as well as 31 hotels which have been developed to the five-star rating standard and 4 hotels which have been developed to the four-star rating standard under the “Star-Rating Standard for Tourist Hotels”. In addition, the Group has 7 hotels that are under construction in accordance with the five-star rating standard and 2 hotels that is under construction in accordance with the four-star rating standard of the “Star-Rating Standard for Tourist Hotels”.

The development status of the Group's hotel properties as at 31 December 2017 is as follow:

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Holiday Resorts (順德碧桂園度假村)	Shunde Country Garden, Foshan, Guangdong Province	February 2000	201	Four-Star (in operation)
Phoenix City Hotel, Guangzhou (廣州鳳凰城酒店)	Country Garden Phoenix City, Guangzhou, Guangdong Province	November 2003	573	Five-Star (in operation)
Country Garden Pheonix Hotel, Changshou, Chongqing (重慶長壽碧桂園鳳凰酒店)	Changshou Country Garden, Changshou, Chongqing Municipality	September 2010	335	Five-Star (in operation)
Country Garden Phoenix Hotel, Jingmen (荊門碧桂園鳳凰酒店)	Jingmen Country Garden, Jingmen, Hubei Province	October 2010	138	Four-Star (in operation)
Maritim Hotel, Wuhu (蕪湖碧桂園瑪麗蒂姆酒店)	Wuhu Country Garden, Wuhu, Anhui Province	December 2010	602	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Wuhan (武漢碧桂園鳳凰酒店)	Wuhan Country Garden, Wuhan, Hubei Province	January 2011	331	According to five-star rating standard (in operation)
Country Garden Holiday Hotel, Shenyang (瀋陽碧桂園假日酒店)	Shenyang Country Garden, Shenyang, Liaoning Province	May 2011	50	According to five-star rating standard (in operation)
Maritim Hotel, Shenyang (瀋陽碧桂園瑪麗蒂姆酒店)	Country Garden – Galaxy Palace, Shenyang, Liaoning Province	July 2011	631	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Tianjin (天津碧桂園鳳凰酒店)	Tianjin Country Garden, Balitai, Tianjin Municipality	August 2011	249	According to five-star rating standard (in operation)
Country Garden Hill Lake Phoenix Hotel (碧桂園如山湖鳳凰酒店)	Country Garden – Hill Lake City, Maanshan, Anhui Province	November 2011	454	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Lechang (樂昌碧桂園鳳凰酒店)	Lechang Country Garden, Shaoguan, Guangdong Province	November 2011	129	According to five-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Phoenix Hotel, Ningxiang (寧鄉碧桂園鳳凰酒店)	Country Garden – Hill Lake Palace, Changsha, Hunan Province	December 2011	129	According to five-star rating standard (in operation)
Country Garden Europe City Phoenix Hotel (碧桂園歐洲城鳳凰酒店)	Country Garden – Europe City, Chuzhou, Anhui Province	December 2011	333	According to five-star rating standard (in operation)
Country Garden Holiday Hot Spring Hotel, Fogang (佛岡碧桂園假日溫泉酒店)	Country Garden Spring City, Qingyuan, Guangdong Province	April 2012	11	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Chizhou (池州碧桂園鳳凰酒店)	Chizhou Country Garden, Chizhou, Anhui Province	June 2012	338	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Tongliao (通遼碧桂園鳳凰酒店)	Tongliao Country Garden, Tongliao, Inner Mongolia	July 2012	321	According to five-star rating standard (in operation)
Country Garden Phoenix Hot Spring Hotel, Taizhou (泰州碧桂園鳳凰溫泉酒店)	Taizhou Country Garden, Taizhou, Jiangsu Province	July 2012	331	According to five-star rating standard (in operation)
Country Garden Phoenix City Hotel (碧桂園鳳凰城酒店)	Country Garden – Phoenix City, Zhenjiang, Jiangsu Province	September 2012	334	According to five-star rating standard (in operation)
Country Garden Silver Beach Hotel (碧桂園十里銀灘酒店)	Country Garden – Ten Miles Beach, Huizhou, Guangdong Province	October 2012	336	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Chaohu (巢湖碧桂園鳳凰酒店)	Chaohu Country Garden, Hefei, Anhui Province	November 2012	336	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Anqing (安慶碧桂園鳳凰酒店)	Anqing Country Garden, Anqing, Anhui Province	December 2012	336	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Huiyang (惠陽碧桂園鳳凰酒店)	Huiyang Country Garden, Huizhou, Guangdong Province	December 2012	118	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Yunfu (雲浮碧桂園鳳凰酒店)	Yunfu Country Garden, Yunfu, Guangdong Province	March 2013	129	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Xing'anmeng (興安盟碧桂園鳳凰酒店)	Xing'anmeng Country Garden, Xing'anmeng, Inner Mongolia	July 2013	134	According to five-star rating standard (in operation)

Business Overview

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Phoenix Hotel, Haicheng (海城碧桂園鳳凰酒店)	Haicheng Country Garden, Anshan, Liaoning Province	December 2013	134	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Maoming (茂名碧桂園鳳凰酒店)	Country Garden City Garden, Maoming, Guangdong Province	January 2014	199	According to five-star rating standard (in operation)
Country Garden Golden Beach Hotel, Hainan (海南碧桂園金沙灘酒店)	Country Garden — Golden Beach, Lingao, Hainan Province	April 2014	84	According to five-star rating standard (in operation)
Hilton Foshan (佛山希爾頓酒店)	Country Garden City Garden, Foshan, Guangdong Province	July 2014	600	According to five-star rating standard (in operation)
Country Garden Spring Town Holiday Hotel, Hainan (碧桂園海南小城之春假日酒店)	Country Garden Spring Town, Lingao, Hainan Province	July 2014	113	According to five-star rating standard (in operation)
Country Garden Holiday Hotel, Meizhou (梅州碧桂園假日酒店)	Shejiang Country Garden, Meizhou, Guangdong Province	October 2014	50	According to four-star rating standard (in operation)
Country Garden Sun Palace Phoenix Hotel (碧桂園太陽城鳳凰酒店)	Shaoguan Country Garden — Sun Palace, Shaoguan, Guangdong Province	February 2015	138	According to five-star rating standard (in operation)
Country Garden Jade Bay Phoenix Hotel (碧桂園翡翠灣鳳凰酒店)	Country Garden — Jade Bay, Jiangmen, Guangdong Province	October 2015	284	According to five-star rating standard (in operation)
Country Garden Gold Beach Hotel (碧桂園十里金灘酒店)	Country Garden — Ten Miles Golden Beach, Yantai, Shandong Province	October 2015	336	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Beiliu (北流碧桂園鳳凰酒店)	Beiliu Country Garden, Yulin, Guangxi	October 2015	210	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Shenyang (瀋陽碧桂園鳳凰酒店)	Country Garden — Phoenix City, Shenyang, Liaoning Province	November 2015	134	According to five-star rating standard (in operation)
Country Garden Holiday Hotel, Guiyang (貴陽碧桂園假日酒店)	Huaxi Country Garden, Guiyang, Guizhou Province	November 2015	82	According to four-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Phoenix Hotel, Longjiang (龍江碧桂園鳳凰酒店)	Country Garden Grand Palace, Foshan, Guangdong Province	November 2015	193	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Yangshan (陽山碧桂園鳳凰酒店)	Yangshan Country Garden, Qingyuan, Guangdong Province	January 2017	138	According to five-star rating standard (in operation)
Country Garden Meilang Bay Phoenix Hotel (碧桂園美浪灣鳳凰酒店)	Country Garden Meilang Bay, Chengmai, Hainan	January 2017	105	According to four-star rating standard (in operation)
Hilton Wuhan Optics Valley (武漢光谷希爾頓酒店) ⁽²⁾	Country Garden – Eco City, Wuhan, Hubei Province	*2018	510	According to five-star rating standard (under construction)
Country Garden Phoenix Hotel, Zhangjiajie (張家界碧桂園鳳凰酒店) ⁽³⁾	Zhangjiajie Country Garden, Zhangjiajie, Hunan province	*2018	1,047	According to five-star rating standard (under construction)
Hilton Tianjin Binhai (天津濱海希爾頓酒店)	Independent Hotel, Tanggu, Tianjin Municipality	*2018	1,238	According to five-star rating standard (under construction)
Country Garden Phoenix Hotel, Quzhou (衢州碧桂園鳳凰酒店)	Quzhou Country Garden, Quzhou, Zhejiang Province	*2018	254	According to five-star rating standard (under construction)
Country Garden Phoenix Hotel, Yiyang (益陽碧桂園鳳凰酒店)	Yiyang Country Garden, Yiyang, Hunan Province	*2018	251	According to five-star rating standard (under construction)
Country Garden Phoenix Hotel, Jianghai (江海碧桂園鳳凰酒店)	Jianghai Country Garden, Jiangmen, Guangdong Province	*2018	195	According to four-star rating standard (under construction)
Country Garden Forest City Phoenix Hotel (碧桂園森林城市鳳凰酒店) ⁽⁴⁾	Country Garden Forest City, Johor, Malaysia	*2018	283	According to five-star rating standard (under construction)
Heshan Gonghe Forest Lake Phoenix Hotel (碧桂園天麓湖鳳凰酒店)	Country Garden – Forest Lake, Jiangmen, Guangdong Province	*2018	161	According to four-star rating standard (under construction)
Country Garden Runyang Valley Hot Spring Hotel (碧桂園潤揚溪谷溫泉酒店) ⁽⁵⁾	Country Garden Runyang Valley, Huizhou, Guangdong Province	*2018	199	According to five-star rating standard (under construction)

Notes:

- (1) Hotels are only allowed to apply for star hotel certification after one year of operation.
- (2) Hilton Wuhan Optics Valley commenced partial trial operation on 31 December 2013.
- (3) Country Garden Phoenix Hotel, Zhangjiajie commenced partial trial operation on 16 October 2015.
- (4) Country Garden Forest City Phoenix Hotel commenced partial trial operation on 6 December 2016.
- (5) Country Garden Runyang Valley Hot Spring Hotel commenced partial trial operation on 28 May 2016.

Financial Summary

Consolidated Results

	2013	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	62,724,729	84,548,803	113,222,640	153,086,977	226,899,786
Profit before income tax	13,473,153	16,369,125	14,833,109	21,390,572	46,521,969
Income tax expense	(4,625,173)	(5,757,225)	(5,121,428)	(7,727,349)	(17,770,164)
Profit for the year	8,847,980	10,611,900	9,711,681	13,663,223	28,751,805
Profit attributable to:					
Owners of the Company	8,514,104	10,229,159	9,276,485	11,516,815	26,063,518
Non-controlling interests	333,876	382,741	435,196	2,146,408	2,688,287
	8,847,980	10,611,900	9,711,681	13,663,223	28,751,805
Earnings per share:					
Basic (RMB Cents)	45.97	53.45	42.54	52.17	122.80

Consolidated Financial Position

	2013	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	60,025,745	75,415,162	89,940,229	106,736,094	181,753,808
Current assets	146,213,683	192,617,047	272,016,098	484,835,507	867,915,450
Current liabilities	114,904,283	156,623,024	201,594,927	405,314,008	769,536,810
Net current assets	31,309,400	35,994,023	70,421,171	79,521,499	98,378,640
Total assets less current liabilities	91,335,145	111,409,185	160,361,400	186,257,593	280,132,448
Non-current liabilities	45,323,978	48,966,759	71,020,994	104,642,423	163,520,519
Equity attributable to owners of the Company	43,953,620	56,686,205	65,290,710	70,128,365	93,670,572
Non-controlling interests	2,057,547	5,756,221	24,049,696	11,486,805	22,941,357
Total equity	46,011,167	62,442,426	89,340,406	81,615,170	116,611,929
Equity attributable to owners of the Company					
– NBV per share (RMB)	2.38	2.79	2.89	3.25	4.40
Net debt¹	29,569,189	33,854,619	41,865,917	39,705,989	66,362,905
Net gearing ratio (%)	64.3	57.0	60.0	48.7	56.9

Note:

1. Net debt equals to total debt (representing bank and other borrowings, senior notes and corporate bonds) net of available cash.

Financial Highlights

Revenue (RMB billion)

2017	226.9
2016	153.1
2015	113.2
2014	84.5
2013	62.7

Profit attributable to owners of the Company (RMB billion)

2017	26.1
2016	11.5
2015	9.3
2014	10.2
2013	8.5

Core net profit attributable to owners of the Company (RMB billion)

2017	24.7
2016	12.0
2015	9.8
2014	9.2
2013	8.0

Basic earnings per share (RMB Cents)

2017	122.80
2016	52.17
2015	42.54
2014	53.45
2013	45.97

Equity attributable to owners of the Company (RMB billion)

2017	93.7
2016	70.1
2015	65.3
2014	56.7
2013	44.0

Equity attributable to owners of the Company — NBV per share (RMB)

2017	4.40
2016	3.25
2015	2.89
2014	2.79
2013	2.38

Management Discussion and Analysis



— Country Garden — Qingyue Bay, Zhumadian

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from five business segments: (i) property development, (ii) construction, (iii) property investment, (iv) property management, and (v) hotel operation. Revenue increased by 48.2% to approximately RMB226,899.8 million in 2017 from approximately RMB153,087.0 million in 2016. 97.0% of the Group's revenue was generated from the sales of properties (2016: 96.8%) and 3.0% from other segments (2016: 3.2%).

Group's revenue increased by

48.2%

to approximately

RMB
226,899.8
million

Property Development

Revenue generated from property development maintained a growth as a result of the continuous growth of property contracted sales, strict construction management control and timely delivery of units in 2017. Early adoption of HKFRS 15 also contributed to the increase. Revenue generated from property development increased by 48.6% to approximately RMB220,157.4 million in 2017 from approximately RMB148,180.1 million in 2016. The recognised average selling price of property delivered was RMB7,863 per sq.m. in 2017, increasing from RMB6,191 per sq.m. in 2016.

Construction

Construction revenue from external parties increased by 101.6% to approximately RMB2,304.7 million in 2017 from RMB1,143.0 million in 2016, primarily due to increase in the volume of services rendered to related parties and third parties of the Group.

Revenue generated from property development increased by

48.6%

to approximately

RMB
220,157.4
million

Construction revenue from external parties increased by

101.6%

to approximately

RMB
2,304.7
million



— Country Garden — Tai Dong Tianyue Bay, Huizhou

Management Discussion and Analysis

Property management revenue from external parties increased by

35.6%

to approximately

RMB
2,656.3
million

Property Management

As at 31 December 2017, the Group's property management segment undertook contracts to manage properties with total gross floor area of approximately 329.5 million sq.m. in over 240 cities across 28 provinces in Mainland China for approximately 1 million homeowners in total.

During the year of 2017, the property management and community-related businesses generated revenue of approximately RMB2,656.3 million, up by 35.6% year on year. The business segment also recorded an operating profit of approximately RMB486.5 million, up by 20.0% year on year.



— Chaozhou Country Garden, Chaozhou



— Country Garden — City Garden, Lanzhou

Hotel Operation

Hotel operation revenue from external parties decreased by 2.0% to approximately RMB1,673.8 million in 2017 from approximately RMB1,707.6 million in 2016, primarily due to the disposal of interests in several hotels to certain third parties during the year.

Property Investment

Revenue generated from property investment increased by 10.8% to approximately RMB107.6 million in 2017 from approximately RMB97.1 million in 2016. The fair values of these investment properties amounted to approximately RMB8,338.1 million, including approximately RMB7,042.1 million of completed properties and approximately RMB1,296.0 million of properties under development.

Revenue generated from property investment increased by

10.8%

to approximately

RMB
107.6
million

Management Discussion and Analysis



— Country Garden — Emerald Mountain, Huizhou

Finance Income/(costs) — Net

As a result of net exchange gains caused by the appreciation of RMB and the effective hedging policy adopted, the Group recorded net finance income of approximately RMB3,276.1 million in 2017, compared with net finance costs of approximately RMB1,095.3 million in 2016.

The Group recorded post-hedging net foreign exchange gains of approximately RMB1,802.7 million in 2017 (2016: post-hedging net foreign exchange losses of approximately RMB1,485.1 million), interest income of approximately RMB1,620.0 million in 2017 (2016: approximately RMB532.9 million), interest expense of approximately RMB11,040.6 million in 2017 (2016:

approximately RMB6,876.8 million) of which 100% were capitalised on qualifying assets (2016: 97.9%), and loss on early redemption of senior notes of approximately RMB146.6 million in 2017 (2016: nil).

Profit and Core Net Profit Attributable to Owners of the Company

Due to the growth of the Group's revenue, the increase of the gross profit ratio and effective controls on expense, the profit attributable to owners of the Company increased by approximately 126.3% to approximately RMB26,063.5 million in 2017, when compared with approximately RMB11,516.8 million in 2016.

After deduction of the post-tax gains arising from changes in fair value of and transfer to investment properties, net exchange gains/losses on financing activities, loss on early redemption of senior notes and changes in fair value of derivative financial instruments, the core net profit attributable to owners of the Company in 2017 was approximately RMB24,686.4 million, representing an increase of approximately 106.0% when compared with approximately RMB11,984.6 million in 2016.

Liquidity, Financial and Capital Resources

As at 31 December 2017, the Group's cash and bank deposits (including restricted cash) amounted to approximately RMB148,402.1 million (31 December 2016: approximately RMB96,490.9 million). As at 31 December 2017, 93.6% (31 December 2016: 93.8%) of the Group's cash and bank deposits was denominated in Renminbi and 6.4% (31 December 2016: 6.2%) was denominated in other currencies (mainly US dollars, HK dollars and Malaysian Ringgit).

As at 31 December 2017, the carrying amount of the restricted cash was approximately RMB11,318.2 million (31 December 2016: approximately RMB11,844.0 million). Pursuant to relevant regulations, certain of the project companies were required to deposit a portion of proceeds from pre-sales of properties into designated bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts could only be used for the restricted purposes of purchasing construction materials and equipment,

Profit attributable to Owners of the Company increased by

126.3%

to approximately

RMB
26,063.5
 million

Core net profit increased by

106.0%

to approximately

RMB
24,686.4
 million

Group's cash and bank deposits (including restricted cash) amounted to approximately

RMB
148,402.1
 million

Management Discussion and Analysis



— Country Garden — Tonghu Sci-Tech Town, Huizhou

Net current assets were approximately

RMB
98,378.6
million

Net gearing ratio increased slightly to approximately

56.9%

making interim construction payments and paying tax, with the prior approval of the relevant local authorities.

As at 31 December 2017, the net current assets of the Group were approximately RMB98,378.6 million (31 December 2016: approximately RMB79,521.5 million). The current ratio being current assets over current liabilities was approximately 1.1 as at 31 December 2017, which slightly decreased from approximately 1.2 as at 31 December 2016.

As at 31 December 2017, the Group's bank and other borrowings, senior notes and corporate bonds amounted to approximately RMB135,516.8 million, RMB31,913.6 million and RMB47,334.7 million respectively (31 December 2016: approximately RMB69,222.8 million, RMB29,264.4 million and RMB37,709.6 million respectively).

For bank and other borrowings, approximately RMB47,671.8 million, RMB87,093.3 million and RMB751.7 million will be repayable within 1 year, between 1 and 5 years and beyond 5 years respectively (31 December 2016: approximately RMB30,512.7 million, RMB36,195.5 million and RMB2,514.6 million respectively). As at 31 December 2017 and 31 December 2016, the majority of the bank and other borrowings were secured by certain land use rights and properties of the Group or guaranteed by the Group.

Net gearing ratio is measured by the net debt (representing bank and other borrowings, senior notes and corporate bonds net of available cash, which equals to the sum of cash and cash equivalents and the guarantee deposits for construction of pre-sold properties) over total equity. Net gearing ratio increased slightly from approximately 48.7% as at 31 December 2016 to approximately 56.9% as at 31 December 2017.

Key Risk Factors and Uncertainties

The following content lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Risks Pertaining to the Property Market and Operation

The Group's businesses and prospects are largely dependent on the performance of the property market in Mainland China. The property market in Mainland China is affected by a number of factors, including changes in social, political, economic and legal environment, as well as changes in the government's financial, economic, monetary, industrial and conservation policies. The Group is also susceptible to changes in economic conditions, consumer confidence, consumption spending, and changes in consumption preferences. Therefore, the Group continues to implement its strategies to develop and strengthen penetration of different regional markets thereby reducing its dependence on specific markets. The Group's operation is subject to a number of risk factors distinctive to property development, property investment, and property related businesses. Default on the part of our buyers, tenants and strategic business partners, inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the results of operations. Additionally, accidents may happen despite the fact that the Group has set up systems and policies for accident prevention, which may lead to financial loss, litigation, or damage in reputation.

Interest Rate Risk

The Group's bank and other borrowings mainly bear floating rates. As at 31 December 2017, the weighted average borrowing cost of the Group's total debt was 5.22%, which was down by 44 basic points from that as at 31 December 2016. The Group has implemented certain interest rate management which includes, among the others, close monitoring of interest rate movements and refinancing on existing banking facilities or entering into new banking facilities when good pricing opportunities arise.

Foreign Exchange Risk

The Group's business is mainly denominated in Renminbi. Foreign exchange risk mainly arises from the outstanding foreign currency borrowings (mainly denominated in US dollars, HK dollars and Malaysian Ringgit). Since 2015, the Group has adopted foreign currency hedging instruments to achieve better management over foreign exchange risks. The objective of the hedges is to minimise the volatility of the RMB



— Baotou Country Garden — Baotou

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cost of highly probable forecasted repayments of debts. The Group's risk management policy is to partially hedge forecasted foreign currency cash flows, subject to availability of appropriate hedging instruments and cost of hedging. The Group uses a combination of foreign exchange forward contracts, foreign currency option contracts, cross currency swaps and foreign exchange structured derivatives to hedge its exposure to foreign exchange risks.

Guarantees

As at 31 December 2017, the Group had guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB214,908.5 million (31 December 2016: approximately RMB127,502.7 million).

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks, and

the Group is entitled to take over the legal title and possession of the related properties. The guarantees were to be discharged upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans by the purchasers of properties.

The Board considers that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty, therefore, no provision has been made in the financial statements for the guarantees.

In addition, as at 31 December 2017, the Group had provided guarantees amounting to approximately RMB33,499.6 million (31 December 2016: approximately RMB18,617.4 million) for the borrowings of certain joint ventures, associates and third parties of the Group.

Capital and Property Development Commitments

As at 31 December 2017, the commitments of the Group in connection with capital and property development expenditures amounted to approximately RMB144,065.2 million (31 December 2016: approximately RMB94,933.4 million). This amount primarily arose from contracted land costs, contracted construction fees or other capital commitments for future property developments. The Group expects to fund these commitments principally from the Group's owned cash pre-sold proceeds of the properties and partly from bank borrowings.

Employees and Remuneration Policy

Human resource has always been the most valuable resource of the Group. As at 31 December 2017, the Group had approximately 124,837 full-time employees (31 December 2016: 94,450).

The remuneration package of the employees includes salary, bonus and other cash subsidies. Employees are rewarded on a performance related basis, together with

reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group believes that the salaries and benefits that the employees receive are competitive in comparison with market rates. The Group is subject to social insurance contribution plans or other pension schemes organised by the regional governments and is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing fund or to contribute regularly to other mandatory provident fund schemes on behalf of the employees. As at the date of this announcement, there were no significant labor disputes which adversely affect or are likely to have an adverse effect on the operations of the Group.

In order to adapt itself to the fast growing and ever changing market, the Group came up with the partnership scheme, aligning the interests of employees with that of the Company. Not only could this profit and



— Country Garden — Jiangzhou Mansion, Jiujiang

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loss sharing program help lower operational cost and increase profit and returns, but also make employees better understand the Company's culture of "home experience", and allow them to further develop together with the Company.

The Group has approved and/or adopted certain share option schemes and employee incentive schemes, details can be referred to in the sections-headed "Share Option Scheme" and "Employee Incentive Scheme" of this report.

Forward Looking

Being one of the most important sectors of the Chinese economy, the strong needs of quality housing brought by first time buyers and upgraders stimulated by the urbanization process will still be the driver of long term development of the property sector. In 2018, it is expected that, the government will strengthen the regulation of the classification of the real estate market and strive to promote the development of the long-term property leasing business; while the competition in the real estate industry will be more intensive, the consolidation within the sector will be continued and the market will be further differentiated. To embrace the change of the market, the Group will continue to adopt steady financial policies and risk control measures, strengthen its contracted sales and cash collection and apply strict cost control to strengthen operating cash flows and ensure investment return. Meanwhile, the Group will continue to apply a more prudent and practical strategy on new land acquisition to ensure the quality of future projects and optimize geographic layout, and to develop the corresponding investment portfolios

catering for different stages of China's urbanization and capture all kinds of market demand. Besides, on the basis of steady growth, the Group will make flexible adjustments according to the market situation, such as further developing the long-term property leasing business and focusing on increasing of profitability to achieve high quality and all-rounded development. Looking forward, the Company will actively explore the value of businesses and assets within the value chain of real estate to maximize the corporate value. To Country Garden, the urbanization is far from over, the Group will continue to focus on the residential and related demands brought by urbanization, establishing an integration platform covering all stages of lives for our clients.

Significant Subsequent Events

On 16 January 2018, the Group entered into a placing and subscription agreement for 460,000,000 shares at a price of HKD17.13 per share. On the same date, the Group also entered into a bond subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD15,600,000,000 due 27 January 2019 (the "Bonds"). The Bonds could be converted into ordinary shares of the Company at the initial conversion price of HKD20.556 per share at any time on or after 11 March 2018 and before the tenth business day prior to the maturity date. The Bonds are listed in the Singapore Exchange Securities Trading Limited.

On 19 March 2018, the Group submitted the application materials to Stock Exchange in relation to the spin-off and listing of property management services business.



— Huanggang Country Garden, Huanggang



— Country Garden — Runyang Valley, Huiyang





Governance



Biographical Details of Directors and Senior Management

Executive Directors

YEUNG Kwok Keung (楊國強), aged 63, was appointed as the Chairman and an executive Director in December 2006. Mr. YEUNG is also the chairman of the Nomination Committee, the Corporate Governance Committee and the Executive Committee, a member of the Remuneration Committee and a director of various members of the Group. Mr. YEUNG is responsible for the formulation of development strategies, investment planning and overall project planning as well as ensuring the Board functions properly with good corporate governance practice. From 1992 to 1997, Mr. YEUNG was the general manager of Shunde Sanhe Co., the real estate business in which Mr. YEUNG was engaged in before he founded the Group. From 1986 to 1997, Mr. YEUNG served as the general manager and the chairman of Beijiao Construction Co. and also served as the general manager of the Group from 1997 to 2003. He has been the Chairman since the Company was listed in 2007. Mr. YEUNG has over 40 years of experience in construction and over 26 years of experience in property development. Mr. YEUNG was awarded “China Charity Outstanding Contributions Person” and “Top Ten Contributions Persons to China Real Estate” in 2009, “China Real Estate Entrepreneur Charity Award” and “Person of China Real Estate” in 2010, “Individual under Non-collectively Own Category for Helping Poverty in Guangdong” in 2011, “2012 China Corporate Social Responsibility Award for Outstanding Entrepreneur” in 2012, “National Outstanding Individual for Poverty Relief” Honorable Mention in 2014, “2015 China Poverty Eradication Award” in 2015, as well as “China Charity Award-The Most Caring Contributing Individual” and “National Contribution Award for Poverty Relief” in 2016. Mr. YEUNG is a member of the 12th and 13th National Committee of the Chinese People’s Political Consultative Conference and “The Honorable Director of Tsinghua University”. Mr. YEUNG is the father of Ms. YANG Huiyan, the vice Chairman, an executive Director and a controlling Shareholder; the father of Ms. YANG Ziying, an executive Director; the uncle of Mr. YANG Zhicheng, an executive Director; and the father-in-law of Mr. CHEN Chong, a non-executive Director.



YEUNG Kwok Keung
楊國強



YANG Huiyan
楊惠妍

YANG Huiyan (楊惠妍), aged 36, was appointed as an executive Director in December 2006 and the vice Chairman in March 2012. Ms. YANG is also a member of the Corporate Governance Committee, the Executive Committee and the Finance Committee and a director of various members of the Group. Ms. YANG graduated from Ohio State University with a bachelor degree in marketing and logistics. Ms. YANG joined the Group in 2005 and served as the manager of the procurement department. Currently, she is primarily responsible for the formulation of development strategies of the Group. Ms. YANG was appointed as a director and the chairperson of the board of Bright Scholar Education Holdings Limited, a company whose shares are listed on The New York Stock Exchange, in February and April 2017 respectively. Ms. YANG was awarded “China Charity Award Special Contribution Award” in 2008. Ms. YANG is the daughter of Mr. YEUNG Kwok Keung, the Chairman and an executive Director; the sister of Ms. YANG Ziyang, an executive Director; a cousin of Mr. YANG Zhicheng, an executive Director; and the wife of Mr. CHEN Chong, a non-executive Director.



MO Bin
莫斌

MO Bin (莫斌), aged 51, was appointed as the President and an executive Director in July 2010. Mr. MO is also a member of the Remuneration Committee, the Corporate Governance Committee, the Executive Committee and the Finance Committee and a director of several members of the Group. Mr. MO graduated from Hengyang Institute of Technology (currently known as University of South China) with a bachelor degree in industrial and civil architecture. He obtained his postgraduate degree from Zhongnan University of Economics and Law and is a professor-grade senior engineer. Mr. MO is primarily responsible for the management of daily operation and general administration of the Group. Prior to joining the Group, Mr. MO was employed by an internationally competitive construction and property group in Mainland China, China Construction, in a number of senior positions since 1989, most recently as a director and general manager of China Construction Fifth Division. Mr. MO has over 28 years of extensive experience in property development, construction business, construction management, marketing, cost control and corporate management.

Biographical Details of Directors and Senior Management

YANG Ziying (楊子莹), aged 30, was appointed as an executive Director in May 2011. Ms. YANG is also a member of the Executive Committee and the Finance Committee (appointment effective from 20 March 2018) and a director of various members of the Group. Ms. YANG graduated from Ohio State University with a bachelor degree in psychology. Ms. YANG joined the Group in 2008 as an assistant to the Chairman. Currently, she is primarily responsible for overseeing the finance of the Group, including offshore and onshore financing. Prior to joining the Group, Ms. YANG worked in a renowned global investment bank. Ms. YANG is the daughter of Mr. YEUNG Kwok Keung, the Chairman and an executive Director, the sister of Ms. YANG Huiyan, the vice Chairman, an executive Director and a controlling Shareholder; a cousin of Mr. YANG Zhicheng, an executive Director; and a sister-in-law of Mr. CHEN Chong, a non-executive Director.



YANG Ziying
楊子莹

YANG Zhicheng (楊志成), aged 44, was appointed as an executive Director in December 2006, a regional president of the Group, a member of the Executive Committee and the Finance Committee. Mr. YANG is primarily responsible for the overall development and management of certain property development projects of the Group. Prior to joining the Group in 1997, Mr. YANG served as a project manager of Shunde Sanhe Co. and the general manager of Foshan Shunde Jun'an Country Garden Property Development Co., Ltd. After joining the Group, he served as the project general manager of the Group and was appointed as a vice President in November 2017. Mr. YANG has approximately 24 years of experience in project development. Mr. YANG is a nephew of Mr. YEUNG Kwok Keung, the Chairman and an executive Director; a cousin of Ms. YANG Huiyan, the vice Chairman, an executive Director and a controlling Shareholder; and a cousin of Ms. YANG Ziying, an executive Director; and a cousin-in-law of Mr. CHEN Chong, a non-executive Director.



YANG Zhicheng
楊志成



SONG Jun
宋軍

SONG Jun (宋軍), aged 50, was appointed as an executive Director in May 2013. Mr. SONG graduated from Chongqing College of Construction and Architecture (currently known as Chongqing University) with a bachelor degree in engineering and is a qualified PRC architect. Prior to joining the Group in 1994, Mr. SONG worked in Hunan Province Jishou City Construction Institute and Elite Architectural and was responsible for architectural design work. Since 1997, he served as a project manager and a general manager of Shunde Country Garden and Guangzhou Country Garden Company, and has been serving as vice President since 2005, and has been responsible for the management of property project development of the Group. Currently, Mr. SONG is responsible for the overall operation, management and sustainable development of property projects of the Group in certain regions. Mr. SONG has 21 years of experience in the management of property development.



LIANG Guokun
梁國坤

LIANG Guokun (梁國坤), aged 59, was appointed as an executive Director in May 2013. Mr. LIANG is primarily responsible for landscape design and gardening system management and supervision. Prior to joining the Group in 1999, Mr. LIANG worked in Chung Shan Hot Spring Golf Club from 1985 to 1994. He also worked in Dongguan Yin Li Golf Club, Shenzhen Mission Hills Golf Club and Shenzhen Longgang Green Club (currently known as Citic Green Golf Club), in a number of senior positions, from 1994 to 1999. Mr. LIANG served as a vice President since 2011. Mr. LIANG has 33 years of experience in golf course design management and landscape design management.



SU Baiyuan
蘇柏垣

SU Baiyuan (蘇柏垣), aged 52, was appointed as an executive Director in December 2013. Mr. SU graduated from Guangzhou Normal Institute (currently known as Guangzhou University) with a degree in geography and obtained a postgraduate degree in human geography from Sun Yat-Sen University. Prior to joining the Group in 2005, Mr. SU had over 10 years of experience in land planning and development as well as operational management. Mr. SU was a vice President until February 2013, and was primarily responsible for investment development and the overall management of certain property development projects of the Group. Mr. SU was re-appointed as a vice President in November 2013. Currently, he is primarily responsible for overseas development and the management of certain overseas property development projects of the Group.

Biographical Details of Directors and Senior Management

Non-Executive Director

CHEN Chong (陳翀), aged 39, was appointed as a non-executive Director in December 2016. Mr. CHEN graduated from Tsinghua University with a bachelor of science in chemistry. He also obtained a master of science in biological sciences research from Royal Holloway and Bedford New College, University of London. In 2015, Mr. CHEN was appointed as the first president of the Overseas Study Youth Association of Guangdong Province. Mr. CHEN is the son-in-law of Mr. YEUNG Kwok Keung, the Chairman and an executive Director, the husband of Ms. YANG Huiyan, the vice Chairman, an executive Director and the controlling Shareholder, a brother-in-law of Ms. YANG Ziyang, an executive Director, and a cousin-in-law of Mr. YANG Zhicheng, an executive Director.



CHEN Chong
陳翀

Independent Non-Executive Directors

LAI Ming, Joseph (黎明), aged 73, was appointed as an independent non-executive Director in December 2006 and is currently the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. LAI is a fellow member of the HKICPA, CPA Australia, CIMA and the Hong Kong Institute of Directors. Mr. LAI was one of the co-founders of the Hong Kong Branch of CIMA founded in 1973 and was its president in 1974/75 and 1979/80. He was the president of the HKICPA in 1986. Mr. LAI is an independent non-executive director of Jolimark Holdings Limited and retired as an independent non-executive director of Yuhua Energy Holdings Limited (formerly known as “Shinhint Acoustic Link Holdings Limited”) on 23 May 2014 and R & F on 19 May 2017, all of which are companies whose shares are listed on the Stock Exchange. Mr. LAI also holds directorships in several private companies engaging in property development in Canada. He is also an independent non-executive director of Nan Fung Group Holdings Limited.



LAI Ming, Joseph
黎明



SHEK Lai Him, Abraham
石禮謙

SHEK Lai Him, Abraham (石禮謙) G.B.S., J.P., aged 72, was appointed as an independent non-executive Director in December 2006 and is currently a member of the Audit Committee and the Remuneration Committee. Mr. SHEK graduated from the University of Sydney and holds a bachelor of Arts degree and a diploma in Education. Mr. SHEK was appointed as a Justice of the Peace in 1995 and was awarded the Gold Bauhinia Star by the Government of the HKSAR in 2013. Mr. SHEK is a member of the HKSAR Legislative Council representing the Real Estate and Construction Functional Constituency, a member of the Court of Hong Kong University of Science and Technology, a member of Court and Council of University of Hong Kong, a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption and has retired from the Independent Police Complaints Council as a vice chairman since 1 January 2015. Mr. SHEK is an independent non-executive director of Lifestyle International Holdings Limited, NWS Holdings Limited, Hop Hing Group Holdings Limited, MTR Corporation Limited, SJM Holdings Limited, Paliburg Holdings Limited, Lai Fung Holdings Limited, Chuang's Consortium International Limited, China Resources Cement Holdings Limited and Cosmopolitan International Holdings Limited, the vice chairman and independent non-executive director of ITC Properties Group Limited, the chairman and independent non-executive director of Chuang's China Investments Limited, and independent non-executive director of Goldin Financial Holdings Limited, and independent non-executive director of Everbright Grand China Assets Limited with effect from 16 January 2018, all of which are companies whose shares are listed on the Stock Exchange, as well as a non-executive director of Mandatory Provident Fund Schemes Authority. Mr. SHEK is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both trusts are listed on the Stock Exchange. Mr. SHEK ceased to be an independent non-executive director of TUS International Limited (formerly known as Jinheng Automotive Safety Technology Holdings Limited) with effect from 6 January 2017, of ITC Corporation Limited with effect from 28 March 2017, and of Midas International Holdings Limited with effect from 26 January 2018, all of which are companies whose shares are listed on the Stock Exchange, and of Dorsett Hospitality International Limited with effect from 11 March 2016, whose shares had been withdrawn from listing on the Stock Exchange since 16 October 2015 and a non-executive director of The Hong Kong Mortgage Corporation Limited since 25 April 2016.

Biographical Details of Directors and Senior Management

TONG Wui Tung (唐滙棟), aged 67, was appointed as an independent non-executive Director in December 2006. He is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. TONG has been practicing as a solicitor in Hong Kong for over 30 years and is a partner of the law firm, Messrs. Cheung, Tong & Rosa Solicitors. He is also a Notary Public and a China Appointed Attesting Officer, and is admitted as a solicitor in several other jurisdictions. Mr. TONG is currently a non-executive director of Yip's Chemical Holdings Limited, a company whose shares are listed on the Stock Exchange.



TONG Wui Tung
唐滙棟

HUANG Hongyan (黃洪燕), aged 47, was appointed as an independent non-executive Director in December 2012, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. HUANG graduated from the Department of Finance, the School of Economics of Jinan University and holds a bachelor of International Finance degree, and is also qualified as a Chinese certified public accountant, a Chinese certified tax agent, a Chinese certified public valuer, a certified internal auditor and a corporate accountant. Currently, Mr. HUANG serves as a general manager of Foshan Yestar Consulting Co., Ltd.. Mr. HUANG is an independent non-executive director of C&S Paper Co., Ltd., and an independent director of Guangdong Transtek Medical Electronics Co., Ltd. since 5 June 2013, a company whose shares are listed on the Shenzhen Stock Exchange. Mr. Huang ceased to be an independent non-executive director of Guangdong Vanward New Electric Co., Ltd., whose shares are listed on the Shenzhen Stock Exchange, with effect from 1 January 2016.



HUANG Hongyan
黃洪燕

YEUNG Kwok On (楊國安), aged 56, was appointed as an independent non-executive Director on 1 April 2014. Mr. YEUNG obtained his doctoral degree in Strategic Human Resource Management at the University of Michigan in 1990 and a master degree in Management at the University of Hong Kong (Faculty of Social Sciences) in 1986. Mr. YEUNG is a senior management advisor of Tencent Group, president of Y-Triangle Organizational Learning Oasis, and adjunct management professor at China Europe International Business School. Mr. YEUNG served as the chief human resources officer of Acer Group from early 1999 to June 2002. He was also an independent non-executive director of Trina Solar Limited, a company whose shares had been withdrawn from listing on the New York Stock Exchange on 13 March 2017. Currently, Mr. YEUNG serves as an independent non-executive director of SITC International Holdings Company Limited, a company whose shares are listed on the Stock Exchange.



YEUNG Kwok On
楊國安

Company Secretary

LEUNG Chong Shun (梁創順), aged 52, was appointed as the company secretary of the Company on 1 October 2016. Mr. LEUNG graduated from the University of Hong Kong in November 1988 where he was awarded a bachelor degree of Laws with honors. He is qualified as solicitor in both Hong Kong and England and has been a practicing lawyer in Hong Kong since 1991.

Senior Management

CHENG Guangyu (程光煜), aged 37, is a vice President. Mr. CHENG graduated from Tsinghua University with a bachelor's and doctoral degree in civil engineering in 2002 and 2007 respectively, and from Guanghua School of Management of Peking University with an EMBA degree in 2015. Mr. CHENG joined the Group in 2007 and has been responsible for overall operation management and sustainable development of property projects in certain regions under his supervision from 2012 to 2014. Since 2014, Mr. CHENG has been primarily responsible for the overall sales and marketing management of the Group. Since 2017, Mr. CHENG has been responsible for the overall sales and marketing management of the Group as well as the property investment management of the Group. Mr. CHENG has over 10 years of experience in management of property development.

CHEN Bin (陳斌), aged 48, is a vice President. Mr. CHEN graduated from Dongnan University with a bachelor degree in industrial and civil architecture engineering, an MBA (Kellogg-HKUST), and is a qualified PRC Senior Engineer. Prior to joining the Group in May 2015, Mr. CHEN worked in China Overseas Grand Oceans Group Ltd. as an executive director and the chief executive officer. Mr. CHEN is a member of The Society of Professional Engineers, The Chartered Association of Building Engineers and The Chartered Institute of Building (Hong Kong). Mr. CHEN has 24 years of management experience in construction business and personnel administration.

WANG Shaojun (王少軍), aged 52, is a vice President. Mr. WANG graduated from Harbin Institute of Architecture and Engineering (currently known as Civil Engineering School of Harbin Institute of Technology) with a bachelor degree in industrial and civil architectures and a master degree in structural engineering and is a qualified PRC senior civil engineer. Prior to joining the Group in 2013, Mr. WANG worked in Dalian Wanda Commercial Properties Co., Ltd. as the general manager of its Guangzhou company and was responsible for property development; and worked in Fantasia Holdings Group Co. Ltd. as the executive vice president and was responsible for the management and operation of property development business. Mr. WANG has 25 years of experience in management of property development.

Biographical Details of Directors and Senior Management

WU Bijun (伍碧君), aged 44, was appointed as a vice President and the Chief Financial Officer in April 2014 and April 2017 respectively. Ms. WU is also the chairman of the Finance Committee and is the general manager of the finance centre of the Company. Ms. WU graduated from the Department of Public Finance and Taxation of Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law) with a bachelor degree of economics majoring in public finance in 1995, and obtained an EMBA degree from China Europe International Business School in 2015. She is qualified as a Chinese certified public accountant and a Chinese certified tax agent. Ms. WU is responsible for finance and capital management of the Group. Prior to joining the Group in 2005, Ms. WU worked at Jingzhou, Hubei Branch of China Construction Bank and was responsible for accounting and auditing management. From 1999 to 2002, Ms. WU was the chief auditor of Guangdong Foshan Zhixin Certified Public Accountants Co., Ltd. and was responsible for reviewing the accountants reports. From 2002 to 2005, Ms. WU worked at Shunde Finance Bureau and was responsible for the financial management of foreign investment enterprises. Since joining the Group in 2005, Ms. WU has been mainly responsible for the financial management of the Group. Ms. WU has 13 years of experience in the management of real estate financial resources and approximately 23 years of experience in financial management.

PENG Zhibin (彭志斌), aged 44, is a vice President. Mr. PENG graduated from Hefei University of Technology with a bachelor degree of civil engineering in 1996 and Wuhan University with a master degree of business administration in 2003. In August 2014, Mr. PENG graduated from China Europe International Business School with EMBA. Mr. PENG is primarily responsible for the human resources management of the Group. Prior to joining the Group in 2010, Mr. PENG worked in China Railway Siyuan Survey and Design Group Co., Ltd., as an engineer and the head of professional design. Mr. PENG worked in ZTE Corporation as a cadre management manager of human resources management center and the head of human resources (middle east region), etc. from 2003 to 2006; worked in Watson Wyatt Worldwide as a consultant and a project manager from 2006 to 2008; and worked in COFCO Property (Group) Co., Ltd. as a group vice president of human resources and a director of human resources (southern region) from 2008 to 2010. Mr. PENG joined the Group in June 2010 as an assistant to the President and a director of human resources. Mr. PENG has 16 years of experience in the human resources management.

Jeff LIN Chao-Hsien (林昭憲), aged 54, is the Chief Strategy Officer. Mr. LIN graduated from the Department of Political Science, College of Law of National Taiwan University with a bachelor's degree and University of Chicago with an MBA. Prior to joining the Group in 2015, Mr. LIN held senior positions in various international consultancies and corporations, with experience at Procter & Gamble as an assistant brand manager; at Boston Consulting Group as a principal, Greater China; at Booz Allen Hamilton as a strategy principal; at Roland Berger Strategy Consultants as a global partner and vice president, Greater China; at OC&C Strategy Consultants as a president, Greater China; and at Strategic Bang Group as a president. Mr. LIN has more than 25 years of experience in investment and strategy consultancy.

YANG Cuilong (楊翠瓏), aged 46, is a vice President. Ms. YANG graduated from South China University of Technology with a bachelor's degree of architecture and is a national first class registered architect in the PRC and a senior engineer. Prior to joining the Group in 2000, Ms. YANG worked in Elite Architectural as director of the architectural office from 1993 to 2000 and was responsible for architecture design. Since 2000, she has been serving as the head of general office of the projects and an assistant to President, as well as the general manager for project tendering management department of the Group. She was appointed as the vice President as well as the general manager of the cost management center of the Company in September 2014 and is responsible for the Group's construction cost, construction tendering and cost management. Ms. YANG has 9 years of experience in architectural design and management and 16 years of experience in operation management and construction cost management for real estate.

YANG Lixing (楊麗興), aged 47, is a vice President. Ms. YANG graduated from South China University of Technology majoring in management. Ms. YANG joined the Group in 1992 and has been responsible for procurement management of the Group. Ms. YANG was appointed as the vice President in September 2014 as well as the general manager of the procurement center of the Company. Ms. YANG has 25 years of experience in the procurement management for real estate.

HUANG Yuzhuang (黃宇瑋), aged 42, is a vice President. Mr. HUANG graduated from Zhejiang University with a bachelor's degree in architecture and from Peking University with a master degree in geography (city and urban planning). He is a first-class national registered architect. Prior to joining the Group, Mr. HUANG worked in Hong Kong Huayi Design Consultants (Shenzhen) Limited as the managing director and a design director. Mr. HUANG has 18 years of experience in architecture design with extensive practical experience in engineering and acquired dozens of awards both in Mainland China and overseas with his advanced design ideas. Mr. HUANG was recognized as "The First Top Ten Architect of Shenzhen", "The Ninth Chinese Architecture Academy Young Architect" and "New Real Estate Architect for the year of 2014". Mr. HUANG joined the Group in March 2015. He is the chief designer of the Group and is responsible for the design system.

CHEN Liyan (陳立艷), aged 43, is a vice President. Ms. CHEN graduated from Renmin University of China with a bachelor's degree in finance and accounting. From 1997 to 2014, she worked as the assistant president in UFIDA Software Group and the general manager of the department of real estate construction business and was responsible for the development of real estate software and performance appraisal. In November 2014, Ms. CHEN joined the Company as a vice President and the general manager of the center of information management. She is responsible for planning and implementation of science and technology information strategy domestically and abroad, including the BiHe Platform of Sci-Tech Town, the Long-term Rental City Operation Platform, the New-system Construction Open Platform, the BIM and the Big Data Center. She is also responsible for the management of the partners in science and technology information industry chain to serve the Group, its subsidiaries, group centers and regional projects for intelligent construction and innovation of science and technology information. Ms. CHEN has 21 years of experience on technology information consulting and management innovation of real estate industry and group management.

ZHU Jianmin (朱劍敏), aged 40, is a vice President. Mr. ZHU was awarded with a bachelor's degree of English in 1998, a bachelor's degree of Journalism in 2000, and a master's degree of communication from School of Journalism and Communication of Peking University in 2010, and is currently pursuing his EMBA in the Business School of National University of Singapore. Prior to joining the Group, Mr. ZHU worked in the Xinhua News Agency in a number of positions namely journalist, editor, chief editor and office director of editorial department, etc. Mr. ZHU was appointed as leader of the tenth poverty alleviation team of the Xinhua News Agency and worked as assistant to mayor of Tongren City in Guizhou and deputy secretary of the Party Committee in Sinan County in 2014. Mr. ZHU is also the head of general office of the Group and the spokesperson of the Group. Currently, he is responsible for the management of executive system, culture brand, social responsibility and strategic research.

LIU Ning (劉寧), aged 50, is a vice President. Mr. LIU assumed Associate Chair of School of Civil Engineering as a professor and a doctoral advisor in Hohai University after his PhD degree in Hohai University and postdoctoral fellowship in Tsinghua University and Hong Kong University of Science and Technology. In 2002, he started his career in the government by serving as the deputy director of the Committee of Humen Port Development Zone, then served as several positions, namely the director of the Working Committee of Songshan Lake National High-tech Zone, head of the Dongguan Science and Technology Bureau and the deputy director of Cloud Computing Center of the Chinese Academy of Sciences. Mr. LIU joined the Company in April 2017 and is the vice President and the General Manager of Industry & City Integration Center. He has 12 years of experience in serving in the government and 10 years of experience in academic field.

Biographical Details of Directors and Senior Management

LI Xiaolin (黎曉林), aged 46, is a vice President. Mr. LI graduated from Department of Civil Engineering of Tsinghua University with a bachelor degree of architecture and structural engineering and Guanghua School of Management of Peking University with EMBA, and is a qualified PRC architecture engineer and a qualified real estate appraiser in the PRC. Mr. LI is primarily responsible for the operation and management of certain of our property development projects. Prior to joining the Group in 2008, Mr. LI worked in Zhuhai Zhuguang Architecture Design Engineering Company and was responsible for architecture design, as well as in various property developers, namely New Home (Zhuhai) Real Estate Co. Ltd., Zhongshan Paramount Development Co., Ltd. and China Vanke Co., Ltd., and was responsible for property development and management. Since 2008, Mr. LI has been responsible for the overall operation, management and sustainable development of property projects in certain regions under his supervision. Mr. LI has 21 years of experience in the management of property development.

ZHANG Zhiyuan (張志遠), aged 44, is a vice President. Mr. ZHANG graduated from Changsha Railway Institute of Central South University majoring in industrial and civil construction. He is also a senior engineer. Prior to joining the Group in 2014, Mr. ZHANG worked in China Construction Fifth Division from 1995 to March 2014. He was a director and deputy general manager of China Construction Fifth Division from October 2010 to March 2014. Mr. ZHANG is a regional President of the northwest region of the Group.

ZHANG Jintang (張錦棠), aged 38, is a vice President. Mr. ZHANG is a current EMBA student in Cheung Kong Graduate School of Business. Mr. ZHANG joined the Group immediately after his graduation in 2002, and he has served successively as an assistant to the general manager of the Heshan Country Garden project, project manager and the director of the Guangdong region of the Group. He was responsible for project management in the Guangdong region. Since 2008, he has been served as the regional President of the Mongolia region. Since 2010, he has been served as the regional President of the Nanjing region and has been responsible for the overall operation project management. He has been serving as the regional President of the Dongguan-Shenzhen region since April 2012 till now. Mr. ZHANG was appointed as a vice President in October 2016 and is responsible for the overall business in the Dongguan-Shenzhen region. Mr. ZHANG has 16 years of experience in the management of real estate development.

LIU Senfeng (劉森峰), aged 42, is a vice President. Mr. LIU graduated from Changsha Railway University (currently known as Central South University) with a bachelor degree in construction engineering. He subsequently obtained a master of business administration degree from Tsinghua University and is a senior engineer. Mr. LIU is primarily responsible for the daily operation and administrative management of the Jiangsu region of the Group. Prior to joining the Group in 2011, Mr. LIU worked for the China State Group, a domestic company in Mainland China with international competitiveness in real estate industry, since 1999 and acted as a general manager of the Guangdong region of China Construction Fifth Engineering Division Corporation Ltd. of the China State Group. Mr. LIU has over 18 years of experience in real estate development, construction business, construction management, marketing, cost control and business management. Mr. LIU is a regional President of the Jiangsu region of the Group.

XIE Jinxiong (謝金雄), aged 46, is a vice President. Mr. XIE graduated from South China University of Technology majoring in civil engineering and China Europe International Business School with an EMBA degree. He is also a registered property manager and a registered real estate appraiser. Mr. XIE is primarily responsible for the daily operation and administrative management of the Shanghai-Suzhou region of the Group. Mr. XIE joined the Group in 1992 after his graduation from the university. He had served as a manager in engineering, cost control and property development; an assistant to President, a general manager of the real estate management; a general manager of the Municipal support department; a regional President of the eastern region and Chongqing region of the Group; a regional President of the Jiangsu-Anhui region of the Group, as well as several senior positions of the Group. Mr. XIE was awarded the “Outstanding Regional President of the Group” for five years in 2012, 2013, 2015, 2016 and 2017. Mr. XIE has 26 years of experience in property investment, development and relevant business.

SUN Jizhao (孫繼召), aged 52, is a vice President. Mr. SUN graduated from Chongqing University with a major in engineering cost management and obtained an EMBA degree from Guanghua School of Management, Peking University. Mr. SUN joined the Group in October 2011 and is mainly in charge of the management of daily operation and administration in Anhui region. He was awarded the “Outstanding Regional President of the Group” in 2014 and 2016 and the “Most Respectful Expert Advisor” in 2015 of the Group. Before joining the Group, Mr. SUN was employed by the China Construction Fifth Engineering Division Corp., Ltd. and served as the Secretary of the Party Committee of its Shanghai Company before leaving. Mr. SUN has over 20 years of experience in construction management and 7 years of experience in property investment, development and related business.

OUYANG Baokun (歐陽寶坤), aged 48, is a vice President. Mr. OUYANG obtained his master degree of laws in U.S. legal studies from Touro College in the U.S. as well as bachelor’s degree in Chinese law studies from Sun Yat-sen University. He has obtained the lawyer qualification certificate issued by Ministry of Justice of the PRC. From 1994 to 2007, Mr. OUYANG worked in Shunde Economic Law Firm and Guoqiang Law Firm in Guangdong as a lawyer and a partner lawyer respectively. Meanwhile, he was employed as a legal advisor by the Group in charge of the legal affairs. In 2007, he joined the Group and was officially appointed as a vice general manager of the Investment Center of the Group, the general manager of the Huidong Country Garden Project, and the general manager of the Investment Center of the Group. He has been serving as the regional president of the Zhejiang region since August 2013 till now, responsible for the overall operation and administrative management of the Zhejiang region of the Group. Currently, Mr. OUYANG is responsible for the overall business in the Zhejiang region. Mr. OUYANG has 24 years of experience in property investment, development and relevant business of real estate.

BU Dehua (卜德華), aged 35, was appointed as a vice President in January 2018. Mr. BU graduated from Tsinghua University with a master’s degree in Environmental Science and Engineering, and he is currently studying EMBA in the Cheung Kong Graduate School of Business. Mr. BU joined the Group when he was graduated from his university. Since 2007, he served for various positions namely the assistant project manager of Phoenix City in Nanjing Jurong from 2010 to 2012, the project manager in Dongguan Qishi from 2012 to 2014 and an assistant to the president of the Group. Mr. BU has been transferred to act as the regional President of Fozhao region since 2015. Mr. BU is one of the youngest regional Presidents who were trained within internal level of the Company. Mr. BU has ten years of experience in real estate development. He is primarily responsible for the overall business in the Fozhao region.

Corporate Governance Report

The Group continues to improve its corporate governance practices, emphasizing the attainment and maintenance of a quality Board, sound risk management and internal controls, and high transparency and accountability to the Shareholders. The Board and the management are committed to the principles of good corporate governance consistent with prudent management and enhancement of shareholder value. The Board believes that good corporate governance will bring long-term benefits to the Shareholders and the Group.

Corporate Governance Practices

The Company has applied the principles and has complied with the code provisions of the Corporate Governance Code in the manner as described in the Corporate Governance Report throughout the year ended 31 December 2017, save and except for the code provision E.1.2 of the Corporate Governance Code as the Chairman of the Board (who was also the chairman of the Nomination Committee, Corporate Governance Committee and Executive Committee of the Company) was unable to attend the annual general meeting of the Company held on 18 May 2017 as he had other important engagement.

Compliance with the Model Code

The Company has adopted the Model Code as the code of conduct for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the year ended 31 December 2017. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

Strategic Planning

The Group has been committed to implementing a strategic management system which identifies and assesses potential opportunities and challenges, so as to formulate a long term development strategy and a planned course of action. The strategy management department of the Group is responsible for organizing strategy research and discussions. At the start of every year, senior management of the Group reviews and develops the medium to long term strategic planning of the Group as well as annual budget planning.

Board of Directors

Composition

As at 31 December 2017, the Board consists of nine executive Directors, namely, Mr. YEUNG Kwok Keung (Chairman), Ms. YANG Huiyan (Vice Chairman), Mr. MO Bin (President), Ms. YANG Ziying, Mr. YANG Zhicheng, Mr. XIE Shutai, Mr. SONG Jun, Mr. LIANG Guokun and Mr. SU Baiyuan, one non-executive Director, namely, Mr. CHEN Chong and six independent non-executive Directors, namely, Mr. LAI Ming, Joseph, SHEK Lai Him, Abraham, Mr. TONG Wui Tung, Mr. HUANG Hongyan, Mr. MEI Wenjue and Mr. YEUNG Kwok On. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and of the Company respectively.

Mr. SU Rubo and Mr. OU Xueming resigned as executive Directors with effect from 1 April 2017. Mr. WU Jianbin and Ms. HUANG Xiao resigned as executive Director and independent non-executive Director respectively with effect from 1 April 2017. Mr. ZHU Rongbin resigned as executive Director with effect from 1 June 2017. Mr. XIE Shutai and Mr. MEI Wenjue resigned as executive Director and independent non-executive Director respectively with effect from 2 March 2018.

Ms. YANG Huiyan and Ms. YANG Ziyang are the daughters of Mr. YEUNG Kwok Keung, Mr. CHEN Chong is the husband of Ms. YANG Huiyan and Mr. YANG Zhicheng is the nephew of Mr. YEUNG Kwok Keung. Save as disclosed above, none of the other Directors has or maintained any family relationship with any of the other Directors.

Independent Non-executive Directors

The independent non-executive Directors are of sufficient number and calibre for their views to carry weight. The functions of independent non-executive Directors include:

- bringing an independent view and judgment at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinizing the Company's performance and monitoring performance reporting.

The independent non-executive Directors have made a positive contribution to the development of the Company's strategies and policies through independent, constructive and informed comments. They benefit the Board and the Board committees by their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation at the meetings of the Board and the Board committees.

In addition to the regular Board meetings, the Chairman met with the independent non-executive Directors without the presence of the executive Directors during the year ended 31 December 2017.

Composition of the Board is disclosed, and the independent non-executive Directors are identified, in all corporate communications to the Shareholders.

Confirmation of Independence

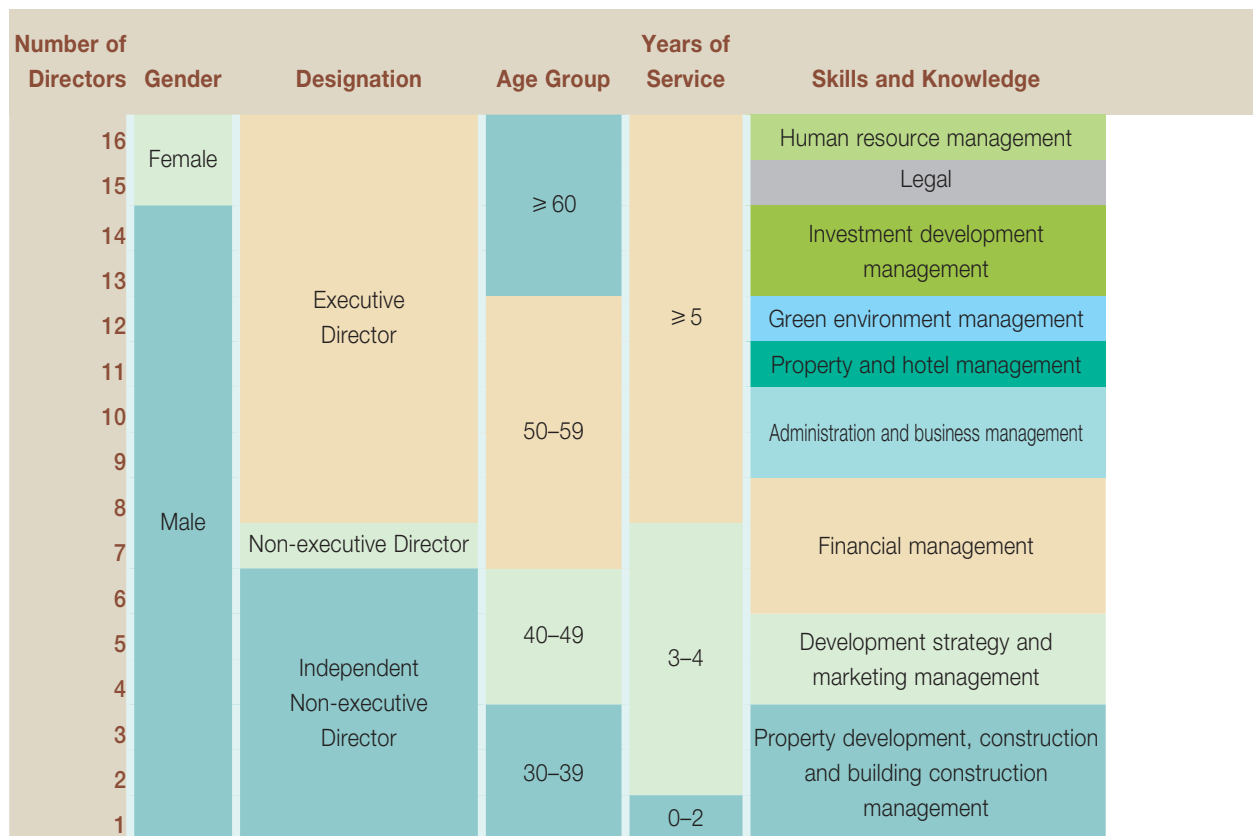
The independence of the independent non-executive Directors has been assessed in accordance with the applicable Listing Rules. Each of the independent non-executive Directors has made an annual written confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the guidelines for assessing independence set out in rule 3.13 of the Listing Rules and are independent.

Corporate Governance Report

Board Diversity Policy

The Board has adopted a board diversity policy effective as from 6 August 2013, and has reviewed and adopted two additions to the policy in relation to its objectives and scope effective as from 15 March 2016. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, skills, knowledge and length of service. The ultimate selection decision will be based on merit and contribution to the Board.

As at 31 December 2017, an analysis of the Board composition based on the range of diversity perspectives is set out as follows:



Each of the Board members possessed different skills and knowledge, including property development, construction and building construction management, development strategy and marketing management, financial management, administration and business management, property and hotel management, green environment management, investment development management, legal and human resource management, etc.. The Board is characterized by significant diversity in terms of gender, age, designation, length of service, skills and knowledge.

Roles and Functions of the Board and the Management

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs. The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The management is delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group.

Appointment, Continuation of Appointment and Re-election of Directors

All executive Directors have entered into service contracts with the Company, the non-executive Director and all independent non-executive Directors have entered into letters of appointment with the Company with a specific term of two years (except for Mr. CHEN Chong, who has a term of appointment from 8 December 2016 to 31 December 2018) setting out key terms and conditions of their appointments. All Directors are subject to retirement in accordance with the Articles of Association.

According to the Articles of Association, (i) Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after the relevant appointment and be subject to re-election at such meeting; (ii) Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election; and (iii) at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting at least once every three years. As such, no Directors have a term of appointment longer than three years.

Corporate Governance Report

Board Meetings

The Board holds at least four meetings a year at approximately quarterly intervals. Additional meetings would be arranged, if and when required. The date of each meeting is decided in advance to enable the Directors to attend the meeting in person. For those Directors who are not able to attend these meetings in person, participation by telephone conference is available.

Notice of at least 14 days shall be given for a regular Board meeting to give all Directors an opportunity to attend. The draft of the agenda of the Board meeting shall be sent together with the notice of the Board meeting to the Directors so as to allow the Directors to have sufficient time to propose matters for inclusion in the agenda. For all other Board meetings, reasonable notice will be given. To ensure that all Directors are properly informed about the matters to be discussed at each meeting, documents in relation to the meeting are sent to each Director at least three days prior to the meeting.

If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution.

The company secretary of the Company prepares detailed minutes of each meeting. After the meeting, draft and final versions of the minutes would be sent to the Directors for comment and records respectively as soon as practicable. Minutes of Board meetings and Board committees meetings are kept by the Listing Company Secretariat of the Company and are open for inspection by any Director on reasonable notice.

During the year ended 31 December 2017, the Directors have made active contribution to the affairs of the Group and six Board meetings were held to consider, among other things, various transactions contemplated by the Group and to review and approve the interim results and annual results of the Group. According to article 103(1) of the Articles of Association, a Director shall not be entitled to attend any Board meeting for approving any transaction in which he or his associates is materially interested. Any Board meeting which a Director is not so entitled to attend shall not be taken into account in determining that Director's attendance record.

Attendance Record of Directors

The attendance record of Directors at the meetings of the Board, the Board committees and the Shareholders held during the year ended 31 December 2017 is set out below:

Directors	Number of meetings attended/Number of meetings held for the year ended 31 December 2017					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Corporate Governance Committee	Annual General Meeting
Executive Directors						
Mr. YEUNG Kwok Keung (Chairman)	6/6	N/A	1/1	3/3	3/3	0/1
Ms. YANG Huiyan (Vice Chairman)	6/6	N/A	N/A	N/A	3/3	0/1
Mr. MO Bin (President)	6/6	N/A	N/A	3/3	3/3	1/1
Mr. ZHU Rongbin ^{Note 1}	2/3	N/A	N/A	N/A	N/A	0/1
Mr. WU Jianbin ^{Note 1}	2/2	N/A	N/A	N/A	N/A	N/A
Ms. YANG Ziying	6/6	N/A	N/A	N/A	N/A	0/1
Mr. SU Rubo ^{Note 1}	2/2	N/A	N/A	N/A	N/A	N/A
Mr. OU Xueming ^{Note 1}	2/2	N/A	N/A	N/A	N/A	N/A
Mr. YANG Zhicheng	6/6	N/A	N/A	N/A	N/A	0/1
Mr. XIE Shutai	6/6	N/A	N/A	N/A	N/A	0/1
Mr. SONG Jun	6/6	N/A	N/A	N/A	N/A	0/1
Mr. LIANG Guokun	6/6	N/A	N/A	N/A	N/A	0/1
Mr. SU Baiyuan	6/6	N/A	N/A	N/A	N/A	0/1
Non-executive Director						
Mr. CHEN Chong	5/6	N/A	N/A	N/A	N/A	0/1
Independent non-executive Directors						
Mr. LAI Ming, Joseph	6/6	3/3	1/1	3/3	N/A	1/1
Mr. SHEK Lai Him, Abraham	6/6	3/3	N/A	3/3	N/A	1/1
Mr. TONG Wui Tung	6/6	3/3	1/1	3/3	N/A	1/1
Mr. HUANG Hongyan	6/6	3/3	1/1	3/3	N/A	1/1
Ms. HUANG Xiao ^{Note 1}	2/2	1/1	1/1	1/1	N/A	N/A
Mr. MEI Wenjue	6/6	N/A	N/A	N/A	N/A	0/1
Mr. YEUNG Kwok On	5/6	N/A	N/A	N/A	N/A	0/1

Note 1: Mr. SU Rubo and Mr. OU Xueming resigned as executive Directors with effect from 1 April 2017. Mr. WU Jianbin and Ms. HUANG Xiao resigned as executive Director and independent non-executive Director respectively with effect from 1 April 2017. Mr. ZHU Rongbin resigned as executive Director with effect from 1 June 2017.

Corporate Governance Report

Access to Information

All Directors are kept informed on a timely basis of major changes that may have affected the Group's business, including those changes to relevant rules and regulations and are able to make further enquiries when necessary. Sufficient explanation and information have been provided to the Board to enable the Board to make an informed assessment of financial and other information put before it for approval. They also have unrestricted access to the advice and services of the company secretary of the Company, who is responsible for providing the Directors with board papers and related materials. A monthly update which gives a balanced and concise assessment of the Company's performance, position and prospects in sufficient details is provided to all Directors to enable the Board as a whole and each Director to discharge his or her duty. The Board has also agreed that the Directors may seek independent professional advice in performing their Directors' duties at the Company's expense.

Directors and Officers Liability Insurance

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against the Directors and senior management arising out of corporate activities. The insurance coverage and amount are reviewed on an annual basis.

Directors' Training and Professional Development

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment. Subsequently, the Directors will receive updates on the Listing Rules, legal and other regulatory requirements and the latest development of the Group's business and are encouraged to participate in continuous professional development to develop their knowledge and skills. During the year ended 31 December 2017, the Directors have participated in continuing professional development ("CPD"). All Directors have provided the Company with their records of training received for the year. A summary of their records of training is provided as follows:

Directors	Types of CPD <small>(Note 1)</small>	Subject of CPD <small>(Note 2)</small>
Executive Directors		
Mr. YEUNG Kwok Keung (Chairman)	1, 2	A, B
Ms. YANG Huiyan (Vice Chairman)	1, 2	A, B
Mr. MO Bin (President)	1, 2	A, B
Ms. YANG Ziying	1, 2	A, B
Mr. YANG Zhicheng	1, 2	A, B
Mr. XIE Shutai	1, 2	A, B
Mr. SONG Jun	1, 2	A, B
Mr. LIANG Guokun	1, 2	A, B
Mr. SU Baiyuan	1, 2	A, B

Directors	Types of CPD <small>(Note 1)</small>	Subject of CPD <small>(Note 2)</small>
Non-executive Director		
Mr. CHEN Chong	1, 2	A, B
Independent non-executive Directors		
Mr. LAI Ming, Joseph	1, 2	A, B
Mr. SHEK Lai Him, Abraham	1, 2	A, B
Mr. TONG Wui Tung	1, 2	A, B
Mr. HUANG Hongyan	1, 2	A, B
Mr. MEI Wenjue	2	A, B
Mr. YEUNG Kwok On	2	A, B

Note 1:

- 1 Attending in-house briefings/training, seminars, conference or forums
- 2 Reading newspapers, journals and updates

Note 2:

- A. Businesses related to the Company
- B. Laws, rules and regulations, accounting standards

Chairman and President

The roles of the Chairman and the President are separated to reinforce independence, accountability and responsibility. Mr. YEUNG Kwok Keung, the Chairman, is responsible for the formulation of development strategies, investment decision making, overall project planning at the Group level, leading the Board and ensuring that the Board functions properly and effectively, whilst Mr. MO Bin, the President, is responsible for the management of the daily operation and general administration of the Group. Their respective responsibilities are clearly established and defined by the Board in writing.

In performing the role of Chairman, Mr. YEUNG Kwok Keung is responsible for, among other things:

- ensuring that good corporate governance practices and procedures are established;
- ensuring that all Directors are properly briefed on issues arising at Board meetings and that all Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;
- encouraging all Directors to make a full and active contribution to the Board's affair and to voice their concerns even with different views, allowing sufficient time for discussion of issues, ensuring that Board decisions fairly reflect the Board's consensus, and taking the lead to ensure that the Board acts in the best interests of the Group;

Corporate Governance Report

- ensuring that appropriate steps are taken to provide effective communication with the Shareholders and their views are communicated to the Board as a whole; and
- promoting a culture of openness and debate by facilitating the effective contribution of non-executive Director and independent non-executive Directors in particular and ensuring constructive relations among executive Directors, non-executive Director and independent non-executive Directors.

In performing the role of President, Mr. MO Bin is responsible for, among other things:

- organizing and managing the Group's business;
- leading the corporate team to implement the strategies and plans established by the Board; and
- coordinating overall daily business operations of the Group.

Board Committees

The Board has established six committees with specific written terms of reference to oversee particular aspects of the Company's affairs.

Audit Committee

The Audit Committee was established in December 2006 with written terms of reference, which are posted on the websites of the Stock Exchange and of the Company respectively. All the members of the Audit Committee are independent non-executive Directors, namely Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham, Mr. TONG Wui Tung and Mr. HUANG Hongyan (Ms. HUANG Xiao resigned on 1 April 2017). Mr. LAI Ming, Joseph, who has appropriate professional accounting qualifications and financial management expertise as required under the Listing Rules, was appointed as the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the auditors of the Company.

The principal duties of the Audit Committee include, among other things: (i) being primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (iii) developing and implementing a policy on engaging an external auditor to supply non-audit services; (iv) monitoring the integrity of the Company's financial statements and the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, before submission of the financial statements and reports to the Board, and reviewing significant financial reporting judgments contained in them; (v) reviewing the Company's financial control, risk management and internal control systems; and (vi) discussing the risk management and internal control systems with management to ensure that management

has performed its duty to have effective systems. The Audit Committee may seek any necessary information from employees within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2017, the Audit Committee held three meetings and has duly discharged the above duties. The attendance record of individual Directors at the Audit Committee meetings is set out on page 73 of the annual report.

Nomination Committee

The Nomination Committee was established in March 2012 with written terms of reference, which are posted on the websites of the Stock Exchange and the Company respectively. The Nomination Committee is chaired by an executive Director, Mr. YEUNG Kwok Keung and consists of three other members, who are independent non-executive Directors being Mr. LAI Ming, Joseph, Mr. TONG Wui Tung and Mr. HUANG Hongyan (Ms. HUANG Xiao resigned on 1 April 2017).

The principal duties of the Nomination Committee include, among other things: (i) reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (iii) assessing the independence of independent non-executive Directors; and (iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee may seek any necessary information from employees within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2017, the Nomination Committee held one meeting and has duly discharged the above duties. The attendance of individual Directors at the Nomination Committee meeting is set out on page 73 of the annual report.

Remuneration Committee

The Remuneration Committee was established in December 2006 with written terms of reference, which are posted on the websites of the Stock Exchange and the Company respectively. The Remuneration Committee is chaired by an independent non-executive Director, Mr. TONG Wui Tung and consists of five members, of whom two are executive Directors being Mr. YEUNG Kwok Keung and Mr. MO Bin, and three are independent non-executive Directors being Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. HUANG Hongyan (Ms. HUANG Xiao resigned on 1 April 2017).

The principal duties of the Remuneration Committee include, among other things: (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) making recommendations to the Board on the remuneration packages of individual Directors and senior management.

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The Remuneration Committee may consult the Chairman or the President about its remuneration proposals for the other executive Directors and senior management, seek any necessary information from senior management within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2017, the Remuneration Committee held three meetings and has duly discharged the above duties. The attendance of individual Directors at the Remuneration Committee meetings is set out on page 73 of the annual report.

The remuneration of the members of the senior management (other than Directors) by band for the year ended 31 December 2017 is set out below:

RMB	Number of members of senior management
1,000,001 to 2,000,000	1
2,000,001 to 3,000,000	1
4,000,001 to 5,000,000	1
5,000,001 to 6,000,000	1
8,000,001 to 9,000,000	1
10,000,001 to 11,000,000	1
11,000,001 to 12,000,000	1
13,000,001 to 14,000,000	3
14,000,001 to 15,000,000	2
17,000,001 to 18,000,000	1
25,000,001 to 26,000,000	1
28,000,001 to 29,000,000	1
44,000,001 to 45,000,000	1
46,000,001 to 47,000,000	1
48,000,001 to 49,000,000	1
90,000,001 to 91,000,000	1

Corporate Governance Committee

The Corporate Governance Committee was established in March 2012 with written terms of reference. The members of the Corporate Governance Committee are all executive Directors, namely Mr. YEUNG Kwok Keung, Ms. YANG Huiyan and Mr. MO Bin. Mr. YEUNG Kwok Keung was appointed as the chairman of the Corporate Governance Committee.

The principal duties of the Corporate Governance Committee include, among other things: (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional

development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Group's employees and Directors; and (v) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report. The Corporate Governance Committee may seek any necessary information from employees within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2017, the Corporate Governance Committee held three meetings and has duly discharged the above duties. The attendance of individual Directors at the Corporate Governance Committee meetings is set out on page 73 of the annual report.

Executive Committee

The Executive Committee was established in June 2014 with written terms of reference. The Board has approved the revision of the terms of reference of the Executive Committee on 7 December 2017. The existing members of the Executive Committee are all executive Directors, namely Mr. YEUNG Kwok Keung, Ms. YANG Huiyan, Mr. MO Bin, Ms. YANG Ziyang and Mr. YANG Zhicheng (Mr. WU Jianbin resigned on 1 April 2017, Mr. ZHU Rongbin resigned on 1 June 2017). Mr. YEUNG Kwok Keung was appointed as the chairman of the Executive Committee.

The principal duties of the Executive Committee include, among other things: (i) discussing and making decisions on matters relating to the management and operations of the Company including but not limited to corporate matters, financial/treasury planning and to form strategy (the version of the terms of reference of the Executive Committee approved on 7 December 2017 has amended the upper limit for any financial projects, guarantees, sales and purchases of land and other transactions which the Executive Committee may decide on); (ii) considering and making recommendations to the Board on acquisitions of or investments in business or projects; and (iii) reviewing and discussing any other matters as may from time to time be delegated by the Board. The Executive Committee may seek any necessary information from senior management within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

During the year ended 31 December 2017, the Executive Committee has passed 46 resolutions (by way of written resolutions or by way of meetings) and has duly discharged the above duties.

Corporate Governance Report

Finance Committee

The Finance Committee was established in August 2014 with written terms of reference. The Board has approved the revision of the terms of reference of the Finance Committee on 13 May 2015, 15 March 2016, 4 January 2017 and 7 December 2017 respectively. The existing members of Finance Committee consists of seven members, of whom four are executive Directors being Ms. YANG Huiyan, Mr. MO Bin, Ms. YANG Ziying and Mr. YANG Zhicheng, one is the Chief Financial Officer being Ms. WU Bijun, and the two members are senior management of the finance centre of the Company (Mr. Wu Jianbin resigned on 1 April 2017).

The principal duties of the Finance Committee during the period from 1 January 2017 to 7 December 2017, before the date of the revision, include, among other things: (i) being responsible for the management of finance and capital and approval of any financial projects and/or guarantees for the amount between USD200,000,000 and USD300,000,000 per transaction; and (ii) being responsible for non-principal business transactions including but not limited to projects in equity acquisition, cash investment or acquisition and approval of any such projects with an upper limit of USD100,000,000 per transaction. The Finance Committee may seek any necessary information from senior management within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The principal duties of the Finance Committee after the revision on 7 December 2017, include, among other things: (i) approval of the opening and cancelling of bank/securities accounts in name of the Company ("Accounts") and the changing of authorized signatories of the Accounts and dealing with any other matters from time to time in relation to the Accounts; (ii) execution of any matters in relation to buy-back of shares of the Company pursuant to the authorisation granted by the Board from time to time and the mandate given by the shareholders of the Company; and (iii) execution of any matters in relation to the employees' share incentive scheme pursuant to the authorisation granted by the Board from time to time (unless otherwise provided for under Chapter 17 of the Listing Rules). The Finance Committee may seek any necessary information from senior management within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

During the year ended 31 December 2017, 9 Finance Committee meetings were held and the Finance Committee has duly discharged the above duties.

Company Secretary

Mr. LEUNG Chong Shun was the company secretary of the Company, a practicing lawyer in Hong Kong, is not a full time employee of the Company. He is responsible for advising the Board on corporate governance and Hong Kong legal matters. Mr. LEUNG has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2017.

The primary contact persons of the Company with the company secretary of the Company are Ms. SIN Lai Lan and Mr. LUO Jie, the heads of the Listing Company Secretariat of the Company.

Risk Management and Internal Control Systems

The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and the Shareholders' interests, as well as, with the Audit Committee and the Risk Management Internal Committee, reviewing the effectiveness of these systems. The Group's risk management and internal audit department is delegated with responsibility to ensure and maintain sound risk management and internal control systems by continuously reviewing and monitoring the operation of the risk management and internal control systems and procedures so as to manage rather than eliminate the risk of failure to achieve business objectives and ensure that they can provide reasonable and not absolute assurance against material misstatement or loss and to manage risks of failure in the Group's operational systems. In addition, the Company has engaged independent consultants to conduct review of the risk management and internal control systems of the Group.

Risk Management And Internal Control

Objectives

The risk management and internal control systems are designed and implemented to achieve the following business objectives:

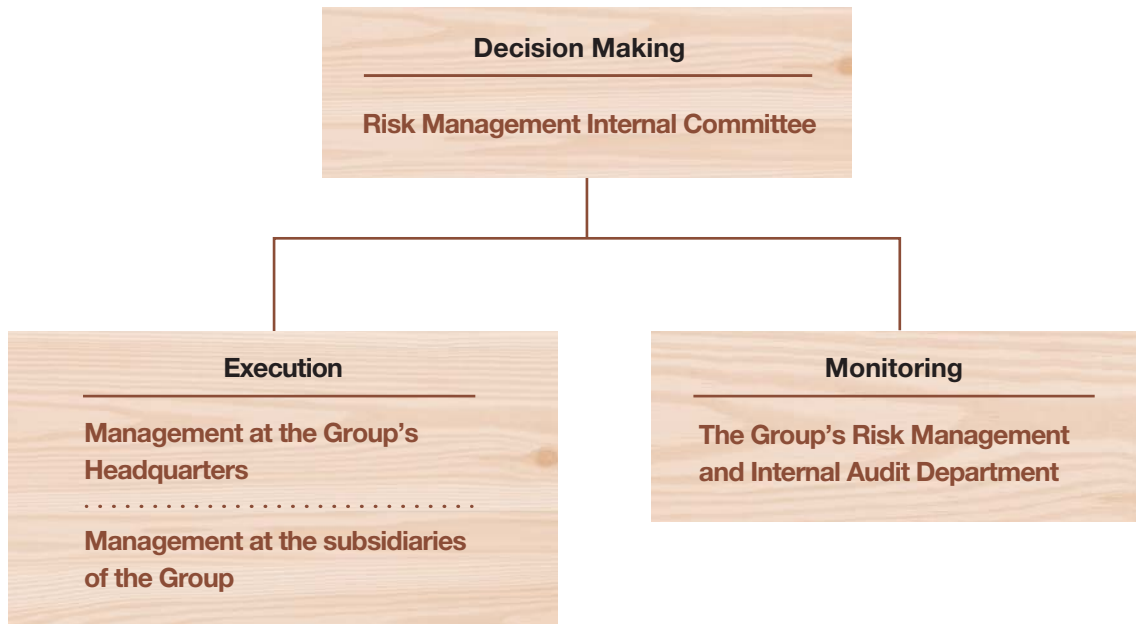
- evaluating and determining the nature and extent of the risks the Company is willing to take in achieving its strategic objectives
- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations

Group Risk Management Framework

The Group's risk management and internal control systems were developed by making reference to the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Group's risk management and internal control systems consist of eight interdependent integrated components. They jointly ensure the operation of the Group's risk management and internal control systems. These components are internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring.

Corporate Governance Report

In order to enhance the effectiveness of the risk management and internal control systems, as well as to improve the level of management and risk response ability of the Group, the Board announced the establishment of the Risk Management Internal Committee on 13 May 2015. The Risk Management Internal Committee is authorized by the Audit Committee to deal with the Group’s risk management matters, including overseeing the effectiveness of the Group’s strategies and risk management system. On this basis, the Board established a risk management structure which consists of three levels, i.e. the Risk Management Internal Committee, risk management execution party and risk management monitoring party. The chart below shows the organization structure of the Group’s risk management framework.



The roles of the key parties in our risk management structure are outlined below:

Risk Management Internal Committee (Decision Making)

- Establish and update the Company’s risk management policies
- Review the Company’s risk appetite, risk management strategies and risk management framework, and report the review results to the Audit Committee and provide recommendations for improvement
- Set up risks identification, assessment and management procedures

- Oversee the implementation of risk management policies and compliance with relevant statutory rules and regulations
- Report any significant risk management issues to the Audit Committee and the suggested solutions
- Review the results of the stress-testing for the major risks and the assessment on the Company's capability to withstand the stressed conditions particularly in terms of profitability, capital adequacy and liquidity
- Perform other relevant duties as requested by the Audit Committee

Management at the Group's Headquarters (Execution)

Senior management (President and Vice Presidents) are responsible for Group-level risk management:

- Responsible for the design and implementation of the overall risk management systems, including organizing and coordinating cross-functional risk management work, as well as providing professional advice to significant decisions which involve considerable risks
- Under the organization and coordination of senior management, the respective functional centers participate in cross-divisional and other relevant risk management activities

Management at the subsidiaries of the Group (Execution)

- Management as divided by areas, projects, subsidiaries and branches are responsible for risk management at the respective level
- Under the organization and coordination of the Risk Management Internal Committee of the Group, the management staff members who are responsible for risk management at subsidiary level carry out risk management activities at business level according to the risk management procedures

The Group's Risk Management and Internal Audit Department (Monitoring)

- Monitor, review and evaluate the operation of risk management by the Group and its subsidiaries

During the year ended 31 December 2017, the Risk Management and Internal Audit Department assisted the Risk Management Internal Committee to coordinate an enterprise risk assessment, identify and score top ten risks at Group level, implement risk management assessment for district companies at some testing points, identify and score top ten risks at district level, assess existing

Corporate Governance Report

risk management measures and management action plans. Assessment results have been properly reported to the Audit Committee.

Review of the Risk Management and Internal Control Systems

Management has formulated remedial action plans to address the gaps and weakness identified during internal control self-assessment, internal control reviews and internal audits, covering 9 business areas and more than 20 key business processes. The Group's risk management and internal audit department has conducted follow-up reviews periodically to ensure remedial actions are taken on a timely basis, and has reported the results of the follow-up reviews to the Audit Committee.

The Board, in conjunction with the Audit Committee and the Risk Management Internal Committee, annually assessed and reviewed the effectiveness of the Group's risk management and internal control systems and procedures covering all material controls, including financial, operational and compliance control and considered the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financing reporting function, and their training programmes and budget. The risk management and internal control systems were considered effective and adequate.

During the year ended 31 December 2017, the Audit Committee and the Risk Management Internal Committee have reviewed reports from the Group's risk management and internal audit department and independent consultants with their findings and recommendations for improvement. The external auditors have also reported any observations they identified in the course of their work to the Group, and are satisfied that there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

During the year ended 31 December 2017, the Group has implemented procedures and internal controls for the handling and dissemination of inside information. In particular, the Group:

- has conducted its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012;
- has established its own disclosure obligation procedures, which set out the procedures and controls for the assessment of potential inside information and the handling and dissemination of inside information. The procedures have been communicated to the senior management and staff of the Company, and their implementation was monitored by the Company; and

- has made broad, non-exclusive disclosure of information to the public through channels such as financial reports, public announcements and its website.

Whistleblower Policy

The Group has established a whistleblower policy since 2008. Whistleblowing channels are published in all workplace. The policy is to facilitate employees, partners and customers to report complaints and internal malpractices to the Supervision Department of the Company, who will review, investigate and follow up these complaints. Once cases are verified, certain rewards will be granted to whistleblowers, and investigation results will be announced within the Company as warnings.

Auditor's Remuneration

For the year ended 31 December 2017, the remuneration paid/payable to the auditor of the Company is set out as follows:

Service rendered	RMB'000
Annual audit services of the Company	10,000
Other services for 2017 in relation to:	
– audit services for subsidiaries	7,525
– Issue of senior notes and corporate bonds	2,330
– Others	9,451

Directors' Responsibility on the Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2017, which were prepared in accordance with statutory requirements and applicable accounting standards. The Board aims to present a balanced, clear and understandable assessment of the Group's position and prospects in annual reports, interim reports and other financial disclosures required by the Listing Rules.

The reporting responsibility of the external auditor of the Company on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 118 to 123 of this annual report.

Communication with Shareholders

The Board adopted a shareholders' communication policy reflecting the current practices of the Company for communication with its Shareholders, which has been posted on the website of the

Corporate Governance Report

Company. The general meeting of the Company provides a platform for Shareholders to exchange views with the Board.

Shareholders' Right

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company can make a written requisition to the Board or the company secretary of the Company to require an extraordinary general meeting to be convened pursuant to article 58 of the Articles of Association. The written requisition must state the objects of the meeting, and must be signed by the relevant Shareholder(s) and deposited at the registered office of the Company at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, in addition to the principal place of business in Hong Kong at Suite 1702, 17/F., Dina House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

If within 21 days of the deposit of the requisition, the Board fails to proceed to convene an extraordinary general meeting, the relevant Shareholder(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the relevant Shareholder(s) as a result of the failure of the Board to convene a meeting shall be reimbursed to the relevant Shareholder(s) by the Company.

There are no provisions under the Articles of Association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Board or the company secretary of the Company at the principal place of business in Hong Kong or by email to ir@countrygarden.com.cn.

Constitutional Documents

During the year ended 31 December 2017, there was no change in the Company's constitutional documents.

Investor Relations

As a listed company, the Group respects voices from the Shareholders and the capital market. The Group is constantly committed to enhancing the information transparency and strengthening the level of corporate governance so as to strive for greater value for the Shareholders.

The Group formulated a systematic platform for information disclosure and communication. The Group facilitates communication through various channels such as internet networks, site visits and meetings, and timely responses to the demand from the Shareholders and investors. For the year ended 31 December 2017, the Group further optimized its monthly newsletters and results presentations in order to provide further details which improved the quality of information disclosure; the Group continued its close communication with investors by organizing annual and interim results meetings with analysts and media, reverse roadshows, exchanging ideas with senior management, corporate open days, and participating in roadshows held by various financial institutions in Asia-Pacific, North America and Europe regions. In the communication process, the Group timely introduced to investors its operating results, development strategy and business updates that enhanced investors' understanding of and confidence in the Group. Meanwhile, the dedicated team of the Group timely summarized and analyzed information of the capital market, and gave feedback to the management in a systematic manner. The effort in information disclosure is well recognized. The Group's 2016 Annual Report won five rewards including "Honors" of Non-Traditional Annual Report and Printing & Production (Real Estate Development/Svc: Residential Properties) in the 31st International ARC Awards Competition, "Gold Award" of LACP's (League of American Communications Professionals) 2016 Vision Awards, Top 80 in Asia Pacific Region and Top 40 in Greater China Region.

Going forward, the dedicated investor relations team will, by way of calls, emails, online interaction platform, meetings, and site visits etc., continue its interaction with investors, listen to opinions from the market, convey information of the Group and protect the long-term trust between investors and the Group.

Corporate Governance Report

Details of the Group's business development and operation, financial information, corporate governance and other information, as well as information updates are available to the public on the Group's website at www.countrygarden.com.cn.

Major Events:

Date	Events	Location
5-Jan	BNP Paribas Asia Pacific Financials & Property Day	Hong Kong
19-Jan	Analyst and Media Luncheon	Hong Kong
22-Mar	Announcement of 2016 Annual Results <ul style="list-style-type: none"> • Press Conference • Investor Presentation 	Hong Kong
23-Mar~31-Mar	Post Results Roadshow	Hong Kong, Singapore
11-Apr~12-Apr	J.P.Morgan Best of Asia Conference	London
3-May~5-May	Non-deal Roadshow	Shanghai
5-Jun~6-Jun	13th J.P.Morgan Global China Summit	Beijing
7-Jun~9-Jun	Nomura Investment Forum Asia	Singapore
21-Jun	CICC Investment Strategy Conference 2H17	Shanghai
22-Jun~23-Jun	Citi Asia Pacific Property Conference	Hong Kong
3-Aug~8-Aug	Non-deal Roadshow	Singapore, Kumlar Lumpur
22-Aug	Announcement of 2017 Interim Results <ul style="list-style-type: none"> • Press Conference • Investor Presentation 	Hong Kong
23-Aug~11-Sep	Post Interim Results Roadshow	Hong Kong, Singapore, Boston, Dallas
6-Sep	16th Deutsche Bank Annual Global Emerging Markets Conference	New York
31-Oct~1-Nov	12th Citi China Investor Conference	Macau
30-Nov	Country Garden Capital Market Open Day	Dongguan, Foshan
4-Dec~8-Dec	Non-deal Roadshow	Beijing, Shanghai

Report of the Directors

The Board is pleased to present the audited consolidated financial statements of the Group for the year ended 31 December 2017.

Principal Activities

The Company is an investment holding company and its subsidiaries are principally engaged in property development, construction, property management, property investment and hotel operation.

An analysis of the Group's revenue and operating results for the year ended 31 December 2017 by principal activities is set out in note 6 to the consolidated financial statements of the Group.

Results

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of comprehensive income of the Group on pages 126 to 127 of this annual report.

Business Review

The business review of the Group for the year ended 31 December 2017 is set out as below:

	Section(s) in this Annual Report	Page No. of the Annual Report
a. Fair review of the Company's business	Management Discussion and Analysis	42 to 52
b. Description of the principal risks and uncertainties the Company is facing	Management Discussion and Analysis	42 to 52
c. Particulars of important events affecting the Company that have occurred since the year ended 31 December 2017	Management Discussion and Analysis, Financial Statements Note 44	52, 240
d. Indication of likely future development of the Company's business	Management Discussion and Analysis	42 to 52
e. Analysis using financial key performance indicators	Financial Summary, Financial Highlights and Management Discussion and Analysis	40, 41 and 42 to 52

Report of the Directors

	Section(s) in this Annual Report	Page No. of the Annual Report
f. Discussion on the Company's environmental policies and performance	<p>Country Garden has always strived to operate environmentally, make efficient use of resources and foster a green living environment in property projects that we develop. Minimising adverse impact of construction and development as well as promoting green buildings and green offices are some of our most important environmental responsibilities. We stringently comply with legislations related to environmental protection in markets that we operate in, and take location specific environmental conditions into concern whenever we develop a project, to minimise our impact on the natural environment.</p> <p>Further information about the Company's environmental policies and performance is described in the "Country Garden Sustainability Report 2017" (a standalone report)</p>	Not applicable
g. An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depend	Management Discussion and Analysis and Report of the Directors	42 to 52 and 93
h. Discussion on the Company's compliance with the relevant laws and regulations that have a significant impact on the Company	Corporate Governance Report and Report of the Directors	68 to 88 and 89 to 115

Final Dividend

The Directors recommend the payment of a final dividend of RMB24.95 cents in the form of cash (2016: RMB10.20 cents) per Share for the year ended 31 December 2017 to the Eligible Shareholders and total dividends for the year would be RMB39.97 cents per Share (2016: RMB17.12 cents).

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average middle rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from Friday, 18 May 2018 to Friday, 25 May 2018. It is expected that the final dividend warrants will be dispatched to the Eligible Shareholders on or around Wednesday, 11 July 2018.

Property, Plant and Equipment

Details of the movements in property, plant and equipment during the year ended 31 December 2017 are set out in note 7 to the consolidated financial statements of the Group.

Borrowings

Details of the borrowings during the year ended 31 December 2017 are set out in note 25 to the consolidated financial statements of the Group.

Share Capital

Details of the movements in the share capital of the Company during the year ended 31 December 2017 are set out in note 26 to the consolidated financial statements of the Group.

Senior Notes and Corporate Bonds Issued

During the year ended 31 December 2017, the Company has issued senior notes and corporate bonds as follows:

(a) Senior Notes

- (i) On 25 July 2017 and 16 August 2017, the Company issued USD600,000,000 and USD100,000,000 4.75% senior notes due 2022 respectively. The net proceeds after deducting the underwriting discount and other estimated expenses payable by the Group in connection with the notes issue amounted to approximately USD590,800,000 and USD98,700,000 respectively and would be used solely for refinancing early redemption of the 2019 Notes and for general working capital purposes.

All the senior notes are listed on Singapore Exchange Securities Trading Limited.

Report of the Directors

- (ii) On 22 November 2017, the Company issued USD500,000,000 3.875% senior notes due 2018. The net proceeds after deducting the underwriting discount and other estimated expenses payable by the Group in connection with the notes issue amounted to approximately USD496,200,000 and would be used solely for refinancing of existing indebtedness and for general corporate purposes.

The senior notes are listed on the Cayman Islands Stock Exchange.

(b) Corporate Bonds

During the year ended 31 December 2017, certain subsidiaries of the Group issued corporate bonds at an aggregate par value of RMB10,700,000,000. The Group received net proceeds of RMB10,663,805,000 in aggregate, which would be used for refinancing certain of the Group's existing indebtedness and for general working capital purposes.

Details of the senior notes and corporate bonds issued during the year ended 31 December 2017 are set out in notes 23 and 24 to the consolidated financial statements of the Group, which form part of the disclosure in this report of the Directors.

Equity Linked Agreements

Save as disclosed in the sections headed "Share Option Scheme" and "Employee Incentive Scheme", no equity linked agreements were entered into during or subsisted at the end of the year ended 31 December 2017.

Directors' Right to Acquire Shares or Debentures

Save as disclosed in the section headed "Share Option Scheme", at no time during the year ended 31 December 2017 was the Company, any of its subsidiaries, fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

Distributable Reserves

As at 31 December 2017, the distributable reserve of the Company amounted to approximately RMB5,800,796,000 (2016: approximately RMB2,484,160,000).

Details of the movements in reserves during the year ended 31 December 2017 are set out in note 45 to the consolidated financial statements of the Group.

Donations

The total donations made by the Group during the year ended 31 December 2017 amounted to approximately RMB792,919,000 (2016: approximately RMB420,009,000).

Permitted Indemnity Provision

The Articles of Association provide that every Director is entitled to be indemnified out of the assets of the Company against all losses and damages which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Group has taken out and maintained directors' liability insurance for the year ended 31 December 2017, which provides appropriate cover for the Directors.

The permitted indemnity provision was in force during the year ended 31 December 2017 for the benefit of the Directors.

Financial Summary

A financial summary of the Group is set out on page 40 of this annual report.

Major Customers and Suppliers

For the year ended 31 December 2017, revenue attributable to the largest customer of the Group amounted to approximately 1.17% of the total revenue of the year and the five largest customers of the Group accounted for less than 30% of the Group's revenue of the year.

For the year ended 31 December 2017, purchases attributable to the largest supplier of the Group amounted to approximately 0.61% of the total purchases in the year and the five largest suppliers of the Group accounted for less than 30% of the Group's purchases in the year.

Directors' and Shareholders' Interests in Suppliers and Customers of the Group

The Directors, their close associates and the Shareholders (who to the knowledge of the Directors own more than 5% of the issued shares of the Company) did not have any interests in the five largest customers and suppliers of the Group for the year ended 31 December 2017.

Management Contracts

No contracts other than employment contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

Report of the Directors

Directors and Directors' Service Contracts

The Directors during the year ended 31 December 2017 and up to the date of this annual report are:

Executive Directors

Mr. YEUNG Kwok Keung (Chairman)
Ms. YANG Huiyan (Vice Chairman)
Mr. MO Bin (President)
Ms. YANG Ziyang
Mr. YANG Zhicheng
Mr. SONG Jun
Mr. LIANG Guokun
Mr. SU Baiyuan
Mr. WU Jianbin (Chief Financial Officer) (resigned on 1 April 2017)
Mr. SU Rubo (resigned on 1 April 2017)
Mr. OU Xueming (resigned on 1 April 2017)
Mr. ZHU Rongbin (Associate President) (resigned on 1 June 2017)
Mr. XIE Shutai (resigned on 2 March 2018)

Non-executive Director

Mr. CHEN Chong

Independent non-executive Directors

Mr. LAI Ming, Joseph
Mr. SHEK Lai Him, Abraham
Mr. TONG Wui Tung
Mr. HUANG Hongyan
Mr. YEUNG Kwok On
Ms. HUANG Xiao (resigned on 1 April 2017)
Mr. MEI Wenjue (resigned on 2 March 2018)

In accordance with article 87 of the Articles of Association, Mr. YEUNG Kwok Keung, Ms. YANG Ziyang, Mr. YANG Zhicheng, Mr. TONG Wui Tung and Mr. HUANG Hongyan shall retire from office by rotation and, being eligible, offer themselves for re-election at the 2018 AGM.

No Director proposed for re-election at the 2018 AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

Changes to Information in Respect of Directors

In accordance with rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) between 22 August 2017 (being the date of approval of the Company's interim report 2017) and up to the date of this report are set out below:

Directors' Information	Appointment (effective)	Cessation (effective)
Mr. SHEK Lai Him, Abraham Everbright Grand China Assets Limited (Stock Code: 3699) – Independent non-executive director	16 January 2018	
Midas International Holdings Limited (Stock Code: 1172) – Independent non-executive director		26 January 2018
Mr. MEI Wenjue Sichuan Huapu Modern Agriculture Co., Ltd. (Stock Code: 837890) – Executive director		19 January 2018

Directors' and Senior Management's Emoluments and Five Highest Paid Individuals

Details of the remuneration of the Directors and senior management, together with those of the five highest paid individuals of the Group for the year ended 31 December 2017 are set out in note 47 and note 32 to the consolidated financial statements of the Group.

The emolument payable to the Directors (including salary and other benefits) are recommended by the Remuneration Committee of the Company for the Board's approval, having regard to the Group's results, Directors' performance, duties, etc.

Directors' Interests in Contracts of Significance

Save as disclosed under the paragraph headed "Connected Transactions and Continuing Connected Transactions", no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director or his or her connected entities had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2017.

Report of the Directors

Directors' and Their Associates' Interests in Competing Business

Mr. YEUNG Kwok Keung (being Director), Ms. YANG Meirong (Mr. YEUNG Kwok Keung's associate) and Ms. ZHOU Shuting (Mr. YEUNG Kwok Keung's associate) respectively owned 52%, 33.93% and 14.07% interest in each of Qingyuan CG and Qingyuan Country Cultural Development Co., Ltd.. Qingyuan CG is the developer of the Qingyuan Holiday Islands project situated in Qingyuan which offers various types of products including villas, townhouses and low-rise apartments, while Qingyuan Country Cultural Development Co., Ltd. operates the Qingyuan Cultural Park located in Shijiao Town, Qingcheng District in Qingyuan. Since Qingyuan CG and Qingyuan Country Cultural Development Co., Ltd. mainly conduct property development business, both companies have business which may compete with the Group's business. Throughout the year ended 31 December 2017, the Company carried on its business independently of, and at arm's length from the business of these two companies. Save as disclosed above, as at 31 December 2017, none of the Directors and their associates (as defined in the Listing Rules) was considered to be interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Connected Transactions and Continuing Connected Transactions

Details of connected transaction and continuing connected transaction not exempted under Chapter 14A of the Listing Rules are disclosed below.

As disclosed in the Company's announcement dated 28 September 2017 ("Connected Transaction Announcement"), on 28 September 2017, Shenyang Huarui Real Estate Co., Ltd.*(瀋陽華銳置業有限公司), Shenyang Huanggu Country Garden Property Development Co., Ltd.*(瀋陽皇姑碧桂園房地產開發有限公司), Wuwei Country Garden Property Development Co., Ltd.*(無為碧桂園房地產開發有限公司), Tongcheng Country Garden Property Development Co., Ltd.*(桐城碧桂園房地產開發有限公司), Bozhou Runyu Property Development Co., Ltd.*(亳州潤宇房地產開發有限公司), Shenyang Country Garden Property Development Co., Ltd. (瀋陽市碧桂園房地產開發有限公司), Haicheng Country Garden Property Development Co., Ltd.*(海城市碧桂園房地產開發有限公司), Shenyang Hunnan Xincheng Country Garden Property Development Co., Ltd. (瀋陽渾南新城碧桂園房地產開發有限公司), Weng'an Country Garden Qilong Property Development Co., Ltd.*(甯安碧桂園麒麟房地產開發有限公司), Shaoguan Country Garden Property Development Co., Ltd. (韶關市碧桂園房地產開發有限公司), Guangzhou Country Garden Property Development Co., Ltd. (廣州碧桂園物業發展有限公司) and Shaoguan Shunhong Property Development Co., Ltd. (韶關市順宏房地產開發有限公司) (collectively, the "Assignor Subsidiaries") had respectively entered into twelve agreements dated 28 September 2017 (the "Connected Transaction Agreements") with Elite Architectural to assign to Elite Architectural the rights to all income of certain shops, composite buildings, parking spaces, commercial premises and/or residential premises held by the Assignor Subsidiaries respectively located in the Liaoning Area, Guangqing Area, Guizhou Area and Anhui Area (the "Subject Assets", please refer to the Connected Transaction Announcement for more details) and the right to dispose of and manage the Subject Assets at the consideration totaling of RMB2,647,054,673 pursuant to the terms and conditions of the Connected Transaction Agreements.

* for identification purpose only

Each of the Assignor Subsidiaries is a subsidiary of the Company. Elite Architectural is wholly-owned by a PRC limited liability company, the two shareholders of which are another PRC limited liability company and a PRC limited partnership enterprise each owned as to 70% by Ms. YANG Meirong, a younger sister of Mr. YEUNG Kwok Keung who is the Chairman and an executive Director. Elite Architectural is therefore a majority-controlled company indirectly held by a family member of Mr. YEUNG Kwok Keung, and is thus a connected person of the Company. The Connected Transaction Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the connected transaction are set out in the Connected Transaction Announcement.

The following continuing connected transactions were recorded during the year ended 31 December 2017 and up to the date of this annual report:

(a) Continuing Connected Transactions

During the year ended 31 December 2017, the Company has entered into certain transactions which constitute continuing connected transactions (as defined in the Listing Rules) of the Company. Pursuant to the disclosure requirements in the annual report under rule 14A.49 of the Listing Rules, details of these transactions are set out below:

(i) Design Services Agreement

Pursuant to the Design Services Agreement entered into between Shunde Country Garden and Elite Architectural, Elite Architectural agreed to provide survey work, property design and interior design services to the Group on terms no less favourable than those available to independent third parties for three years commencing from 1 January 2014 and subject to the annual caps of not exceeding RMB1,500,000,000, RMB1,800,000,000 and RMB2,000,000,000 for each of the three years ended 31 December 2014, 2015 and 2016 respectively.

As the Design Services Agreement has expired on 31 December 2016, it was renewed by Shunde Country Garden and Elite Architectural entering into a design services further supplemental agreement (the "Design Services Further Supplemental Agreement") on 30 December 2016 for the provision of survey work, property design and interior design services by Elite Architectural to the Group for a further term of 3 years commencing from 1 January 2017. The annual caps under the Design Services Further Supplemental Agreement are not exceeding RMB2,000,000,000, RMB2,200,000,000 and RMB2,500,000,000 respectively for each of the three years ending 31 December 2017, 2018 and 2019 respectively.

Report of the Directors

In view of the development trend of the Group, the Board anticipates that the existing annual caps will not be sufficient for the transaction amounts to be incurred under the Design Services Further Supplemental Agreement for each of the three years ending 31 December 2019. As such, Elite Architectural and Shunde Country Garden entered into the Supplemental Letter Agreement on 22 August 2017, pursuant to which the parties agreed to revise the existing annual caps to the revised annual caps of RMB3,000,000,000, RMB3,600,000,000 and RMB4,300,000,000 respectively. Save for the revised annual caps, all the other terms of the Design Services Further Supplemental Agreement shall remain unchanged. For the year ended 31 December 2017, the total amount of survey work, property design and interior design services charged by Elite Architectural amounted to RMB2,462,000,000.

(ii) Construction Services Agreement

Pursuant to the Construction Services Agreement entered into between Giant Leap and Qingyuan CG, Giant Leap agreed to provide construction services to Qingyuan CG on terms no less favourable than those offered by independent third parties to Qingyuan CG for comparable services for two years commencing from 1 January 2015 and subject to the annual caps of not exceeding RMB200,000,000 for each of the two years ended 31 December 2015 and 2016 respectively.

As the Construction Services Agreement has expired on 31 December 2016, it was renewed by Giant Leap and Qingyuan CG entering into a construction services agreement (the “2017 Construction Services Agreement”) on 30 December 2016 for the provision of construction services by Giant Leap to Qingyuan CG for a further term of three years commencing from 1 January 2017. The annual caps under the 2017 Construction Services Agreement are not exceeding RMB200,000,000 for each of the three years ending 31 December 2017, 2018 and 2019. For the year ended 31 December 2017, the value of construction services provided by Giant Leap is nil.

The above continuing connected transactions are all subject to the reporting, annual review and announcement requirements but exempted from independent Shareholders’ approval requirement under the Listing Rules.

(b) Annual Review of Continuing Connected Transactions

Pursuant to rule 14A.55 of the Listing Rules, all independent non-executive Directors have reviewed the continuing connected transactions and confirmed that the continuing connected transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;

- (ii) on normal commercial terms or better or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms or better, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

For the purpose of rule 14A.56 of the Listing Rules, PricewaterhouseCoopers, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions:

- (i) have not been approved by the Board;
- (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iv) have exceeded the cap.

(c) Others

The connected transactions and continuing connected transactions disclosed above also constitute related party transactions under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions made during the year ended 31 December 2017 is disclosed in note 43 to the financial statements.

Certain items under note 43(a) to the financial statements also constitute connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The Board confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected/continuing connected transactions.

Report of the Directors

Share Option Schemes

(a) 2007 Share Option Scheme

On 20 March 2007, a share option scheme was approved and adopted by the then Shareholders for a period of 10 years commencing on the adoption date (the “2007 Share Option Scheme”). The 2007 Share Option Scheme has expired on 19 March 2017. A summary of the principal terms of the 2007 Share Option Scheme is set out as follows:

(i) Purpose of the 2007 Share Option Scheme

The purpose of the 2007 Share Option Scheme is to provide incentives to the participants.

(ii) Eligible Participants

The participants of the 2007 Share Option Scheme are employees of the Company and its subsidiaries including the executive Directors and non-executive Directors.

(iii) Grant of Options

The Board shall be entitled at any time, within 10 years after the date of adoption of the 2007 Share Option Scheme, to make an offer of the grant of an option to any participant.

(iv) Payment on Acceptance of Option Offer

HKD1.00 is payable by the participant to the Company on acceptance of the option offer as consideration for the grant within 28 days from the date upon which the option offer is made.

(v) Subscription Price of Shares

The subscription price of an option to subscribe for Shares granted pursuant to the 2007 Share Option Scheme shall be the highest of:

- the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date on which an option offer is made to a participant, which must be a business day;
- the average of the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date on which an option offer is made; and
- the nominal value of a Share.

(vi) Maximum Number of Shares Available for Subscription

The total number of Shares which may be issued upon exercise of all options to be granted under the 2007 Share Option Scheme must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the global offering and the capitalization issue of the Company. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2007 Share Option Scheme must not exceed 30% of the issued share capital of the Company from time to time. As at 19 March 2017 (the date of expiry of the 2007 Share Option Scheme), a total of 1,636,000,000 Shares (including options to subscribe for 14,061,871 Shares that have been granted but not yet lapsed or exercised) (representing 7.66% of the issued share capital of the Company as at 19 March 2017) were available for issue under the 2007 Share Option Scheme.

(vii) Maximum Entitlement of Shares of each Participant

- The total number of Shares issued and to be issued upon exercise of all options granted under the 2007 Share Option Scheme and any other share option schemes of the Company to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- Where Shares issued and to be issued upon exercise of all options already granted and to be granted under the 2007 Share Option Scheme and any other share option scheme of the Company (including options exercised, cancelled and outstanding) to a participant who is a substantial Shareholder or an independent non-executive Director, or any of his or her associate in the 12-month period up to and including the date of grant, (1) representing in aggregate more than 0.1% of the total number of Shares in issue; and (2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HKD5,000,000, the proposed grant of option must be approved by the Shareholders by poll in general meeting.

(viii) Option Period

The exercise period of any option granted under the 2007 Share Option Scheme shall not be longer than 10 years from the date of grant of the relevant option. The Board has the authority to determine the minimum period for which an option must be held before it can be exercised.

Report of the Directors

During the year ended 31 December 2017, details of movements in the share options under the 2007 Share Option Scheme are as follows:

Category and name of grantees	Outstanding at 1 January 2017	Options to subscribe for Shares				Outstanding at 31 December 2017	Exercise price per Share HKD	Date of grant	Exercisable period
		Granted during the year ²	Exercised during the year	Cancelled during the year	Lapsed during the year				
Directors									
Mr. LAI Ming, Joseph	1,014,786	-	-	-	-	1,014,786	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. SHEK Lai Him, Abraham	1,014,786	-	-	-	-	1,014,786	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. TONG Wui Tung	1,014,786	-	-	-	-	1,014,786	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. SU Rubo ¹	186,342	-	-	-	-	186,342	3.332	16.03.2016	16.03.2021-15.03.2026
Mr. OU Xueming ¹	968,146	-	-	-	-	968,146	4.773	13.12.2013	13.12.2018-12.12.2023
Mr. YANG Zhicheng	1,515,933	-	-	-	-	1,515,933	4.773	13.12.2013	13.12.2018-12.12.2023
	1,509,074	-	-	-	-	1,509,074	3.332	16.03.2016	16.03.2021-15.03.2026
	525,597	-	-	-	-	525,597	3.106	11.05.2016	11.05.2021-10.05.2026
	449,031	-	-	-	-	449,031	3.740	19.08.2016	19.08.2021-18.08.2026
Mr. SONG Jun	736,487	-	-	-	-	736,487	3.332	16.03.2016	16.03.2021-15.03.2026
	1,074,264	-	-	-	-	1,074,264	3.106	11.05.2016	11.05.2021-10.05.2026
	816,050	-	-	-	-	816,050	3.740	19.08.2016	19.08.2021-18.08.2026
Sub-total	10,825,282	-	-	-	-	10,825,282			
Employees of the Group	3,236,589	-	-	-	-	3,236,589	4.773	13.12.2013	13.12.2018-12.12.2023
Sub-total	3,236,589	-	-	-	-	3,236,589			
Total	14,061,871	-	-	-	-	14,061,871			

Notes:

1. Mr. SU Rubo and Mr. OU Xueming resigned as executive Directors with effect from 1 April 2017.
2. During the year ended 31 December 2017, no share options were granted by the Company in accordance with the terms of the 2007 Share Option Scheme.
3. The share options granted under the 2007 Share Option Scheme are not recognised in the financial statements of the Company until they are exercised. The Directors consider that it is not appropriate to disclose the value of the share options granted to the participants during the financial year, since any valuation of such share options would be subject to a number of assumptions that would be subjective and uncertain.

(b) 2017 Share Option Scheme

In view of the expiry of the 2007 Share Option Scheme on 19 March 2017, a new share option scheme (the “2017 Share Option Scheme”) was approved and adopted by the Shareholders at the annual general meeting of the Company held on 18 May 2017 for the period of 10 years commencing on the adoption date and ending 17 May 2027. A summary of the principal terms of the 2017 Share Option Scheme is set out as follows:

(i) Purpose of the 2017 Share Option Scheme

The purpose is to provide the people and the parties working for the interests of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with incentives to work better for the interest of the Group and/or rewards for their contribution and support to the Group.

(ii) Eligible Participants

The following persons are eligible to participate in the 2017 Share Option Scheme:

- any executive or non-executive directors of each member of the Group and their associates; and
- any full-time employees of each member of the Group.

(iii) Grant of Options

The Board shall be entitled at any time and from time to time, within 10 years after the date of adoption of the 2017 Share Option Scheme, to make an offer of the grant of an option to any participant.

(iv) Payment on Acceptance of Option Offer

HKD1.00 is payable by the participant to the Company on acceptance of the option offer as consideration for the grant within 28 days from the date upon which the option offer is made.

(v) Subscription Price of Shares

The subscription price of an option to subscribe for Shares granted pursuant to the 2017 Share Option Scheme shall be at least the highest of:

- the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a Business Day;
- the price being the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and
- the nominal or par value of a Share on the date of grant.

Report of the Directors

(vi) Maximum Number of Shares Available for Subscription

- The total number of Shares which may be issued upon exercise of all options to be granted under the 2017 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the adoption date (the “Original Scheme Limit”), unless the Company obtains an approval from its Shareholders pursuant to the scheme rules of the 2017 Share Option Scheme.
- The Company may seek approval of its Shareholders in general meeting for refreshing the Original Scheme Limit.
- The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2017 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time.
- As at the date of this report, a total number of 2,134,062,178 Shares (including options to subscribe for 4,533,632 Shares that have been granted but not yet lapsed or exercised) (representing 9.82% of the issued share capital of the Company as at the date of this report) were available for issue under the 2017 Share Option Scheme.

(vii) Maximum Entitlement of Shares of each Participant

- Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of all options granted under the 2017 Share Option Scheme or any other share option schemes of the Company to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- Where any proposed grant of options would result in Shares issued and to be issued upon exercise of all options already granted and to be granted under the 2017 Share Option Scheme and any other share option scheme of the Company (including options exercised, cancelled and outstanding) to a participant who is a substantial Shareholder or an independent non-executive Director, or their respective associates in the 12-month period up to and including the date of grant, (1) representing in aggregate more than 0.1% of the total number of Shares in issue; and (2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HKD5,000,000, the proposed grant of option must be approved by the Shareholders by poll in general meeting.

(viii) Option Period

The period within which the options must be exercised will be specified by the Company at the time of grant. This period shall not be longer than 10 years from the date of grant, but subject to the provisions for early termination thereof under the 2017 Share Option Scheme. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised. Unless otherwise determined by the Board and specified in the offer letter at the time of the grant, there is neither any performance target that needs to be achieved by the grantee before an option can be exercised nor any minimum period for which an option must be held before the option can be exercised.

During the year ended 31 December 2017, details of movements in the share options under the 2017 Share Option Scheme are as follows:

Category and name of grantees	Outstanding at 1 January 2017	Granted during the year ¹	Options to subscribe for Shares			Outstanding at 31 December 2017	Exercise price per Share HKD	Date of grant ²	Exercisable period
			Exercised during the year	Cancelled during the year	Lapsed during the year				
Directors									
Mr. YANG Zhicheng	-	484,454	-	-	-	484,454	8,250	22.05.2017	22.05.2022-21.05.2027
	-	495,084	-	-	-	495,084	10,100	24.08.2017	24.08.2022-23.08.2027
	-	205,255	-	-	-	205,255	12,980	08.12.2017	08.12.2022-07.12.2027
Mr. XIE Shutai ³	-	117,526	-	-	-	117,526	8,250	22.05.2017	22.05.2022-21.05.2027
Mr. SONG Jun	-	1,157,991	-	-	-	1,157,991	8,250	22.05.2017	22.05.2022-21.05.2027
	-	483,325	-	-	-	483,325	10,100	24.08.2017	24.08.2022-23.08.2027
	-	454,562	-	-	-	454,562	12,980	08.12.2017	08.12.2022-07.12.2027
Mr. SU Baiyuan	-	1,135,435	-	-	-	1,135,435	8,250	22.05.2017	22.05.2022-21.05.2027
Total	-	4,533,632	-	-	-	4,533,632			

Notes:

- The share options granted under the 2017 Share Option Scheme are not recognised in the financial statements of the Company until they are exercised. The Directors consider that it is not appropriate to disclose the value of the share options granted to the participants during the financial year, since any valuation of such share options would be subject to a number of assumptions that would be subjective and uncertain.
- The closing price of the Shares immediately before the date of grant of 22 May 2017, 24 August 2017 and 8 December 2017 was HKD8.20, HKD9.72 and HKD12.28 respectively.
- Mr. XIE Shutai resigned as executive Director with effect from 2 March 2018.

Report of the Directors

Employee Incentive Scheme

The trust deed in respect of the Employee Incentive Scheme for rewarding the contribution of the senior management and employees of the Group which excludes any connected persons of the Company, together with the scheme rules, were approved by the Board officially. The purpose of the Employee Incentive Scheme is to provide the participants with an opportunity to hold a personal stake in the Company so as to motivate such participants and to enhance their performance and efficiency. During the year ended 31 December 2017, the Company or its subsidiaries had not purchased any Shares from the market, and had not acquired any Shares or by any other way in accordance with the Employee Incentive Scheme. As of 31 December 2017, share awards for 85,968,288 Shares were granted under the Employee Incentive Scheme subject to the registration and transfer procedures yet to be completed. As at 31 December 2017, the cumulative total number of the Shares acquired under the Employee Incentive Scheme was 107,771,551 Shares (31 December 2016: 107,771,551 Shares). The trustee of the Employee Incentive Scheme is Power Great Enterprises Limited, a wholly-owned subsidiary of the Company. Details of the employee share schemes (including the Employee Incentive Scheme) during the year are set out in note 27 to the consolidated financial statements of the Group.

The Board will continue monitoring the Employee Incentive Scheme for motivating the senior management and employees of the Group and if it shall consider appropriate and/or desirable, modify or replace the Employee Incentive Scheme and/or adopt any other incentive scheme.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

The Directors and chief executive who held office at 31 December 2017 had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long positions in the shares, underlying shares and debentures of the Company

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of total issued Shares as at 31 December 2017		Amount of debentures held
				Total		
Mr. YEUNG Kwok Keung	Interest of controlled corporation	53,372,800 ¹	-	53,372,800	0.25%	-
Ms. YANG Huiyan	Interest of controlled corporation	12,327,774,943 ²	-	12,327,774,943	57.93%	-
Mr. MO Bin	Beneficial owner	15,030,000	-	15,030,000	0.07%	-
Ms. YANG Ziying	Interest of controlled corporation	6,750,000 ³	-	6,750,000	0.03%	-
Mr. YANG Zhicheng	Beneficial owner	-	5,184,428 ⁴	5,184,428	0.02%	-
Mr. XIE Shutai ⁹	Beneficial owner	-	117,526 ⁴	117,526	-	-
	Interest of spouse	901,266 ⁵	-	901,266	-	-
				1,018,792	0.01%	
Mr. SONG Jun	Beneficial owner		4,722,679 ⁴	4,722,679	0.02%	-
Mr. LIANG Guokun	Interest of spouse	2,026,936 ⁶	-	2,026,936	0.01%	-
Mr. SU Baiyuan	Beneficial owner	436,096	1,135,435 ⁴	1,571,531	-	-
	Interest of spouse	419,643 ⁷	-	419,643	-	-
				1,991,174	0.01%	
Mr. CHEN Chong	Interest of spouse	12,327,774,943 ⁸	-	12,327,774,943	57.93%	-
Mr. LAI Ming, Joseph	Beneficial owner	-	1,014,786 ⁴	1,014,786	0.01%	-
Mr. SHEK Lai Him, Abraham	Beneficial owner	-	1,014,786 ⁴	1,014,786	0.01%	-
Mr. TONG Wui Tung	Beneficial owner	-	1,014,786 ⁴	1,014,786	0.01%	-

Notes:

- These Shares represent Shares held by Kenpac Investments Limited in which Mr. YEUNG Kwok Keung beneficially owns 90% of the issued share capital.
- These Shares represent Shares held by Concrete Win Limited, Genesis Capital Global Limited and Golden Value Investments Limited in which Ms. YANG Huiyan beneficially owns the entire issued share capital respectively.
- These Shares represent Shares held by Shiny Dragon Assets Limited in which Ms. YANG Ziying and her spouse Mr. ZHOU Hongru jointly and beneficially owns the entire issued share capital.
- The relevant interests are unlisted physically settled options granted pursuant to the Share Option Schemes. Upon exercise of the share options in accordance with the Share Option Schemes, ordinary shares of HKD0.10 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the "Share Option Schemes" of this report.
- These Shares represent Shares held by Ms. YANG Congrong who is the spouse of Mr. XIE Shutai.
- These Shares represent Shares held by Ms. MA Minhua who is the spouse of Mr. LIANG Guokun.
- These Shares represent Shares held by Ms. LIU Qing who is the spouse of Mr. SU Baiyuan.
- These Shares represent Shares held by Ms. YANG Huiyan who is the spouse of Mr. CHEN Chong.
- Mr. XIE Shutai resigned as executive Director with effect from 2 March 2018.

Save as disclosed above, during the year ended 31 December 2017, none of Directors, their spouse or children under the age of 18 had any rights to subscribe for equity or debt securities of the Company, nor has any of them exercised such rights.

Report of the Directors

Interests and Short Positions of Shareholders Disclosable Under the SFO

As at 31 December 2017, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons, other than the Directors and chief executive of the Company, had long positions of 5% or more in the Shares and underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares

Name of Shareholders	Capacity	Number of ordinary Shares held	Percentage of total issued shares as at 31 December 2017
Concrete Win Limited	Beneficial owner	9,386,446,010 ¹	44.10%
Genesis Capital Global Limited	Beneficial owner	2,840,000,000 ²	13.34%
Ping An Insurance (Group) Company of China, Ltd.	Interest of controlled corporation	2,236,245,112 ³	10.51%
Ping An Life Insurance Company of China, Ltd.	Beneficial owner	2,236,200,000 ⁴	10.51%

Notes:

- * As at 31 December 2017, the total number of the issued shares of the Company is 21,279,888,782 Shares.
- These Shares are held by Concrete Win Limited, the entire issued share capital of which is beneficially owned by Ms. YANG Huiyan.
 - These Shares are held by Genesis Capital Global Limited, the entire issued share capital of which is beneficially owned by Ms. YANG Huiyan.
 - Ping An Insurance (Group) Company of China, Ltd. is a joint stock limited company incorporated in the PRC, the H Shares of which are listed on the main board of the Stock Exchange (Stock Code: 2318) and the A Shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601318). Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in the 2,236,245,112 Shares (held and managed by its indirectly wholly owned subsidiary, Ping An of China Asset Management (Hong Kong) Co. Ltd. as investment manager), of which 2,236,200,000 Shares were beneficially owned by its subsidiary, Ping An Life Insurance Company of China, Ltd.. Disclosure of the number of ordinary Shares held is made pursuant to the last Disclosure of Interests notice as of 31 December 2017 (date of relevant event: 13 June 2016).
 - These Shares are beneficially owned by Ping An Life Insurance Company of China, Ltd.. Disclosure of the number of ordinary Shares held is made pursuant to the last Disclosure of Interests notice as of 31 December 2017 (date of relevant event: 12 May 2016).

Save as disclosed above, the Company has not been notified by any other person (other than the Directors and chief executive of the Company) who had an interest or short positions of 5% or more in the Shares and underlying Shares for the year ended 31 December 2017 which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2017, the Company bought back a total of 222,078,000 Shares on the Stock Exchange. All the Shares bought back were subsequently cancelled by the Company. Details of those transactions are as follows:

Month of buy-back	Number of Shares bought back	Price Per Share		
		Highest	Lowest	Aggregate price
		HKD	HKD	HKD
January	138,710,000	4.49	4.05	587,150,813
February	9,416,000	4.44	4.37	41,338,054
March	8,780,000	6.98	6.77	60,713,795
April	4,439,000	6.98	6.91	30,890,557
May	–	–	–	–
June	–	–	–	–
July	–	–	–	–
August	16,000,000	10.40	9.88	163,594,400
September	31,357,000	12.00	10.40	358,800,070
October	376,000	12.00	11.92	4,490,606
November	13,000,000	12.00	11.74	155,057,500
December	–	–	–	–

As disclosed in the announcement of the Company dated 8 January 2016, the Board was of the view that the Shares were significantly undervalued. After assessment, the Company believed that its financial resources would enable it to conduct the buy-back which maintaining a stable financial position for continuing the Company's normal operation during the financial year ended 31 December 2017.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the year ended 31 December 2017. For details of purchase, sale or redemption by the Company or any of its subsidiaries of its other listed securities during the year ended 31 December 2017, please refer to the notes to the consolidated financial statements of this report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the law of the Cayman Islands, being the jurisdiction in which the Company was incorporated, under which the Company would be obliged to offer new Shares on a pro-rata basis to the existing Shareholders.

Report of the Directors

Disclosure under Rule 13.18 of the Listing Rules

On 18 December 2014, the Company, as the borrower, entered into a credit agreement (the “2014 Credit Agreement”) with, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, JPMorgan Chase Bank, N.A., Hong Kong Branch, Goldman Sachs Bank USA, Bank of China Limited, Macau Branch and Deutsche Bank AG, Singapore Branch as lenders (the “2014 Lenders”) and Hang Seng Bank Limited as the facility agent, pursuant to which the 2014 Lenders have agreed to make available a loan facility denominated in both HKD and USD in an aggregate amount equivalent to approximately HKD4.5 billion (the “2014 Loans”) to the Company for a term of 4 years commencing from the date of the 2014 Credit Agreement. The 2014 Loans obtained under the 2014 Credit Agreement shall be applied by the Company for repayment and/or prepayment of any financial indebtedness owed by the Company or any member of the Group and its general corporate purposes. Pursuant to the terms of the 2014 Credit Agreement, among others, the Company has undertaken to ensure that each of Mr. YANG Erzhu, Ms. YANG Huiyan, Mr. SU Rubo, Mr. ZHANG Yaoyuan, Mr. OU Xueming, Mr. YEUNG Kwok Keung, Mr. ZHANG Chibiao, Ms. ZHANG Yingyan, Mr. YANG Minsheng, Mr. SU Zhixian, Mr. YANG Zhicheng, Mr. YANG Zhigang, Ms. YANG Ziyang, Ms. OU Jieping, Ms. OU Jieling and Mr. WU Weizhong, directly or indirectly, must (i) individually or together remain the largest beneficial owner of the entire issued share capital of the Company; (ii) in aggregate, remain the beneficial owners of not less than 40% of the entire issued share capital of the Company; and (iii) retain control of the Company. Failure to comply with any of the above undertakings will constitute an event of default under the 2014 Credit Agreement.

On 31 July 2015, the Company, as the borrower, entered into a facility agreement (the “2015 Facility Agreement”) with, Bank of China (Hong Kong) Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch as original lenders (the “2015 Original Lenders”), Ping An Bank Company Limited, Wing Lung Bank, Limited, China Construction Bank (Asia) Corporation Limited, The Bank of East Asia, Limited, BNP Paribas, China Merchants Bank Co., Ltd., Hong Kong Branch, Chong Hing Bank Limited, Industrial Bank Co., Ltd., Hong Kong Branch, Tai Fung Bank Limited and China Guangfa Bank Co., Ltd., Macau Branch, and Bank of China (Hong Kong) Limited as the facility agent (the “2015 Facility Agent”), pursuant to which the 2015 Original Lenders have agreed to make available a dual tranche transferrable term loan facilities denominated in both HKD and USD in an aggregate amount equivalent to approximately USD800 million (the “2015 Loans”) to the Company for a term of four years commencing from the date of the 2015 Facility Agreement. The 2015 Loans obtained under the 2015 Facility Agreement shall be applied by the Company for (i) firstly, the repayment and/or prepayment in full of the principal and accrued interest owed by the Company or any member of the Group arising from the 10.50% senior notes due 11 August 2015 issued by the Company; and thereafter, (ii) its general corporate purposes (including repayment and/or prepayment of any other financial indebtedness owed by the Company or any member of the Group). Pursuant to the terms of the 2015 Facility Agreement, among others, the Company has undertaken to ensure that each of Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, directly or indirectly, must (i) individually or collectively remain the largest beneficial owner of the entire issued share capital of the Company; (ii) in aggregate,

remain the beneficial owners of not less than 40% of the entire issued share capital of the Company; and (iii) retain control of the Company. Failure to comply with any of the above undertakings will constitute an event of default under the 2015 Facility Agreement. On 7 December 2015, the Company and the 2015 Facility Agent entered into a supplement to the 2015 Facility Agreement pursuant to which, among others, the amount under the 2015 Loans have been increased from USD800 million to USD975 million.

On 8 December 2016, the Company, as the borrower, entered into a facility agreement (the “2016 Facility Agreement”) with, Bank of China (Hong Kong) Limited, China Construction Bank (Asia) Corporation Limited, Agricultural Bank of China Limited Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, Chong Hing Bank Limited, Hang Seng Bank Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, China Everbright Bank Co., Ltd. Hong Kong Branch, Wing Lung Bank, Limited, Malayan Banking Berhad, Tai Fung Bank Limited and Nanyang Commercial Bank, Limited as original lenders (the “2016 Original Lenders”), Bank of China (Hong Kong) Limited as the facility agent, pursuant to which the 2016 Original Lenders have agreed to make available a dual tranche transferrable term loan facilities denominated in HKD and USD in the amount of HKD3,790,000,000 and USD1,014,100,000, representing an aggregate amount equivalent to approximately USD1.5 billion (the “2016 Loans”) to the Company for a term of four years commencing from the date of the 2016 Facility Agreement. The 2016 Loans obtained under the 2016 Facility Agreement shall be applied by the Company for its general corporate purposes (including repayment and/or prepayment of any other financial indebtedness owed by the Company or any member of the Group), including any bridging loan or pre-funding finance arrangement in relation to the 2016 Loans. Pursuant to the terms of the 2016 Facility Agreement, among others, the Company has undertaken to ensure that each of Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, directly or indirectly, must (i) individually or collectively remain the largest beneficial owner of the entire issued share capital of the Company; (ii) in aggregate, remain the beneficial owners of not less than 40% of the entire issued share capital of the Company; and (iii) retain control of the Company. Failure to comply with any of the above undertakings will constitute an event of default under the 2016 Facility Agreement.

On 17 October 2017, the Company, as the borrower, entered into a facility agreement (the “2017 First Facility Agreement”) with, inter alia, various banks and financial institutions as lenders (the “2017 First Facility Lenders”), China Construction Bank Corporation, Hong Kong Branch, as the facility agent, pursuant to which the 2017 First Facility Lenders have agreed to make available a dual tranche transferrable term loan facility denominated in HKD and USD in an amount of HKD2,454 million and USD935 million, respectively (collectively, the “2017 First Loans”) to the Company for a term of four years commencing from the date of the 2017 First Facility Agreement. The 2017 First Loans obtained under the 2017 First Facility Agreement shall be applied by the Company for financing the general corporate purposes of the Group. Pursuant to the terms of the 2017 First Facility Agreement, among others, (i) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall be the largest beneficial owner of the entire issued share capital of the Company; (ii) Ms. YANG Huiyan

Report of the Directors

and Mr. YEUNG Kwok Keung, in aggregate, shall beneficially own at least 40 per cent. of the entire issued share capital of the Company; (iii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung shall have control over the Company; and (iv) either Mr. YEUNG Kwok Keung or Ms. YANG Huiyan shall be the chairperson of the Board. Failure to comply with any of the above requirements will constitute a prepayment event under the 2017 First Facility Agreement.

On 27 December 2017, the Company, as the borrower, entered into a facility agreement (the “2017 Second Facility Agreement”) with BNP Paribas as the original lender (the “2017 Second Facility Original Lender”), pursuant to which the 2017 Second Facility Original Lender has agreed to make available a term loan facility in an amount of HKD1,781 million (the “2017 Second Facility”) to the Company for a term of 36 months commencing from the date of the 2017 Second Facility Agreement. The 2017 Second Facility obtained under the 2017 Second Facility Agreement shall be applied by the Company towards the finance or refinance of (i) the acquisition by Country Garden (Hong Kong) Development Company Limited (“CG Hong Kong”), a wholly-owned subsidiary of the Company, of 12.35% interests of a company incorporated under the laws of the Cayman Islands (the “Target Company”); and (ii) the subscription of 4.21% interests of the Target Company by CG Hong Kong. Pursuant to the terms of the 2017 Second Facility Agreement, among others, (i) the Company shall own the entire issued share capital in CG Hong Kong; (ii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall be the largest beneficial owner of the entire issued share capital of the Company, whether directly or indirectly; (iii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall beneficially own at least 40 per cent. of the entire issued share capital of the Company; (iv) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung shall have control over the Company; and (v) either Mr. YEUNG Kwok Keung or Ms. YANG Huiyan shall be the chairperson of the Board. Failure to comply with any of the above requirements will constitute a prepayment event under the 2017 Second Facility Agreement.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

Sufficiency of Public Float

Rules 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer’s listed securities to be maintained. This normally means that (i) at least 25% of the issuer’s total number of issued shares must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total amount of securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer’s total number of issued shares.

However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares for issuers having an expected market capitalization at the time of listing of not less than HKD50 million.

The Group has applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange exercised its discretion under rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company of 15% (assuming the over-allotment option is not exercised) or such higher percentage of 16.87%, which represents the issued share capital as would have been held by the public in the event that the whole or a part of the over-allotment option had been exercised (the over-allotment option was exercised by the Company, which had an expected market capitalization at the time of listing of over HKD10,000 million), on the basis that the Stock Exchange was satisfied that the number of Shares concerned and the extent of their distribution will enable the market to operate properly with the lower percentage, and on the condition that the Company would make appropriate disclosure of the lower prescribed percentage of public float in the prospectus of the Company issued on 3 April 2007 and confirm the sufficiency of public float in its successive annual reports after listing. At the time of listing of the Company on 20 April 2007, the market capitalization of the Company exceeded HKD10,000 million.

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Directors confirm that the Company has maintained the amount of public float as required under the Listing Rules.

Auditor

The consolidated financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor for the ensuing year is to be proposed at the 2018 AGM.

Professional Tax Advice Recommended

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an expert.

Report of the Directors

Closure of Register of Members

For the purposes of determining the Shareholders' eligibility to attend, speak and vote at the 2018 AGM, and the Eligible Shareholders' entitlement to the proposed final dividend, the register of members of the Company ("Register of Members") will be closed as appropriate as set out below:

(i) For determining the Shareholders' eligibility to attend, speak and vote at the 2018 AGM:

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Friday, 11 May 2018
Record Date	Friday, 11 May 2018
Closure of the Register of Members	Monday, 14 May 2018 to Thursday, 17 May 2018 (both days inclusive)

(ii) Subject to the passing of the final dividend proposal agenda at the 2018 AGM, for determining the Eligible Shareholders' entitlement to the proposed final dividend:

Ex-dividend date	Monday, 21 May 2018
Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Wednesday, 23 May 2018
Closure of the Register of Members	Thursday, 24 May 2018 to Friday, 25 May 2018 (both days inclusive)
Record Date	Friday, 25 May 2018

For purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

For and on behalf of the Board

YEUNG Kwok Keung

Chairman

Hong Kong, 20 March 2018

— Jurong Country Garden — Phoenix City, Zhenjiang



Financial Statements



Independent Auditor's Report



羅兵咸永道

To the Shareholders of Country Garden Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Country Garden Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 124 to 254, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recognition of revenue from sales of properties over time
- Assessment of net realisable value of properties under development and completed properties held for sale

Key Audit Matter**Recognition of revenue from sales of properties over time**

Refer to note 3 'Change in accounting policies', note 5 'Critical accounting estimates and judgments' and note 6 'Revenue and segment information' to the consolidated financial statements.

Revenue from sales of properties is recognised over time when the Group's performance under a sales contract 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; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2017, revenue of the Group from sales of properties was RMB220,157,369,000, of which RMB60,806,904,000 was recognised over time.

The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for certain sales contracts. Management uses judgments, based on legal counsel opinion, to classify sales contracts into those with right to payment and those without the right.

How our audit addressed the Key Audit Matter

To address this key audit matter, we performed audit procedures as follows:

In assessing the appropriateness of management's judgments as to whether the Group has the enforceable right to payment in those sales contracts recognised over time, we have:

- Understood and evaluated management's procedures in identifying and classifying sales contracts with or without right to payment.
- Reviewed the key terms of a sample of sales contracts to assess the presence of right to payment based on the contract terms.
- Obtained and reviewed the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment.
- Assessed the competence, experience and objectivity of the legal counsel engaged by the management.

In respect of the completeness of the estimated total contract costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have:

- (i) Compared the actual development costs of completed projects to management's prior estimations of total development costs to assess management's experience and capability on making cost estimates.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>For the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the reporting date. The progress 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 property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date.</p> <p>Given the involvement of significant judgments and estimations, recognition of revenue from sales of properties over time is considered a key audit matter.</p>	<p>(ii) Understood, evaluated and validated the internal controls over the generation of cost data of the property unit.</p> <p>(iii) Assessed the reasonableness of the basis for cost allocation.</p> <p>(iv) Tested the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date, by performing procedures below on a sample basis:</p> <ul style="list-style-type: none"> • Compared the estimated total development costs of the project and property unit to the budget approved by management. • Tested the development costs incurred by tracing to the supporting documents and the reports from external supervising engineers, where applicable. • Checked the mathematical accuracy of the computation of cost allocation and progress of the property unit.

We found that the significant judgments and estimations used in determining whether the Group has the enforceable right to payment, and the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date were supportable by available evidence.

Key Audit Matter

Assessment of net realisable value of properties under development and completed properties held for sale

Refer to note 5 ‘Critical accounting estimates and judgments’, note 11 ‘Properties under development’ and note 14 ‘Completed properties held for sale’ to the consolidated financial statements.

The properties under development (“PUD”) and completed properties held for sale (“PHS”) of the Group amounted to RMB459,762,485,000 and RMB27,886,487,000 respectively as at 31 December 2017, which in total accounted for approximately 46% of the Group’s total assets. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value (“NRV”).

Determination of NRV of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and, for PUD, the costs to completion. Given the significant balance of PUD and PHS and the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.

How our audit addressed the Key Audit Matter

We obtained management’s NRV assessment on PUD and PHS and performed audit procedures as follows:

- (i) Compared the relevant PUD and PHS balances, on a sample basis, against the result of management’s NRV assessment made in the prior year to consider, with hindsight, whether management’s NRV assessment and process had been subject to management bias.
- (ii) Challenged management’s key estimates, on a sample basis, for:
 - Selling price which is estimated based on the prevailing market conditions. We compared the estimated selling price to the recent market transactions by making reference to the Group’s selling price of pre-sale units in the same project or the prevailing market price of comparable properties with similar type, size and location.
 - Variable selling expenses are estimated based on certain percentage of selling price. We compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent years.
 - Estimated costs to completion for PUD, we reconciled the estimated costs to completion to the budget approved by management and examined the construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group.

We found the key estimates used in the assessment of NRV of PUD and PHS were supportable by available evidence.

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Siu Cheong.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 March 2018

Consolidated Statement of Financial Position

	Note	As at 31 December	
		2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	7	21,628,081	20,877,029
Investment properties	8	8,338,114	9,773,430
Intangible assets	9	391,513	239,367
Land use rights	10	2,425,498	2,536,458
Properties under development	11	98,840,493	52,342,374
Investments in joint ventures	12(b)	19,345,513	7,311,153
Investments in associates	12(c)	11,584,871	3,873,349
Financial assets at fair value through other comprehensive income	13	1,517,013	870,734
Derivative financial instruments	22	112,605	1,034,387
Trade and other receivables	16	5,372,425	55,500
Deferred income tax assets	29	12,197,682	7,822,313
		181,753,808	106,736,094
Current assets			
Properties under development	11	360,921,992	216,383,252
Completed properties held for sale	14	27,886,487	30,885,254
Inventories	15	4,251,331	2,203,727
Trade and other receivables	16	270,541,328	117,321,747
Contract assets	3	15,737,782	–
Prepaid taxes		15,296,708	14,042,259
Restricted cash	17	11,318,174	11,843,988
Cash and cash equivalents	18	137,083,948	84,646,899
Financial assets at fair value through profit or loss	19	24,830,435	7,321,236
Derivative financial instruments	22	47,265	187,145
		867,915,450	484,835,507
Current liabilities			
Advanced proceeds received from customers	3	–	192,408,932
Contract liabilities	3	346,747,257	–
Trade and other payables	20	330,883,833	151,789,260
Receipts under securitisation arrangements	21	1,805,104	7,043,440
Current income tax liabilities		21,607,130	15,310,412
Senior notes	23	3,795,242	–
Corporate bonds	24	16,814,444	8,207,477
Bank and other borrowings	25	47,671,787	30,512,725
Derivative financial instruments	22	212,013	41,762
		769,536,810	405,314,008
Net current assets		98,378,640	79,521,499
Total assets less current liabilities		280,132,448	186,257,593

	Note	As at 31 December	
		2017 RMB'000	2016 RMB'000
Non-current liabilities			
Senior notes	23	28,118,337	29,264,448
Corporate bonds	24	30,520,235	29,502,147
Bank and other borrowings	25	87,844,982	38,710,079
Deferred government grants		233,440	237,445
Deferred income tax liabilities	29	16,447,649	6,928,304
Derivative financial instruments	22	355,876	–
		163,520,519	104,642,423
Equity attributable to owners of the Company			
Share capital and premium	26	24,460,811	25,677,217
Other reserves	28	5,942,669	4,484,042
Retained earnings	28	63,267,092	39,967,106
		93,670,572	70,128,365
Non-controlling interests		22,941,357	11,486,805
Total equity		116,611,929	81,615,170
Total equity and non-current liabilities		280,132,448	186,257,593

The notes on pages 133 to 254 are an integral part of these consolidated financial statements.

The financial statements on pages 124 to 254 were approved by the Board of Directors on 20 March 2018 and were signed on its behalf.

MO Bin
Director

YANG Ziyang
Director

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December	
		2017 RMB'000	2016 RMB'000
Revenue	6	226,899,786	153,086,977
Cost of sales	31	(168,114,404)	(120,850,891)
Gross profit		58,785,382	32,236,086
Other income and gains – net	30	2,611,495	1,530,465
Gains arising from changes in fair value of and transfer to investment properties	8	504,718	711,604
Selling and marketing costs	31	(10,002,400)	(7,383,618)
Administrative expenses	31	(8,301,008)	(4,970,364)
Operating profit		43,598,187	22,124,173
Finance income	33	3,422,652	532,870
Finance costs	33	(146,566)	(1,628,175)
Finance income/(costs) – net	33	3,276,086	(1,095,305)
Share of results of joint ventures and associates	12(b), 12(c)	(352,304)	361,704
Profit before income tax		46,521,969	21,390,572
Income tax expenses	34	(17,770,164)	(7,727,349)
Profit for the year		28,751,805	13,663,223
Profit attributable to:			
– Owners of the Company		26,063,518	11,516,815
– Non-controlling interests			
Perpetual capital securities		–	1,409,534
Other non-controlling interests		2,688,287	736,874
		2,688,287	2,146,408
		28,751,805	13,663,223

	Note	Year ended 31 December	
		2017 RMB'000	2016 RMB'000
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
— Change in fair value of financial assets at fair value through other comprehensive income, net of tax	28	(56,435)	45,921
Items that may be reclassified to profit or loss:			
— Deferred (losses)/gains on cash flow hedges, net of tax	22(d)	(103,806)	89,982
— Deferred gains/(costs) of hedging, net of tax	22(d)	750,560	(295,901)
— Currency translation differences		155,576	299,455
Total other comprehensive income for the year, net of tax		745,895	139,457
Total comprehensive income for the year		29,497,700	13,802,680
Total comprehensive income attributable to:			
— Owners of the Company		26,775,128	11,585,197
— Non-controlling interests			
Perpetual capital securities		—	1,409,534
Other non-controlling interests		2,722,572	807,949
		2,722,572	2,217,483
		29,497,700	13,802,680
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic	37	122.80	52.17
Diluted	37	122.46	52.13

The notes on pages 133 to 254 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company				Non-controlling interests			Total Equity RMB'000
	Share capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000	Others RMB'000	Total RMB'000	
Balance at 31 December 2016	25,677,217	4,484,042	39,967,106	70,128,365	-	11,486,805	11,486,805	81,615,170
Adjustment on adoption of HKFRS 15, net of tax (note 3(a))	-	-	3,152,346	3,152,346	-	435,464	435,464	3,587,810
Restated balance at 1 January 2017	25,677,217	4,484,042	43,119,452	73,280,711	-	11,922,269	11,922,269	85,202,980
Comprehensive income								
Profit for the year	-	-	26,063,518	26,063,518	-	2,688,287	2,688,287	28,751,805
Other comprehensive income								
– Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	(56,435)	-	(56,435)	-	-	-	(56,435)
– Deferred losses on cash flow hedges, net of tax (note 22(d))	-	(103,806)	-	(103,806)	-	-	-	(103,806)
– Deferred gains of hedging, net of tax (note 22(d))	-	750,560	-	750,560	-	-	-	750,560
– Currency translation differences	-	121,291	-	121,291	-	34,285	34,285	155,576
Total comprehensive income for the year	-	711,610	26,063,518	26,775,128	-	2,722,572	2,722,572	29,497,700

	Attributable to owners of the Company				Non-controlling interests			
	Share capital and premium	Other reserves	Retained earnings	Total	Perpetual capital securities	Others	Total	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Transactions with owners in their capacity as owners:								
Capital injections from non-controlling interests	-	-	-	-	-	4,342,700	4,342,700	4,342,700
Transfer to statutory reserves	-	1,129,399	(1,129,399)	-	-	-	-	-
Dividends and distributions	-	-	(5,382,105)	(5,382,105)	-	-	-	(5,382,105)
Buy-back of shares (note 26)	(1,216,406)	-	-	(1,216,406)	-	-	-	(1,216,406)
Employee share schemes:								
– value of employee services (note 27)	-	265,268	-	265,268	-	-	-	265,268
Non-controlling interests arising from business combination (note 42)	-	-	-	-	-	4,535,124	4,535,124	4,535,124
Reclassification of revaluation reserve upon disposal	-	(595,626)	595,626	-	-	-	-	-
Disposal of subsidiaries (note 41)	-	-	-	-	-	(745,997)	(745,997)	(745,997)
Changes in ownership interests in subsidiaries without change of control (note 40)	-	(52,024)	-	(52,024)	-	164,689	164,689	112,665
Total transactions with owners	(1,216,406)	747,017	(5,915,878)	(6,385,267)	-	8,296,516	8,296,516	1,911,249
Balance at 31 December 2017	24,460,811	5,942,669	63,267,092	93,670,572	-	22,941,357	22,941,357	116,611,929

The notes on pages 133 to 254 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company				Non-controlling interests			Total Equity RMB'000
	Share capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000	Others RMB'000	Total RMB'000	
Balance at 1 January 2016	29,212,611	3,942,139	31,808,028	64,962,778	19,528,000	4,521,696	24,049,696	89,012,474
Comprehensive income								
Profit for the year	-	-	11,516,815	11,516,815	1,409,534	736,874	2,146,408	13,663,223
Other comprehensive income								
– Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	45,921	-	45,921	-	-	-	45,921
– Deferred gains on cash flow hedges, net of tax	-	89,982	-	89,982	-	-	-	89,982
– Deferred costs of hedging, net of tax	-	(295,901)	-	(295,901)	-	-	-	(295,901)
– Currency translation differences	-	228,380	-	228,380	-	71,075	71,075	299,455
Total comprehensive income for the year	-	68,382	11,516,815	11,585,197	1,409,534	807,949	2,217,483	13,802,680
Transactions with owners in their capacity as owners:								
Capital injections	-	86,400	-	86,400	-	3,298,877	3,298,877	3,385,277
Redemption of perpetual capital securities	-	-	-	-	(19,528,000)	-	(19,528,000)	(19,528,000)
Transfer to statutory reserves	-	352,697	(352,697)	-	-	-	-	-
Dividends and distributions	-	-	(3,005,040)	(3,005,040)	(1,409,534)	(162,931)	(1,572,465)	(4,577,505)
Buy-back of shares (note 26)	(3,535,394)	-	-	(3,535,394)	-	-	-	(3,535,394)
Employee share schemes:								
– value of employee services (note 27)	-	82,834	-	82,834	-	-	-	82,834
Non-controlling interests arising from business combination	-	-	-	-	-	2,888,606	2,888,606	2,888,606
Disposal of subsidiaries	-	-	-	-	-	(11,653)	(11,653)	(11,653)
Changes in ownership interests in subsidiaries without change of control	-	(48,410)	-	(48,410)	-	144,261	144,261	95,851
Total transactions with owners	(3,535,394)	473,521	(3,357,737)	(6,419,610)	(20,937,534)	6,157,160	(14,780,374)	(21,199,984)
Balance at 31 December 2016	25,677,217	4,484,042	39,967,106	70,128,365	-	11,486,805	11,486,805	81,615,170

The notes on pages 133 to 254 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December	
		2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	36	54,001,158	57,303,143
Income tax paid		(19,115,245)	(9,919,363)
Interest paid		(10,802,299)	(6,121,022)
Net cash generated from operating activities		24,083,614	41,262,758
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	42	(1,903,865)	(3,122,462)
Proceeds from disposal of property, plant and equipment	36	353,912	232,365
Cash inflow/(outflow) on disposal of subsidiaries, net	41	131,562	(595,296)
Purchases of property, plant and equipment		(3,301,385)	(1,907,034)
Payments for investment properties		(54,987)	(107,035)
Purchases of intangible assets		(112,582)	(19,321)
Purchases of land use rights		(107,751)	(545,019)
Investments in joint ventures		(9,853,250)	(5,295,417)
Investments in associates		(6,829,107)	(1,625,033)
Deposits for acquisitions of companies	16	(4,646,925)	–
Loans advanced to related and third parties		(1,915,147)	(2,046,832)
Repayments from loans to third parties		515,210	775,971
Payments for financial assets at fair value through other comprehensive income	13	(707,283)	(601,962)
Payments for financial assets at fair value through profit or loss		(18,388,996)	(6,133,140)
Proceeds from disposals of financial assets at fair value through profit or loss		816,000	–
Interest received	33	1,619,973	532,870
Net cash used in investing activities		(44,384,621)	(20,457,345)

Consolidated Cash Flow Statement

	Note	Year ended 31 December	
		2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Capital injections from non-controlling interests		4,342,700	3,385,277
Buy-back of shares	26	(1,216,406)	(3,535,394)
Proceeds from disposal of interests in subsidiaries without loss of control	40	295,199	12,000
Payments for acquisition of additional interests in subsidiaries	40	(182,534)	(244,671)
Issue of corporate bonds	24	10,663,805	21,901,130
Redemption and repayment of perpetual capital securities		–	(19,528,000)
Redemption of senior notes	23(a)(iii)	(3,808,411)	–
Repayment of corporate bonds	24	(1,124,815)	–
Issue of senior notes	23	7,746,953	6,654,357
Settlement of derivative financial instruments		(373,746)	–
Repayments of receipts under securitisation arrangements		(5,238,336)	–
Proceeds under securitisation arrangements	21	–	7,043,440
Proceeds from bank and other borrowings		87,105,843	36,535,512
Repayments of bank and other borrowings		(20,006,471)	(20,507,403)
Dividends paid to owners of the Company	35	(5,382,105)	(3,005,040)
Distribution to holders of perpetual capital instruments		–	(1,192,419)
Dividends paid to other non-controlling interests		–	(64,631)
Net cash generated from financing activities		72,821,676	27,454,158
Net increase in cash and cash equivalents		52,520,669	48,259,571
Cash and cash equivalents at the beginning of the year		84,646,899	36,240,752
Exchange (losses)/gains on cash and cash equivalents		(83,620)	146,576
Cash and cash equivalents at the end of the year	18	137,083,948	84,646,899

The notes on pages 133 to 254 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

Country Garden Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the “Group”) are principally engaged in the property development, construction, property investment, property management and hotel operation.

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 20 March 2018.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group.

2.1 Basis of preparation

(i) *Compliance with HKFRS*

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”).

(ii) *Historical cost convention*

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss (“FVTPL”), financial assets at fair value through other comprehensive income (“FVOCI”) and investment properties, which are carried at fair value.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) New standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not mandatory for 31 December 2017 reporting periods and relevant to the Group and have not been early adopted by the Group.

		Effective for the financial year beginning on or after
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Insurance contracts	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
Amendments to HKAS 40	Transfers of investment properties	1 January 2018
Amendments to HKAS 28	Investments in associates and joint ventures	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatment	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The above new standards, amendments and interpretations to standards are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

(iv) New and amended standards adopted by the Group

The Group has elected to early adopt the following standards:

- Financial instruments — HKFRS 9 in prior year, and
- Revenue from contracts with customers — HKFRS 15 in current year (Refer to note 3).

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) New and amended standards adopted by the Group (Continued)

The Group has also applied the following standards and amendments for the first time in current year:

- Recognition of Deferred Tax Assets for Unrealised Losses — Amendments to HKAS 12, and
- Disclosure initiative — amendments to HKAS 7.

The amendments to HKAS 12 did not have any significant impact on the amounts recognised in prior, current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 36(c).

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(i) *Business combinations (Continued)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRS.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.3 Associates (Continued)

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of an associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of results of a joint venture' in profit or loss.

2 Summary of significant accounting policies (Continued)

2.4 Joint arrangements (Continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2.6 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB which is the Company's functional currency and the Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within 'finance income or costs', except when capitalised on the basis set out in note 2.26. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income and gains – net'.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20–40 years
Machinery	5–10 years
Transportation equipment	5–10 years
Furniture, fitting and equipment	5–8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

2 Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income and gains-net' in the consolidated statement of comprehensive income.

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

The Group shall transfer a property from investment property to property under development when it commences related development with a view to sale. For a transfer from investment property that is carried at fair value to property under development, related property under development shall be recognised at fair value at the transfer date.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.9 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Computer software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (Continued)

2.11 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- 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 debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this 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.

(ii) Recognition and 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 the consolidated statement of comprehensive income.

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 finance income using the effective interest rate method.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.11 Financial assets (Continued)

(ii) Recognition and measurement (Continued)

- 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 fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other income and gains – net'. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within 'other income and gains – net' in the period in which it arises. Interest income from these financial assets is included in the 'finance 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 OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other income and gains – net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (Continued)

2.12 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4(a) details how the Group determines whether there has been a significant increase in credit risk.

For contract assets and all trade and other receivables (excluding prepayment and loans to related and third parties), the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.13 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. Otherwise, the change of fair value is recognised immediately in profit or loss within 'other income and gains – net'.

The Group designates some of their derivatives as hedges of foreign exchange and interest rate risks associated with the cash flows of their foreign currency borrowings (cash flow hedges). The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within 'finance income/ (costs) – net'.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.13 Derivative financial instruments and hedging activities (Continued)

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedged item (“aligned time value”) are recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned time value at the date of designation of the option as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item (“aligned forward element”) is recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned forward element at the date of designation of the forward contract as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When a financial instrument that involves exchanges of cash flows that are denominated in different currencies is used in a hedge transaction, the foreign currency basis spread of the instrument is separated and excluded from the designated hedging instrument. The change in fair value of this excluded portion (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in a separate component of equity. For time-period related hedged items, the currency basis spread at the date of designation (to the extent that it relates to the hedged item) is amortised on a systematic and rational basis to profit or loss over the period.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

2 Summary of significant accounting policies (Continued)

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.15 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

2.16 Completed properties held for sale

Completed properties remaining unsold at year end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.17 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.18 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.19 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

2.20 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect is included in equity attributable to the owners of Company.

2.22 Perpetual capital securities

Perpetual capital securities with no contractual obligation to repay its principal or with contractual right to unconditionally delay the payment of any distribution are classified as part of equity.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2 Summary of significant accounting policies (Continued)

2.23 Government grants (Continued)

Government grants relating to construction of hotel properties are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets when they are completed and ready for use.

2.24 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.25 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.26 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differences between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.27 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2.28 Receipts under securitisation arrangements

Receipts under securitisation arrangements are recognised initially at fair value, net of transaction costs incurred. Receipts under securitisation arrangements are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective interest method.

Transaction costs are included in the carrying amount of the receipts under securitisation arrangements and amortised over the period of the arrangements using the effective interest method.

2.29 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (Continued)

2.29 Current and deferred income tax (Continued)

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.30 Employee benefits

(i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.31 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (including shares options and awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2 Summary of significant accounting policies (Continued)

2.31 Share-based payments (Continued)

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Company of equity instruments over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2.32 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.32 Provisions and contingent liabilities (Continued)

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.33 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) Sales of properties and construction services

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the 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 of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do 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 development and 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.

2 Summary of significant accounting policies (Continued)

2.33 Revenue recognition (Continued)

(i) Sales of properties and construction services (Continued)

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

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(ii) Hotel operation

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

(iii) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(iv) Property investment

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.34 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.35 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.36 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group is the lessee*

(a) *The Group is the lessee under operating lease other than land use rights*

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(b) *The Group is the lessee under operating lease of land use rights*

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

(ii) *The Group is the lessor*

Assets leased out under operating leases are included in investment properties. Rental income from operating lease is recognised over the term of the lease on a straight-line basis.

2.37 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.38 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

2 Summary of significant accounting policies (Continued)

2.38 Insurance contracts (Continued)

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts.

3 Change in accounting policies

The Group has elected to early adopt Hong Kong Financial Reporting Standard 15 “Revenue from Contracts with Customers” (“HKFRS 15”) as issued by the HKICPA for its 2017 financial year. The Group believes the new accounting policies provide more relevant information for users to assess the nature, amounts, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of HKFRS 15 from 1 January 2017 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS15 as an adjustment to the opening balance of retained earnings in the 2017 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2017, thus the comparative figures have not been restated.

HKFRS 15 replaces the provisions of HKAS 18 “Revenue” (“HKAS 18”) and HKAS 11 “Construction contracts” (“HKAS 11”) that relate to the recognition, classification and measurement of revenue and costs. The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract assets and liabilities

Reclassifications were made as at 1 January 2017 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for progress billing recognised in relation to property development activities were previously presented as advanced proceeds received from customers.
- Contract assets recognised in relation to construction activities were previously presented as trade and other receivables - amounts due from customers for contract work.

Notes to the Consolidated Financial Statements

3 Change in accounting policies *(Continued)*

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

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

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Accounting for costs incurred to obtain a contract

Following the adoption of 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 assets.

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 is adjusted for the effects of a financing component, if significant.

3 Change in accounting policies (Continued)**(a) The impact on the Group's financial position by the application of HKFRS 15 is as follows:**

	As at 1 January 2017			
	As previously stated RMB'000	Reclassifications under HKFRS 15 RMB'000	Adjustments under HKFRS 15 RMB'000	Restated RMB'000
Consolidated statement of financial position (extract)				
Properties under development	268,725,626	–	(8,949,148)	259,776,478
Trade and other receivables	117,377,247	(667,059)	(2,201,476)	114,508,712
Contract assets	–	667,059	6,089,288	6,756,347
Advanced proceeds received from customers	192,408,932	(167,885,253)	(24,523,679)	–
Trade and other payables	151,789,260	–	12,197,462	163,986,722
Contract liabilities	–	167,885,253	1,996,785	169,882,038
Deferred income tax liabilities	6,928,304	–	1,680,286	8,608,590
Retained earnings	39,967,106	–	3,152,346	43,119,452
Non-controlling interests	11,486,805	–	435,464	11,922,269

(b) The amount by each financial statements line items affected in the current year and year to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2017		
	Amounts without the early adoption of HKFRS 15 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Amounts as reported RMB'000
Consolidated statement of financial position (extract)			
Properties under development	487,499,976	(27,737,491)	459,762,485
Trade and other receivables	282,019,803	(6,106,050)	275,913,753
Contract assets	–	15,737,782	15,737,782
Investment in joint ventures and associates	30,581,947	348,437	30,930,384
Advanced proceeds received from customers	388,020,274	(388,020,274)	–
Trade and other payables	324,464,398	6,419,435	330,883,833
Contract liabilities	–	346,747,257	346,747,257
Deferred income tax liabilities	10,923,461	5,524,188	16,447,649
Retained earnings	53,856,460	9,410,632	63,267,092
Non-controlling interests	20,779,917	2,161,440	22,941,357

Notes to the Consolidated Financial Statements

3 Change in accounting policies (Continued)

(b) The amount by each financial statements line items affected in the current year and year to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows: (Continued)

	Year ended 31 December 2017		
	Amounts without the adoption of HKFRS 15 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Amounts as reported RMB'000
Consolidated statement of comprehensive income (extract)			
Revenue	198,133,790	28,765,996	226,899,786
Cost of sales	(151,423,420)	(16,690,984)	(168,114,404)
Selling and marketing costs	(9,381,049)	(621,351)	(10,002,400)
Administrative expenses	(8,348,897)	47,889	(8,301,008)
Income tax expenses	(13,904,439)	(3,865,725)	(17,770,164)
Share of results of joint ventures and associates	(700,741)	348,437	(352,304)
Profit for the year	20,767,543	7,984,262	28,751,805
— Profit attributable to owners of the Company	19,805,232	6,258,286	26,063,518
— Profit attributable to non-controlling interests	962,311	1,725,976	2,688,287
Consolidated cash flow statement (extract)			
Cash generated from operations			
— Profit for the year	20,767,543	7,984,262	28,751,805
— Share of results of joint ventures and associates	700,741	(348,437)	352,304
Changes in working capital:			
— Properties under development and completed properties held for sale	(153,535,602)	18,788,343	(134,747,259)
— Trade and other receivables	(158,942,467)	3,237,515	(155,704,952)
— Contract assets	—	(8,981,435)	(8,981,435)
— Contract liabilities	—	176,865,219	176,865,219
— Trade and other payables	131,729,488	(1,934,125)	129,795,363
— Advanced proceeds received from customers	195,611,342	(195,611,342)	—

3 Change in accounting policies (Continued)

(c) Details of contract assets are as follows:

	31 December 2017 RMB'000	1 January 2017 RMB'000
Contract assets related to sales of properties (note i)	8,417,379	3,328,104
Contract assets related to construction services (note i)	1,695,474	667,059
Costs for obtaining contracts (note ii)	5,624,929	2,761,184
Total contract assets	15,737,782	6,756,347

Notes:

- (i) Contract assets consist of unbilled amount resulting from sale of properties and construction when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer. Increase in contract assets during the year was in line with the growth of the Group's contracted sales and also due to an amount of RMB2,461,300,000 recognised in relation to business combination.
- (ii) Management expects the incremental costs, primarily sale commission and stamp duty paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. For the year ended 31 December 2017, the amount of amortisation was RMB573,462,000 and there was no impairment loss in relation to the costs capitalised.

(d) Revenue recognised in relation to contract liabilities

	31 December 2017 RMB'000	1 January 2017 RMB'000
Contract liabilities	346,747,257	169,882,038

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2017 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	101,201,364

Notes to the Consolidated Financial Statements

3 Change in accounting policies (Continued)

(e) Unsatisfied contracts related to sales and constructions of properties

	RMB'000
Expected to be recognised within one year	249,554,421
Expected to be recognised after one year	239,767,973
Total transaction price allocated to the unsatisfied contracts as of 31 December 2017	489,322,394

- (f) For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclosure the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term.

4 Financial risk management

The Group conducts its operations mainly in the PRC and is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's activities expose it to a variety of financial risks: market risk (mainly including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations. The Group has alternative plans (refer to note 4(a)(iv)) to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

(a) Financial risk factors

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("HKD"), United States Dollar ("USD") and Ringgit Malaysia ("RM"). The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB and net investment in foreign operations.

The Group applies various types of derivative financial instruments (foreign currency forward contracts, foreign currency option contracts, cross currency swaps and foreign exchange structured derivatives) to mitigate exposures arising from the fluctuations in foreign currencies of debts.

4 Financial risk management (Continued)**(a) Financial risk factors (Continued)****(i) Foreign exchange risk (Continued)**

The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned. The main sources of hedge ineffectiveness are considered to be the effects of mismatch in timing and currency pair. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of statement of financial position are as follows:

	2017 RMB'000	2016 RMB'000
Assets		
HKD	2,234,657	752,616
USD	2,252,567	2,726,002
RM	3,685,295	4,608,172
Other currencies	1,305,773	386,193
	9,478,292	8,472,983
Liabilities		
HKD	9,969,999	3,932,713
USD	50,219,360	37,456,159
RM	1,465,106	9,419,855
Other currencies	1,903,170	819,170
	63,557,635	51,627,897

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effects on the comprehensive income for the year without taking into account the hedging affects would be as follows:

	Change of comprehensive income – increase/(decrease)	
	2017 RMB'000	2016 RMB'000
RMB against HKD:		
Strengthened by 5%	386,767	159,005
Weakened by 5%	(386,767)	(159,005)
RMB against USD:		
Strengthened by 5%	2,398,340	1,736,508
Weakened by 5%	(2,398,340)	(1,736,508)
RMB against RM:		
Strengthened by 5%	(111,009)	182,844
Weakened by 5%	111,009	(182,844)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest-bearing bank deposits, senior notes, corporate bonds, receipts under securitisation arrangements, bank and other borrowings. Bank deposits, bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes, receipts under securitisation arrangements and corporate bonds issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2017, borrowings of the Group which were bearing at floating rates amounted to approximately RMB116,019,602,000 (2016: RMB56,250,162,000). As at 31 December 2017, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the finance costs of the Group would be increased/decreased by approximately RMB580,098,000 (2016: RMB281,251,000).

(iii) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash deposits with banks.

The carrying amounts of trade and other receivables, contract assets, restricted cash, and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 80% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by no less than 20%, which is remote, the Group would not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated.

Notes to the Consolidated Financial Statements

4 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Credit risk *(Continued)*

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 38. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

i. Loans to related and third parties

The Group uses four categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings. The ratings for the related and third parties are B as compared with the market ratings of similar companies by certain credit rating agencies.

4 Financial risk management (Continued)**(a) Financial risk factors (Continued)****(iii) Credit risk (Continued)***i. Loans to related and third parties (Continued)*

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

As at 31 December 2017 and 31 Decemeber 2016, the internal credit rating of loans to related and third parties were performing. The Group required certain third parties to provide guarantees or pledge collaterals as security against the loans.

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

i. Loans to related and third parties (Continued)

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 31 December 2017, the Group provided for credit losses against loans to related and third parties as follows:

Company internal credit rating	External credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	B	1–12%	12 months expected losses	Gross carrying amount

No significant change to estimation techniques or assumptions was made during the reporting period.

As at 31 December 2017, the gross carrying amount of loans to related and third parties was RMB3,446,769,000 (2016: RMB2,046,832,000) and after deducting impairment provision, the maximum exposure to loss was RMB3,410,596,000 (2016: RMB2,024,659,000). The Group made no write-off of loans to related and third parties during the year (2016: nil).

ii. Trade and other receivables (excluding prepayments and loans to related and third parties) and contract assets

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 contract assets and all trade and other receivables (excluding prepayments and loans to related and third parties).

Expected loss rate of current contract assets is assessed to be 0.1%. As at 31 December 2017, the loss allowance provision for contract assets was not material.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

- ii. Trade and other receivables (excluding prepayments and loans to related and third parties) and contract assets (Continued)

As at 31 December 2017, the loss allowance provision was determined as follows. The expected credit losses below also incorporated forward looking information.

Trade receivables	Current	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB'000)	26,589,739	1,330,949	1,132,703	29,053,391
Loss allowance provision (RMB'000)	26,590	26,619	56,635	109,844

Other receivables (excluding prepayments and loans to related and third parties)	Current	More than 180 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB'000)	125,177,654	6,110,399	2,217,737	536,230	1,153,000	135,195,020
Loss allowance provision (RMB'000)	125,178	61,104	221,774	80,435	230,600	719,091

As at 31 December 2016, the loss allowance provision was determined as follows. The expected credit losses below also incorporated forward looking information.

Trade receivables	Current	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB'000)	12,519,539	580,738	628,407	13,728,684
Loss allowance provision (RMB'000)	12,520	11,615	31,420	55,555

Other receivables (excluding prepayments and loans to related and third parties)	Current	More than 180 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB'000)	79,444,706	3,836,670	714,974	593,472	847,778	85,437,600
Loss allowance provision (RMB'000)	79,445	38,367	71,497	89,021	169,556	447,886

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

- ii. Trade and other receivables (excluding prepayments and loans to related and third parties) and contract assets (Continued)

As at 31 December 2017, the loss allowance provision for trade and other receivables (excluding prepayments and loans to related and third parties) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Other receivables (excluding prepayments and loans to related and third parties) RMB'000	Total RMB'000
Opening loss allowance as at 1 January 2016	34,859	309,267	344,126
Provision for loss allowance recognised in profit or loss during the year	20,696	138,619	159,315
Closing loss allowance as at 31 December 2016	55,555	447,886	503,441
Provision for loss allowance recognised in profit or loss during the year	54,289	271,205	325,494
Closing loss allowance as at 31 December 2017	109,844	719,091	828,935

As at 31 December 2017, the gross carrying amount of trade and other receivables (excluding prepayments and loans to related and third parties) was RMB164,248,411,000 (2016: RMB99,166,284,000) and thus the maximum exposure to loss was RMB163,419,476,000 (2016: RMB98,662,843,000). The Group made no write-off of trade and other receivables (excluding prepayments and loans to related and third parties) and contract assets during the year (2016:nil).

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

Management aims to maintain sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2018. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2018 include: (1) proceeds from pre-sales in 2018 is expected to be higher than that of 2017; (2) construction payments match receipt of the relevant proceeds from pre-sales; (3) available project loan facility is expected to be no less than that of 2017; and (4) no breach of debt covenants is anticipated in 2018, as the management will closely monitor the compliance status of the covenants for all borrowings.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing the amount of acquisition of land, adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures and accelerating sales with more flexible pricing. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest, if applicable.

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017					
Senior notes	5,550,034	3,616,345	20,016,714	13,095,322	42,278,415
Bank and other borrowings	54,005,014	40,926,664	52,181,336	772,973	147,885,987
Corporate bonds	18,656,750	18,857,795	14,773,290	–	52,287,835
Receipts under securitisation arrangements	1,880,378	–	–	–	1,880,378
Trade and other payables (excluding other taxes payable and salaries payable)	298,558,168	–	–	–	298,558,168
Derivative financial instruments	212,013	54,510	301,366	–	567,889
Total	378,862,357	63,455,314	87,272,706	13,868,295	543,458,672

4 Financial risk management (Continued)**(a) Financial risk factors (Continued)****(iv) Liquidity risk (Continued)**

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2016					
Senior notes	2,016,933	2,016,933	21,079,158	13,836,280	38,949,304
Bank and other borrowings	33,756,108	19,868,415	19,169,155	2,590,197	75,383,875
Corporate bonds	9,923,618	16,858,955	12,288,185	2,078,000	41,148,758
Receipts under securitisation arrangements	7,230,392	–	–	–	7,230,392
Trade and other payables (excluding other taxes payable and salaries payable)	137,894,311	–	–	–	137,894,311
Derivative financial instruments	41,762	–	–	–	41,762
Total	190,863,124	38,744,303	52,536,498	18,504,477	300,648,402

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to optimise the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with other companies in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including senior notes, corporate bonds and bank and other borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents and the guarantee deposits for construction of pre-sale properties.

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(b) Capital management (Continued)

The gearing ratio as at 31 December 2017 and 2016 were as follows:

	2017 RMB'000	2016 RMB'000
Total borrowings (notes 23, 24 and 25)	214,765,027	136,196,876
Less: cash and cash equivalents (note 18)	(137,083,948)	(84,646,899)
guarantee deposits for construction of pre-sale properties (note 17)	(11,318,174)	(11,843,988)
Net debt	66,362,905	39,705,989
Total equity	116,611,929	81,615,170
Gearing ratio	57%	49%

The directors of the Company consider the Group's gearing ratio is within the healthy range.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4 Financial risk management (Continued)**(c) Fair value estimation** (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2017				
Assets				
Financial assets at FVOCI	–	–	1,517,013	1,517,013
Derivative financial instruments	–	159,870	–	159,870
Financial assets at FVTPL	308,299	24,522,136	–	24,830,435
Total	308,299	24,682,006	1,517,013	26,507,318
Liabilities				
Derivative financial instruments	–	567,889	–	567,889
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2016				
Assets				
Financial assets at FVOCI	–	–	870,734	870,734
Derivative financial instruments	–	1,221,532	–	1,221,532
Financial assets at FVTPL	1,188,096	6,133,140	–	7,321,236
Total	1,188,096	7,354,672	870,734	9,413,502
Liabilities				
Derivative financial instruments	–	41,762	–	41,762

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Valuation techniques used to derive level 2 fair values

Level 2 derivative financial instruments comprise foreign exchange forward contracts, foreign currency option contracts, foreign exchange structured derivatives and cross currency swaps. The fair value of these derivative financial instruments was determined using forward exchange rates and interest rates that are quoted in active market.

(ii) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2017 and 31 December 2016:

	2017 RMB'000	2016 RMB'000
Opening balance	870,734	1,403,094
Additions	707,283	601,962
Fair value changes	(61,004)	53,774
Transfer to Level 1	–	(1,188,096)
Closing balance	1,517,013	870,734
Dividend income recognised in 'other income and gains — net'	9,203	7,380

4 Financial risk management (Continued)

(d) Financial instruments by category

	2017			
	Assets at fair value through other comprehensive income RMB'000	Assets at fair value through profit or loss RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	1,517,013	–	–	1,517,013
Trade and other receivables excluding prepayments	–	–	166,830,072	166,830,072
Contract assets	–	–	15,737,782	15,737,782
Restricted cash	–	–	11,318,174	11,318,174
Cash and cash equivalents	–	–	137,083,948	137,083,948
Derivative financial instruments	–	159,870	–	159,870
Financial assets at FVTPL	–	24,830,435	–	24,830,435
Total	1,517,013	24,990,305	330,969,976	357,477,294
	2016			
	Assets at fair value through other comprehensive income RMB'000	Assets at fair value through profit or loss RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	870,734	–	–	870,734
Trade and other receivables excluding prepayments	–	–	100,687,502	100,687,502
Restricted cash	–	–	11,843,988	11,843,988
Cash and cash equivalents	–	–	84,646,899	84,646,899
Derivative financial instruments	–	1,221,532	–	1,221,532
Financial assets at FVTPL	–	7,321,236	–	7,321,236
Total	870,734	8,542,768	197,178,389	206,591,891

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(d) Financial instruments by category (Continued)

	2017		
	Liabilities at amortised cost RMB'000	Liabilities at fair value through profit or loss RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position			
Senior notes	31,913,579	–	31,913,579
Bank and other borrowings	135,516,769	–	135,516,769
Corporate bonds	47,334,679	–	47,334,679
Trade and other payables (excluding other taxes payable and salaries payable)	298,558,168	–	298,558,168
Receipts under securitisation arrangements	1,805,104	–	1,805,104
Derivative financial instruments	–	567,889	567,889
Total	515,128,299	567,889	515,696,188
	2016		
	Liabilities at amortised cost RMB'000	Liabilities at fair value through profit or loss RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position			
Senior notes	29,264,448	–	29,264,448
Bank and other borrowings	69,222,804	–	69,222,804
Corporate bonds	37,709,624	–	37,709,624
Trade and other payables (excluding other taxes payable and salaries payable)	137,894,311	–	137,894,311
Receipts under securitisation arrangements	7,043,440	–	7,043,440
Derivative financial instruments	–	41,762	41,762
Total	281,134,627	41,762	281,176,389

5 Critical accounting estimates and judgments

Estimates and judgments used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance do 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; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgments, based on legal counsel opinion, to classify sales contracts into those with right to payment and those without the right.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress 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 property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

Notes to the Consolidated Financial Statements

5 Critical accounting estimates and judgments *(Continued)*

(b) Estimates for net realisable value of properties under development and completed properties held for sale

The total of properties under development and completed properties held for sale amounted to approximately RMB459,762,485,000 (2016: RMB268,725,626,000) and RMB27,886,487,000 (2016: RMB30,885,254,000) respectively as at 31 December 2017, which in total accounted for approximately 46% (2016: 51%) of the Group's total assets. The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there was no material impairment for properties under development and completed properties held for sale as at 31 December 2017.

(c) Income taxes and deferred taxation

Significant judgments are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

6 Revenue and segment information

The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports.

The executive directors assess the performance of the Group organised into five business segments as follows:

- Property development;
- Construction;
- Property investment;
- Property management; and
- Hotel operation.

6 Revenue and segment information (Continued)

The executive directors assess the performance of the operating segments based on a measure of operating profit adjusted by excluding fair value changes on derivative financial instruments and including share of results of joint ventures and associates.

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment properties, properties under development, investments in joint ventures, investments in associates, completed properties held for sale, inventories, receivables, prepaid taxes, contract assets and operating cash. They exclude deferred income tax assets, financial assets at FVOCI, financial assets at FVTPL and derivative financial instruments. Segment liabilities consist primarily of operating liabilities. They exclude senior notes, corporate bonds, receipts under securitisation arrangements, bank and other borrowings, current and deferred income tax liabilities and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment (note 7), investment properties (note 8), intangible assets (note 9) and land use rights (note 10) excluding those arising from business combination.

Revenue consists of the following:

	2017 RMB'000	2016 RMB'000
Sales and construction of properties under property development activities	220,157,369	148,180,135
Rendering of other construction services	2,304,661	1,143,012
Rental income	107,605	97,136
Rendering of property management services	2,656,343	1,959,060
Rendering of hotel services	1,673,808	1,707,634
	226,899,786	153,086,977

Sales between segments are carried out according to the terms and condition agreed by the respective segments' management.

The Group's revenue is mainly attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

Notes to the Consolidated Financial Statements

6 Revenue and segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2017 is as follows:

	Property development RMB'000	Construction RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Revenue from contracts with customers	220,157,369	22,089,367	-	3,121,852	1,814,135	247,182,723
Recognised at a point in time	159,350,465	-	-	-	-	159,350,465
Recognised over time	60,806,904	22,089,367	-	3,121,852	1,814,135	87,832,258
Revenue from other sources: rental income	-	-	107,605	-	-	107,605
Segment revenue	220,157,369	22,089,367	107,605	3,121,852	1,814,135	247,290,328
Inter-segment revenue	-	(19,784,706)	-	(465,509)	(140,327)	(20,390,542)
Revenue from external customers	220,157,369	2,304,661	107,605	2,656,343	1,673,808	226,899,786
Share of results of joint ventures and associates	(344,375)	-	-	(7,929)	-	(352,304)
Gains arising from changes in fair value of and transfer to investment properties	-	-	504,718	-	-	504,718
Depreciation and amortization expenses of property, plant and equipment, intangible assets and land use rights	152,379	29,724	-	19,056	623,343	824,502
Amortisation of incremental costs for obtaining contracts with customers	573,462	-	-	-	-	573,462
Segment results	42,308,300	74,067	586,881	486,548	190,871	43,646,667
At 31 December 2017						
Total segment assets after elimination of inter-segment balances	970,470,168	16,950,402	8,368,993	3,225,935	11,948,760	1,010,964,258
Investments in joint ventures and associates	30,912,124	-	-	18,260	-	30,930,384
Capital expenditure	1,819,193	25,606	54,987	60,574	1,458,741	3,419,101
Total segment liabilities after elimination of inter-segment balances	659,723,642	14,987,134	34,256	1,856,234	1,263,264	677,864,530

6 Revenue and segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2016 is as follows:

	Property development RMB'000	Construction RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Segment revenue	148,180,135	20,068,771	97,136	2,358,449	1,794,463	172,498,954
Inter-segment revenue	–	(18,925,759)	–	(399,389)	(86,829)	(19,411,977)
Revenue from external customers	148,180,135	1,143,012	97,136	1,959,060	1,707,634	153,086,977
Share of results of joint ventures and associates	368,604	–	–	(6,900)	–	361,704
Gains arising from changes in fair value of and transfer to investment properties	–	–	711,604	–	–	711,604
Depreciation and amortisation expenses	239,395	24,426	–	14,199	499,236	777,256
Segment results	21,086,754	207,356	717,628	405,531	(81,219)	22,336,050
At 31 December 2016						
Total segment assets after elimination of inter-segment balances	538,238,604	10,581,790	9,784,491	2,236,630	13,494,271	574,335,786
Investments in joint ventures and associates	11,164,813	–	–	19,689	–	11,184,502
Capital expenditure	1,389,217	18,823	107,035	23,089	1,033,103	2,571,267
Total segment liabilities after elimination of inter-segment balances	335,241,443	6,838,329	12,768	1,378,201	964,896	344,435,637

Reportable segment results are reconciled to net profit as follows:

	2017 RMB'000	2016 RMB'000
Total segment results	43,646,667	22,336,050
Changes in fair value of derivative financial instruments	(400,784)	149,827
Finance income/(costs) – net	3,276,086	(1,095,305)
Profit before income tax	46,521,969	21,390,572
Income tax expenses	(17,770,164)	(7,727,349)
Profit for the year	28,751,805	13,663,223

Notes to the Consolidated Financial Statements

6 Revenue and segment information (Continued)

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

	2017 RMB'000	2016 RMB'000
Total segment assets after elimination of inter-segment balances	1,010,964,258	574,335,786
Deferred income tax assets	12,197,682	7,822,313
Financial assets at FVOCI	1,517,013	870,734
Financial assets at FVTPL	24,830,435	7,321,236
Derivative financial instruments	159,870	1,221,532
Total assets	1,049,669,258	591,571,601
Total segment liabilities after elimination of inter-segment balances	677,864,530	344,435,637
Deferred income tax liabilities	16,447,649	6,928,304
Current income tax liabilities	21,607,130	15,310,412
Senior notes	31,913,579	29,264,448
Bank and other borrowings	135,516,769	69,222,804
Corporate bonds	47,334,679	37,709,624
Receipts under securitisation arrangements	1,805,104	7,043,440
Derivative financial instruments	567,889	41,762
Total liabilities	933,057,329	509,956,431

7 Property, plant and equipment

	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Furniture, fitting and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2016						
Cost	14,443,981	597,629	1,420,246	1,447,420	5,478,496	23,387,772
Accumulated depreciation	(1,472,356)	(283,223)	(734,144)	(878,208)	–	(3,367,931)
Net book amount	12,971,625	314,406	686,102	569,212	5,478,496	20,019,841
Year ended 31 December 2016						
Opening net book amount	12,971,625	314,406	686,102	569,212	5,478,496	20,019,841
Acquisition of subsidiaries	–	–	–	77,028	–	77,028
Other additions	857,765	60,768	194,765	120,332	666,262	1,899,892
Transfer	426,126	–	–	–	(426,126)	–
Disposal of subsidiaries	–	–	–	(406)	–	(406)
Other disposals	(73,036)	(12,692)	(71,558)	(41,552)	(14,805)	(213,643)
Depreciation	(399,012)	(72,186)	(177,337)	(272,425)	–	(920,960)
Exchange differences	5,292	318	1,708	7,959	–	15,277
Closing net book amount	13,788,760	290,614	633,680	460,148	5,703,827	20,877,029
At 31 December 2016						
Cost	15,644,444	639,888	1,499,320	1,616,455	5,703,827	25,103,934
Accumulated depreciation	(1,855,684)	(349,274)	(865,640)	(1,156,307)	–	(4,226,905)
Net book amount	13,788,760	290,614	633,680	460,148	5,703,827	20,877,029

Notes to the Consolidated Financial Statements

7 Property, plant and equipment (Continued)

	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Furniture, fitting and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2017						
Opening net book amount	13,788,760	290,614	633,680	460,148	5,703,827	20,877,029
Acquisition of subsidiaries (note 42)	195,714	-	-	257,814	-	453,528
Other additions	464,133	543,935	163,044	334,142	1,638,527	3,143,781
Transfer	1,484,122	-	-	-	(1,484,122)	-
Disposal of subsidiaries	(1,432,698)	(37,376)	(1,597)	(22,952)	-	(1,494,623)
Other disposals	(94,418)	(25,777)	(46,045)	(170,086)	-	(336,326)
Depreciation	(444,606)	(102,937)	(182,139)	(336,855)	-	(1,066,537)
Exchange differences	34,714	4,811	4,466	7,238	-	51,229
Closing net book amount	13,995,721	673,270	571,409	529,449	5,858,232	21,628,081
At 31 December 2017						
Cost	15,948,380	1,048,869	1,575,213	1,823,910	5,858,232	26,254,604
Accumulated depreciation	(1,952,659)	(375,599)	(1,003,804)	(1,294,461)	-	(4,626,523)
Net book amount	13,995,721	673,270	571,409	529,449	5,858,232	21,628,081

Depreciation charge was capitalised or expensed in the following categories in the consolidated statement of financial position or the consolidated statement of comprehensive income:

	2017 RMB'000	2016 RMB'000
Properties under development	341,710	223,498
Cost of sales	269,489	404,238
Selling and marketing costs	81,189	77,778
Administrative expenses	374,149	215,446
	1,066,537	920,960

7 Property, plant and equipment (Continued)

As at 31 December 2017, buildings with net book value of RMB1,822,280,000 (2016: RMB2,719,569,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2017, title certificates of buildings with net book value of RMB1,905,043,000 (2016: RMB4,936,919,000) were still in the process of being obtained.

8 Investment properties

	2017 RMB'000	2016 RMB'000
Year ended 31 December		
Opening net book amount	9,773,430	8,686,295
Transfer from properties under development and completed properties held for sale	524,829	1,259,166
Other additions	54,987	107,035
Revaluation gains upon transfer from properties under development and completed properties held for sale	364,431	801,623
Fair value changes	140,287	(90,019)
Transfer to properties under development	(1,085,900)	(990,670)
Disposal of subsidiaries	(1,433,950)	–
Closing net book amount	8,338,114	9,773,430
Gains arising from changes in fair value of and transfer to investment properties represent:		
– revaluation gains upon transfer of properties under development and completed properties held for sale	364,431	801,623
– fair value changes	140,287	(90,019)
	504,718	711,604

Notes to the Consolidated Financial Statements

8 Investment properties (Continued)

The Group's policy is to recognise change of fair value hierarchy levels as of the date of the event or change in circumstances that caused the change. At 31 December 2017 and 2016, the Group had only level 3 investment properties.

Valuation processes of the Group

The Group's investment properties were valued at transfer dates, and at 31 December 2017 and 2016 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and professionally qualified valuer who holds recognised relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuers on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuers.

Valuation techniques

Valuations are based on:

- (i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and/or
- (ii) Income capitalisation approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property; or

8 Investment properties (Continued)**Valuation techniques (Continued)**

- (iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an “as-if” completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer’s profits, as well as land acquisition costs, interest payment and profit on land.

There were no changes to the valuation techniques during the year.

Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2017	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	7,042,147,000	Income capitalisation	The rate of return/ capitalisation rate Monthly rental (RMB/ square meter/month)	3%–5.5% per annum 20–265
		Direct comparison	Adjusted market price (RMB/square meter)	3,500–37,500
Investment properties under construction	1,295,967,000	Residual method	Budgeted construction costs to be incurred (RMB/square meter)	70–5,950
			Remaining percentage to completion	1%–90%
			Anticipated developer’s profit margin	13%–25%

Notes to the Consolidated Financial Statements

8 Investment properties (Continued)

Valuation techniques (Continued)

Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

	Fair value as at 31 December 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	8,277,011,000	Income capitalisation	The rate of return/capitalisation rate	3%-5.5% per annum
			Monthly rental (RMB/square meter/month)	10-155
		Direct comparison	Adjusted market price (RMB/square meter)	3,500-38,800
Investment properties under construction	1,496,419,000	Residual method	Budgeted construction costs to be incurred (RMB/square meter)	160-640
			Remaining percentage to completion	5%-15%
			Anticipated developer's profit margin	12%-15%

Relationships of unobservable inputs to fair value are as follows

- The higher rate of return/capitalisation rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;

8 Investment properties (Continued)**Valuation techniques (Continued)****Information about fair value measurements using significant unobservable inputs (level 3) (Continued)**

- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher remaining percentage to completion, the lower fair value;
- The higher the anticipated developer's profit margin, the lower fair value.

Amounts recognised in profit or loss for investment properties

	2017	2016
	RMB'000	RMB'000
Rental income	107,605	97,136
Direct operating expenses	(25,442)	(15,096)
	82,163	82,040

As at 31 December 2017, investment properties with fair value of RMB419,310,000 (2016: RMB344,557,000) were pledged as collateral for the Group's borrowings.

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9 Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
At 1 January 2016			
Cost	87,740	90,274	178,014
Accumulated amortisation	(56,475)	–	(56,475)
Net book amount	31,265	90,274	121,539
Year ended 31 December 2016			
Opening net book amount	31,265	90,274	121,539
Acquisition of subsidiaries	–	127,127	127,127
Other additions	19,321	–	19,321
Amortisation	(19,063)	–	(19,063)
Disposal of subsidiaries	–	(9,557)	(9,557)
Closing net book amount	31,523	207,844	239,367
At 31 December 2016			
Cost	107,061	207,844	314,905
Accumulated amortisation	(75,538)	–	(75,538)
Net book amount	31,523	207,844	239,367
Year ended 31 December 2017			
Opening net book amount	31,523	207,844	239,367
Acquisition of subsidiaries (note 42)	–	65,162	65,162
Other additions	112,582	–	112,582
Amortisation	(25,598)	–	(25,598)
Closing net book amount	118,507	273,006	391,513
At 31 December 2017			
Cost	219,643	273,006	492,649
Accumulated amortisation	(101,136)	–	(101,136)
Net book amount	118,507	273,006	391,513

Amortisation expense has been charged in administrative expenses.

10 Land use rights

	2017 RMB'000	2016 RMB'000
Opening net book amount	2,536,458	2,052,170
Additions	107,751	545,019
Disposal of subsidiaries	(144,634)	–
Amortisation	(74,077)	(60,731)
Closing net book amount	2,425,498	2,536,458

These land use rights are held for self-use. Amortisation expense has been charged in administrative expenses.

The land use rights located in Mainland China, amounting to RMB1,824,443,000 (2016: RMB1,942,749,000) are held on leases of between 10 to 50 years. The land use rights located in Malaysia, amounting to RMB601,055,000 (2016: RMB593,709,000) are freehold.

As at 31 December 2017, land use rights with net book value of RMB1,587,703,000 (2016: RMB1,477,504,000) were pledged as collateral for the Group's borrowings.

11 Properties under development

	2017 RMB'000	2016 RMB'000
Properties under development expected to be completed and delivered:		
– Within a normal operating cycle included under current assets	360,921,992	216,383,252
– Beyond a normal operating cycle included under non-current assets	98,840,493	52,342,374
	459,762,485	268,725,626
Amounts comprise:		
– Construction costs including depreciation and staff cost capitalised	200,404,610	165,107,836
– Land use rights	249,325,133	95,484,336
– Borrowing costs capitalised	10,032,742	8,133,454
	459,762,485	268,725,626

The normal operating circle of the Group's property development generally ranges from one to two years.

RMB101,936,417,000 of costs to fulfil contracts carried forward from prior year was recognised in the current reporting period.

At 31 December 2017, properties under development included the costs to fulfil contracts amounting to RMB270,352,562,000.

At 31 December 2017, properties under development amounting to RMB226,910,702,000 (2016: RMB160,526,815,000) were expected to be completed and delivered beyond one year.

Notes to the Consolidated Financial Statements

11 Properties under development (Continued)

The capitalisation rate used to capitalise interest on general borrowings in 2017 was 5.89% per annum (2016: 6.31% per annum).

The properties under development of the Group are located as follows:

	2017 RMB'000	2016 RMB'000
Mainland China	441,531,949	257,445,191
Malaysia	12,200,276	9,791,706
Australia	1,826,802	959,634
Others	4,203,458	529,095
	459,762,485	268,725,626

As at 31 December 2017, land use rights included in properties under development with net book value of RMB31,186,355,000 (2016: RMB19,953,767,000) were pledged as collateral for the Group's borrowings.

12(a) Subsidiaries

The principal subsidiaries at 31 December 2017 are listed in note 46.

The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries were significant to the Group and thus the individual financial information of these subsidiaries are not disclosed.

12(b) Investments in joint ventures

	2017 RMB'000	2016 RMB'000
At 1 January	7,311,153	803,934
Transfer from subsidiaries	728,182	37,813
Other additions	12,988,670	7,617,860
Transfer to subsidiaries	(1,252,110)	(1,581,010)
Disposals	(5,015)	–
Share of results	(425,367)	432,556
– Gains arising from negative goodwill	304,510	731,300
– Others	(729,877)	(298,744)
At 31 December	19,345,513	7,311,153

12(b) Investments in joint ventures (Continued)

The balance comprises the following:

	2017 RMB'000	2016 RMB'000
Unlisted investments		
– Share of net assets	19,131,085	7,210,393
– Goodwill	214,428	100,760
	19,345,513	7,311,153

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with certain third parties. None of these acquisitions was individually significant to the Group. Summary of the acquisitions during the year is as follows:

Total identifiable net assets	With negative goodwill RMB'000	With goodwill RMB'000	Total RMB'000
Identifiable assets and liabilities assumed			
Assets	31,788,835	7,568,638	39,357,473
Liabilities	(20,201,955)	(2,928,559)	(23,130,514)
Total identifiable net assets	11,586,880	4,640,079	16,226,959

**Reconciliation to the Group's interests
in the joint ventures**

Fair values of the consideration for the acquisitions	4,845,222	2,492,832
Fair values of the Group's share of identifiable net assets	(5,149,732)	(2,320,644)
(Negative goodwill)/goodwill	(304,510)	172,188

The negative goodwill was mainly resulted from the fact that the joint ventures partners intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

Notes to the Consolidated Financial Statements

12(b) Investments in joint ventures (Continued)

The goodwill arose from the acquisitions of certain properties development companies, which is mainly attributable to economies of scale expected from the acquisitions.

As at 31 December 2017, certain borrowings of joint ventures were guaranteed by the Group (note 38) and/or secured by the Group's certain interests in joint ventures with an aggregate carrying value of RMB2,070,980,000 (2016: RMB65,893,000). As at 31 December 2017, there were no significant commitments relating to the Group's interests in the joint ventures.

The directors of the Company consider that none of the joint ventures as at 31 December 2017 and 31 December 2016 was significant to the Group and thus the individual financial information of the joint ventures was not disclosed. The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	2017 RMB'000	2016 RMB'000
Carrying amount in the consolidated financial statements	19,345,513	7,311,153
Share of (losses)/profits for the year	(425,367)	432,556
Share of total comprehensive (loss)/income	(425,367)	432,556

12(c) Investments in associates

	2017 RMB'000	2016 RMB'000
At 1 January	3,873,349	884,492
Transfer from subsidiaries	491,475	21,331
Other additions	7,993,531	3,435,629
Transfer to subsidiaries	(846,547)	(397,251)
Share of results	73,063	(70,852)
– Gains arising from negative goodwill	331,361	76,776
– Others	(258,298)	(147,628)
At 31 December	11,584,871	3,873,349

12(c) Investments in associates (Continued)

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with third parties. None of the acquisition was individually significant to the Group. Summary of the acquisitions during the year are as follows:

Total identifiable net assets

	RMB'000
Identifiable assets and liabilities assumed	
Assets	51,277,086
Liabilities	(31,319,476)
Total identifiable net assets	19,957,610

Reconciliation to the Group's interests in associates

Fair values of the Group's share of identifiable net assets	5,889,116
Fair values of the consideration for the acquisition	(5,557,755)
Negative goodwill	331,361

The negative goodwill was mainly resulted from the fact that other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

As at 31 December 2017, certain borrowings of associates were guaranteed by the Group (note 38) and/or secured by the Group's certain interests in associates with an aggregate carrying value of RMB721,922,000 (2016: RMB55,000,000).

Notes to the Consolidated Financial Statements

12(c) Investments in associates (Continued)

The directors of the Company consider that none of the associates as at 31 December 2017 and 31 December 2016 was significant to the Group and thus the individual financial information of the associates was not disclosed. The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

	2017 RMB'000	2016 RMB'000
Carrying amount in the consolidated financial statements	11,584,871	3,873,349
Share of profits/(losses) for the year	73,063	(70,852)
Share of total comprehensive income/(losses)	73,063	(70,852)

13 Financial assets at fair value through other comprehensive income

	2017 RMB'000	2016 RMB'000
Unlisted equity investments at fair value:		
At 1 January	870,734	214,998
Additions	707,283	601,962
Fair value changes	(61,004)	53,774
At 31 December	1,517,013	870,734

The investments mainly represent equity investments in various investment fund companies, investment holding companies and venture capital fund companies, each of which the Group holds less than 20% equity interest in. The fair values of these investments were determined mainly based on direct comparison approach by making reference to recent transaction prices of similar deals, the fair value measurement is categorised within level 3 of the fair value hierarchy.

14 Completed properties held for sale

	2017 RMB'000	2016 RMB'000
Completed properties held for sale	27,886,487	30,885,254

The completed properties held for sale are mainly located in Mainland China.

15 Inventories

	2017 RMB'000	2016 RMB'000
Construction materials and spare parts	4,251,331	2,203,727

16 Trade and other receivables

	2017 RMB'000	2016 RMB'000
Included in current assets		
– Trade receivables — net (note (a))	28,943,547	13,673,129
– Other receivables — net (note (b))	134,475,929	84,989,714
– Loans to related and third parties — net (note (c))	2,685,096	1,969,159
– Prepayments for land (note (d))	97,034,879	6,820,629
– Other prepayments (note (e))	7,401,877	9,869,116
	270,541,328	117,321,747
Included in non-current assets		
– Loans to third parties (note (c))	725,500	55,500
– Deposits for acquisitions of companies (note (f))	4,646,925	–
	5,372,425	55,500
	275,913,753	117,377,247

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

Notes to the Consolidated Financial Statements

16 Trade and other receivables (Continued)

(a) Details of trade receivables are as follows:

	2017 RMB'000	2016 RMB'000
Trade receivables	29,053,391	13,728,684
Less: allowance for impairment	(109,844)	(55,555)
Trade receivables — net	28,943,547	13,673,129

Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of 1 to 6 months. The ageing analysis of trade receivables based on revenue recognition date is as follows:

	2017 RMB'000	2016 RMB'000
Within 90 days	25,922,962	12,003,625
Over 90 days and within 180 days	1,486,726	714,221
Over 180 days and within 365 days	797,508	490,522
Over 365 days	846,195	520,316
	29,053,391	13,728,684

At 31 December 2017 and 2016, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2017, a provision of RMB109,844,000 (2016: RMB55,555,000) was made against the gross amounts of trade receivables (note 4).

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. Trade receivables were collateralised by the titles of the properties sold.

16 Trade and other receivables (Continued)**(b) Details of other receivables are as follows:**

	2017 RMB'000	2016 RMB'000
Amounts due from related parties except for contract work (note 43(c))	45,047,322	17,568,947
Land auction and other deposits	32,961,907	14,292,195
Amounts due from customers for contract work (note 3)	–	667,059
Others (i)	57,185,791	52,909,399
	135,195,020	85,437,600
Less: allowance for impairment	(719,091)	(447,886)
Other receivables — net	134,475,929	84,989,714

(i) These receivables mainly included current accounts due from the other shareholders of certain subsidiaries, joint ventures and associates of the Group for various payments on their behalf, which are interest-free, unsecured and repayable on demand.

(c) As at 31 December 2017, loans to related and third parties bear interest at rates ranging from 4.85% to 15% per annum, of which RMB776,122,000 (2016: RMB413,332,000) were secured by certain properties and land use rights of the third parties, and nil (2016: RMB75,000,000) were secured by certain other shareholders' interests in the joint ventures and associates of the Group.

	2017 RMB'000	2016 RMB'000
Included in current assets		
— Loans to related parties	53,780	–
— Loans to third parties	2,667,489	1,991,332
	2,721,269	1,991,332
Less: allowance for impairment	(36,173)	(22,173)
Loans to related and third parties — net	2,685,096	1,969,159
Included in non-current assets		
— Loans to third parties	725,500	55,500
	3,410,596	2,024,659

Notes to the Consolidated Financial Statements

16 Trade and other receivables (Continued)

- (d) Prepayments for land use rights are related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government. The relevant land use right certificates have not been obtained at 31 December 2017.
- (e) Other prepayments mainly represent prepayments for purchases of construction materials and services.
- (f) Amounts represent deposits paid for acquisitions of certain property development companies which have not been completed as at the year end.

17 Restricted cash

The amount represented guarantee deposits for construction of pre-sale properties denominated in RMB and RM placed in designated accounts.

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such guarantee deposits will be released after the completion of construction of the related properties.

18 Cash and cash equivalents

	2017 RMB'000	2016 RMB'000
Cash at bank and in hand	135,005,183	78,434,654
Short-term bank deposits	13,396,939	18,056,233
	148,402,122	96,490,887
Less: restricted cash (note 17)	(11,318,174)	(11,843,988)
	137,083,948	84,646,899

The short-term bank deposits are denominated in RMB and have terms ranging from 1 month to 3 months. The effective interest rate of these deposits as at 31 December 2017 was 3.42% per annum (2016: 2.54% per annum).

18 Cash and cash equivalents (Continued)

Cash and deposits are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
Denominated in RMB	138,923,830	90,541,406
Denominated in HKD	2,234,657	705,041
Denominated in USD	2,252,567	1,552,046
Denominated in RM	3,685,295	3,308,429
Denominated in other currencies	1,305,773	383,965
	148,402,122	96,490,887

The conversion of RMB and RM denominated balances into other currencies and the remittance of bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

19 Financial assets at fair value through profit or loss

	2017 RMB'000	2016 RMB'000
PRC listed equity security (note (a))	308,299	1,188,096
Wealth management products (note (b))	24,522,136	6,133,140
	24,830,435	7,321,236

(a) This represented a 2.29% (31 December 2016: 9.16%) equity interest in Shenzhen Tiantu Investment Management Co., Ltd, which is mainly engaged in investment activities and is listed on the National Equities Exchange and Quotations in the PRC. The fair value of the investment at 31 December 2017 was calculated using the quoted market price.

(b) Wealth management products are mainly investments in financial products issued by commercial banks. The fair values of these investments approximated their carrying values as at 31 December 2017.

Notes to the Consolidated Financial Statements

20 Trade and other payables

	2017 RMB'000	2016 RMB'000
Trade payables (note (b))	165,314,939	76,074,204
Other payables (note (c))	132,663,682	61,422,617
Other taxes payable	24,711,688	8,211,358
Salaries payable	7,613,977	5,683,591
Accrued expenses	579,547	397,490
	330,883,833	151,789,260

- (a) As at 31 December 2017, the carrying amounts of trade and other payables approximated their fair values.
- (b) The ageing analysis of trade payables mainly based on the date of invoice is as follows:

	2017 RMB'000	2016 RMB'000
Within 90 days	138,681,821	63,517,129
Over 90 days and within 180 days	21,155,246	9,412,965
Over 180 days and within 365 days	3,608,704	1,876,190
Over 365 days	1,869,168	1,267,920
	165,314,939	76,074,204

- (c) Other payables mainly included deposits from property purchasers and current accounts due to certain joint ventures, associates and other shareholders of certain subsidiaries, joint ventures and associates of the Group and outstanding considerations to acquire certain subsidiaries, joint ventures and associates. These amounts are interest-free, unsecured and repayable on demand.

21 Receipts under securitisation arrangements

These represented proceeds received from issuance of receipts under securitisation arrangements collateralised by certain future trade receivables for the remaining receipts from sales of properties, less amounts repaid. These securities bear an effective interest rate of 4.5% to 6.0% per annum and have a revolving term of 3 to 6 months.

22 Derivative financial instruments

	2017		2016	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Qualified for hedge accounting				
– Foreign currency option contracts (note (a))	72,174	20,056	462,021	–
– Foreign exchange structured derivatives (note (b))	39,897	264,344	549,034	–
– Cross currency swaps (note (c))	–	34,281	45,462	–
Not qualified for hedge accounting				
– Foreign exchange forward contracts	47,799	249,208	165,015	41,762
	159,870	567,889	1,221,532	41,762
Analysed as:				
Current	47,265	212,013	187,145	41,762
Non-current	112,605	355,876	1,034,387	–
	159,870	567,889	1,221,532	41,762

The total notional principal amount of the derivative financial instruments at 31 December 2017 was RMB35,627,157,000 (31 December 2016: RMB27,806,596,000), of which RMB26,983,276,000 (31 December 2016: RMB23,520,977,000) was qualified for hedge accounting (cash flow hedge). These contracts will mature during the years from 2018 to 2022.

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

	2017	2016
(a) Derivative financial instruments – foreign currency option contracts		
Carrying amount (RMB'000)	52,118	462,021
Notional amount (RMB'000)	11,260,831	14,199,172
Maturity date	8 March 2018– 31 March 2021	23 May 2017– 31 March 2021
Hedge ratio*	1:1	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB'000)	(769,603)	813,300
Change in value of hedged item used to determine hedge effectiveness during the year (RMB'000)	716,646	(769,900)
Strike rate (USD: RMB range)	6.4800–6.8200	6.4800–6.6800

Notes to the Consolidated Financial Statements

22 Derivative financial instruments (Continued)

	2017	2016
(b) Derivative financial instruments – foreign exchange structured derivatives (note (i))		
Carrying amount (RMB'000)	(224,447)	549,034
Notional amount (RMB'000)	14,799,391	8,898,090
Maturity date	17 December 2018– 25 July 2022	17 December 2018– 9 March 2020
Hedge ratio*	1:1	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB'000)	(897,137)	583,201
Change in value of hedged item used to determine hedge effectiveness during the year (RMB'000)	869,749	(524,702)
Strike rate (USD: RMB range)	6.4930–6.9370	6.4930–6.6600

(i): Foreign exchange structured derivatives are cross-currency swaps with options against exchange rate risk of interest and principal repayment.

	2017	2016
(c) Derivative financial instruments – Cross currency swaps		
Carrying amount (RMB'000)	(34,281)	45,462
Notional amount (RMB'000)	923,054	423,715
Maturity date	18 December 2018	18 December 2018
Hedge ratio*	1:1	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB'000)	(78,480)	25,784
Change in value of hedged item used to determine hedge effectiveness during the year (RMB'000)	70,661	(20,722)
Strike rate (HKD: RMB range)	0.8467–0.8945	0.85

	2017 RMB'000	2016 RMB'000
(d) Reserves		
Cash flow hedge reserve – opening balance	89,982	–
Change in fair value of hedging instrument recognised in other comprehensive income for the year (effective portion)	(1,745,220)	1,422,285
Reclassified to profit or loss (note 33)	1,641,414	(1,332,303)
Closing balance	(13,824)	89,982

22 Derivative financial instruments (Continued)

	2017 RMB'000	2016 RMB'000
(d) Reserves (Continued)		
Deferred costs of hedging reserve — deferred time value		
— opening balance	(295,901)	—
Gains of hedging deferred for the year	607,557	(365,768)
Reclassified to profit or loss (note 33)	143,003	69,867
Closing balance	454,659	(295,901)

* The foreign currency option contracts, foreign exchange structured derivatives and cross currency swap contracts are denominated in the same currency as the highly probable future debt payments (USD and HKD), therefore the hedge ratio is 1:1.

23 Senior notes

	2017 RMB'000	2016 RMB'000
As at 1 January	29,264,448	20,878,179
Additions	7,746,953	6,654,357
Early redemption (note a(iii))	(3,661,845)	—
Interest expenses (note 33)	2,222,000	1,731,150
Coupon interest paid	(2,000,592)	(1,590,989)
Exchange differences	(1,657,385)	1,591,751
Less: current portion included in current liabilities	31,913,579 (3,795,242)	29,264,448 —
Included in non-current liabilities	28,118,337	29,264,448

The Group's senior notes were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	3,795,242	—
Between 1 and 2 years	1,632,827	—
Between 2 and 5 years	15,202,045	17,048,157
Over 5 years	11,283,465	12,216,291
	31,913,579	29,264,448

Notes to the Consolidated Financial Statements

23 Senior notes (Continued)

(a) The Group has issued the following senior notes:

- (i) On 10 January 2013, the Company issued senior notes in an aggregate principal amount of USD750,000,000 (the “2023 Notes I”). The 2023 Notes I carry interest at the rate of 7.5% per annum, payable semi-annually on 10 January and 10 July in arrears, and will mature on 10 January 2023, unless redeemed earlier.
- (ii) On 4 October 2013, the Company issued senior notes in an aggregate principal amount of USD750,000,000 (the “2021 Notes”). The 2021 Notes carry interest at the rate of 7.25% per annum, payable semi-annually on 4 October and 4 April in arrears, and will mature on 4 October 2021, unless redeemed earlier.
- (iii) On 27 May 2014, the Company issued senior notes in an aggregate principal amount of USD550,000,000 (the “2019 Notes I”). The 2019 Notes I carry interest at the rate of 7.875% per annum, payable semi-annually on 27 May and 27 November in arrears, and will mature on 27 May 2019, unless redeemed earlier.

On 25 August 2017 (the “Redemption Date”), all the outstanding 2019 Notes I were early redeemed at a redemption price equal to 103.9375% of the principal amount thereof, plus accrued and unpaid interest of USD10,587,500 to the Redemption Date. The total redemption price paid by the Company on the Redemption Date was USD582,243,750 (equivalent to approximately RMB3,661,845,000). The difference between the redemption price and the carrying amount of the 2019 Notes I on the Redemption Date, amounting to USD21,656,250 (equivalent to approximately RMB146,566,000), was charged to profit or loss under ‘finance income/(costs) – net’ (note 33).

- (iv) On 5 June 2014, the Company issued senior notes in an aggregated principal amount of USD250,000,000 (the “2019 Notes II”). The 2019 Notes II were issued by way of private placement and carry interest at the rate of 7.5% per annum, payable semi-annually on 5 June and 5 December in arrears, and will mature on 5 June 2019.
- (v) On 9 March 2015, the Company issued senior notes in an aggregated principal amount of USD900,000,000 (the “2020 Notes”). The 2020 Notes carry interest at the rate of 7.5% per annum, payable semi-annually on 9 March and 9 September in arrears, and will mature on 9 March 2020, unless redeemed earlier.
- (vi) On 28 September 2016, the Company issued senior notes in an aggregated principal amount of USD650,000,000 (the “2023 Notes II”). The 2023 Notes II carry interest at the rate of 4.75% per annum, payable semi-annually on 28 March and 28 September in arrears, and will mature on 28 September 2023, unless redeemed earlier.

23 Senior notes (Continued)

- (a) The Group has issued the following senior notes: (Continued)
- (vii) On 15 December 2016, the Company issued senior notes in an aggregated principal amount of USD350,000,000 (the “2026 Notes”). The 2026 Notes carry interest at the rate of 5.625% per annum, payable semi-annually on 15 June and 15 December in arrears, and will mature on 15 December 2026, unless redeemed earlier.
- (viii) On 25 July 2017 and 16 August 2017, the Company issued senior notes in an aggregated principal amount of USD600,000,000 and USD100,000,000 (the “2022 Notes”). The 2022 Notes carry interest at the rate of 4.75% per annum, payable semi-annually on 25 January and 25 July in arrears, and will mature on 25 July 2022, unless redeemed earlier.
- (ix) On 22 November 2017, the Company issued senior notes in an aggregated principal amount of USD500,000,000 (the “2018 Notes”). The 2018 Notes carry interest at the rate of 3.875% per annum, payable semi-annually on 20 May and 20 November in arrears, and will mature on 20 November 2018, unless redeemed earlier.
- (b) Except for the 2019 Notes II and 2018 Notes, all senior notes are listed on the Singapore Exchange Securities Trading Limited.

Except for the 2019 Notes II and 2018 Notes, all senior notes contain various early redemption options and put option.

Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2017 and 2016.

Except for the above early redemption options, the holders of the 2026 Notes have a put option to request the Company to repurchase their notes on 15 December 2021 at the price equal to 100% of the principle amounts of their notes. The directors consider that the fair value of this put option was insignificant on initial recognition and at 31 December 2017 and 2016.

The interest charged for the year is calculated by applying an effective interest rate of approximately 5.79%, 7.91%, 5.16%, 5.10%, 7.84%, 7.96%, 8.77%, 7.72% and 4.67% per annum to the debt component of the 2026 Notes, 2023 Notes I, 2023 Notes II, 2022 Notes, 2021 Notes, 2020 Notes, 2019 Notes I, 2019 Notes II and 2018 Notes respectively.

The fair values of the senior notes at 31 December 2017 were approximately RMB32,223,747,000 (2016: RMB30,017,205,000). The fair value is calculated using the market prices of the senior notes on the date of statement of financial position. The fair value measurement of the senior notes is categorised within level 1 of fair value hierarchy.

Notes to the Consolidated Financial Statements

23 Senior notes (Continued)

- (c) All of the Group's senior notes are subject to the fulfilment of covenants relating to certain of the Group's debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2017, none of these covenants had been breached.

24 Corporate bonds

	2017 RMB'000	2016 RMB'000
As at 1 January	37,709,624	15,258,499
Additions	10,663,805	21,901,130
Interest expenses (note 33)	1,961,296	1,260,657
Repayment upon maturity	(1,124,815)	–
Coupon interest paid	(1,875,231)	(714,613)
Exchange differences	–	3,951
	47,334,679	37,709,624
Less: current portion included in current liabilities	(16,814,444)	(8,207,477)
Included in non-current liabilities	30,520,235	29,502,147

The Group's corporate bonds are repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	16,814,444	8,207,477
Between 1 and 2 years	17,024,777	16,420,928
Between 2 and 5 years	13,495,458	13,081,219
	47,334,679	37,709,624

24 Corporate bonds (Continued)

(a) The Group's corporate bonds comprised the followings as at 31 December 2017:

Name of bond	Par value RMB'000	Interest rate	Issue date	Term of the bond	Net proceeds after issuance cost RMB'000	Effective interest rate per annum
RMB Corporate bonds of the Company issued in 2015	1,000,000	4.99%	29 December 2015	5 years	985,000	5.55%
RMB Corporate bonds tranche I of the Company issued in 2016	4,000,000	4.75%	2 March 2016	5 years	3,980,000	4.93%
RMB Corporate bonds tranche II of the Company issued in 2016	4,000,000	4.55%	29 March 2016	4 years	3,980,000	4.82%
RMB Corporate bonds tranche III of the Company issued in 2016	1,000,000	4.60%	2 August 2016	5 years	995,000	4.78%
RMB Corporate bonds tranche IV of the Company issued in 2016 — series I	4,170,000	4.15%	2 September 2016	4 years	4,152,903	4.37%
RMB Corporate bonds tranche IV of the Company issued in 2016 — series II	5,830,000	5.65%	2 September 2016	7 years	5,806,097	5.75%
RMB Corporate bonds I tranche I of Zengcheng Country Garden issued in 2015	3,000,000	4.20%	3 August 2015	3 years	2,989,500	4.33%
RMB Corporate bonds I tranche II of Zengcheng Country Garden issued in 2015	3,000,000	4.20%	12 August 2015	3 years	2,991,000	4.31%
RMB Corporate bonds II tranche I of Zengcheng Country Garden issued in 2015	3,700,000	6.50%	9 November 2015	4 years	3,700,000	6.50%
RMB Corporate bonds II tranche II of Zengcheng Country Garden issued in 2015	3,360,000	6.50%	7 December 2015	4 years	3,360,000	6.50%
RMB Corporate bonds of Giant Leap issued in 2016 — series I	1,000,000	3.20%	21 October 2016	4 years	995,710	3.43%
RMB Corporate bonds of Giant Leap issued in 2016 — series II	2,000,000	3.90%	21 October 2016	7 years	1,991,420	4.00%
RMB Corporate bonds I of Giant Leap issued in 2017 — tranche I	1,500,000	6.00%	28 August 2017	3 years	1,496,105	6.10%
RMB Corporate bonds I of Giant Leap issued in 2017 — tranche II	1,500,000	5.90%	20 October 2017	3 years	1,494,200	6.04%
RMB Corporate bonds II of Giant Leap issued in 2017 — tranche I	3,800,000	6.90%	24 October 2017	4 years	3,779,500	7.20%

Notes to the Consolidated Financial Statements

24 Corporate bonds (Continued)

(a) The Group's corporate bonds comprised the followings as at 31 December 2017: (Continued)

Name of bond	Par value RMB'000	Interest rate	Issue date	Term of the bond	Net proceeds after issuance cost RMB'000	Effective interest rate per annum
RMB Corporate bonds II of Giant Leap issued in 2017 — tranche II	1,200,000	6.90%	10 November 2017	4 years	1,194,000	7.18%
RMB Private bonds I of Country Garden Property Co., Ltd. issued in 2017 — tranche I	2,000,000	6.50%	10 October 2017	3 years	2,000,000	6.50%
RMB Private bonds I of Country Garden Property Co., Ltd. issued in 2017 — tranche II	700,000	6.00%	23 November 2017	3 years	700,000	6.00%

(b) The RMB corporate bonds issued by Zengcheng Country Garden and Giant Leap were guaranteed by the Company.

(c) RMB corporate bonds issued by the Company, RMB corporate bonds issued in 2016 and RMB corporate bonds II issued in 2017 by Giant Leap contain a debt component, put options and coupon rate adjustment options:

Debt component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The directors consider that the fair values of the above coupon rate adjustment options were insignificant on initial recognition and at 31 December 2017 and 2016.

Certain corporate bonds will mature within one year to the contractual repricing dates, which is included in current liability of the consolidated statement of financial position.

The fair values of the corporate bonds at 31 December 2017 were RMB49,650,836,000 (2016: RMB36,994,390,000). The fair value measurement of RMB corporate bonds I tranche I and II issued by Zengcheng Country Garden and RMB corporate bonds issued by Giant Leap are categorised within level 1 of the fair value hierarchy as they are listed on Shanghai Stock Exchange. The fair value measurement of other corporate bonds is categorised within level 3 of the fair value hierarchy as they are private placements. The fair values of these corporate bonds are calculated based on the discounted cash flows of the principal and interest payments.

25 Bank and other borrowings

	2017 RMB'000	2016 RMB'000
Included in non-current liabilities:		
– secured	48,337,876	21,456,699
– unsecured	70,495,890	30,120,672
Less: current portion	(30,988,784)	(12,867,292)
	87,844,982	38,710,079
Included in current liabilities:		
– secured	4,138,160	7,433,863
– unsecured	12,544,843	10,211,570
Current portion of non-current liabilities	30,988,784	12,867,292
	47,671,787	30,512,725
Total bank and other borrowings	135,516,769	69,222,804

The Group's borrowings as at 31 December 2017 of RMB52,476,036,000 (2016: RMB28,890,562,000), were secured by certain properties, land use rights and equipment of the Group (notes 7, 8, 10 and 11) with total carrying values of RMB35,015,648,000 (2016: RMB24,495,397,000) and/or secured by the Group's equity interests in certain subsidiaries.

At 31 December 2017, the Group's bank and other borrowings were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	47,671,787	30,512,725
Between 1 and 2 years	36,994,063	18,085,406
Between 2 and 5 years	50,099,259	18,110,041
Over 5 years	751,660	2,514,632
	135,516,769	69,222,804

Notes to the Consolidated Financial Statements

25 Bank and other borrowings (Continued)

The annual weighted average effective interest rates for the year ended 31 December were as follows:

	2017	2016
– Bank and other borrowings	5.67%	6.01%

The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are mainly floating-rate borrowings.

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
RMB	103,872,713	54,768,769
HKD	9,969,999	3,932,713
USD	18,305,781	8,190,914
RM	1,465,106	1,531,550
Other	1,903,170	798,858
	135,516,769	69,222,804

Certain of the Group's bank and other borrowings are subject to the fulfilment of covenants relating to certain of the Group's debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2017, none of these covenants had been breached.

26 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000	Treasury shares RMB'000	Group total RMB'000
Authorised							
At 1 January 2016, 31 December 2016 and 2017, HKD0.10 per share	100,000,000,000	10,000,000					
Issued and fully paid							
At 1 January 2016	22,588,019,782	2,258,802	2,116,865	27,475,982	29,592,847	(380,236)	29,212,611
Buy-back of shares	-	-	-	-	-	(3,535,394)	(3,535,394)
Cancellation of shares	(981,277,000)	(98,128)	(84,486)	(3,046,223)	(3,130,709)	3,130,709	-
At 31 December 2016 and 1 January 2017	21,606,742,782	2,160,674	2,032,379	24,429,759	26,462,138	(784,921)	25,677,217
Buy-back of shares (note (a))	-	-	-	-	-	(1,216,406)	(1,216,406)
Cancellation of shares	(326,854,000)	(32,685)	(28,807)	(1,592,284)	(1,621,091)	1,621,091	-
At 31 December 2017	21,279,888,782	2,127,989	2,003,572	22,837,475	24,841,047	(380,236)	24,460,811

(a) Buy-back of shares

The Group bought back a total of 222,078,000 (2016: 1,086,053,000) of the Company's shares during 2017. The total consideration paid to buy back these shares was RMB1,216,406,000 (2016: RMB3,535,394,000), which has been deducted from equity attributable to the owners of the Company.

27 Employee share schemes

The share-based compensation expenses recognised are as follows:

	2017 RMB'000	2016 RMB'000
Share option scheme	26,302	10,944
Share award scheme	238,966	33,685
Deemed share-based compensation	-	38,205
	265,268	82,834

Notes to the Consolidated Financial Statements

27 Employee share schemes (Continued)

(a) Share option scheme

On 30 November 2012, the Group granted 3,000,000 share options (adjusted to 3,044,358 as a result of a rights issue in 2014) with an exercise price of HKD3.7 per share (adjusted to HKD3.646 per share as a result of a rights issue in 2014) to certain independent non-executive directors. The options were vested immediately after the grant date and have a contractual option term of 10 years. The Group has no legal or contractual obligation to repurchase or settle the options in cash.

On 13 December 2013, the Group granted 6,173,457 share options (adjusted to 6,264,738 as a result of a rights issue in 2014) with an exercise price of HKD4.844 per share (adjusted to HKD4.773 per share as a result of a rights issue in 2014) to certain directors and employees in connection with a profit sharing incentive scheme (the "Incentive Scheme") adopted by the Group.

On 14 January 2016, 16 March 2016, 11 May 2016 and 19 August 2016, the Group granted 2,665,373, 2,431,903, 1,599,861 and 1,265,081 share options with exercise prices of HKD3.020, HKD3.332, HKD3.106 and HKD3.740 per share, respectively, to certain directors in connection with the Incentive Scheme.

On 22 May 2017, 24 August 2017 and 8 December 2017, the Group granted 2,895,406, 978,409 and 659,817 share options with exercise prices of HKD8.250, HKD10.100 and HKD12.980 per share, respectively, to certain directors in connection with the Incentive Scheme.

Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company's shares as the consideration for the costs to exercise the share options. The vesting period of the above share options is 5 years from their respective grant dates. The fair value of these share options at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2017		2016	
	Weighted-average exercise price (HKD per share)	Number of options	Weighted-average exercise price (HKD per share)	Number of options
At 1 January	3.997	14,061,871	4.382	8,765,026
Granted	9.338	4,533,632	3.250	7,962,218
Lapsed	–	–	3.020	(2,665,373)
At 31 December	5.299	18,595,503	3.997	14,061,871

None of the above share options were exercised in 2017 (2016: nil).

27 Employee share schemes (Continued)

(a) Share option scheme (Continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price in HKD per share	Number of share options
29 November 2022	3.646	3,044,358
12 December 2023	4.773	5,720,668
15 March 2026	3.332	2,431,903
10 May 2026	3.106	1,599,861
18 August 2026	3.740	1,265,081
21 May 2027	8.250	2,895,406
23 August 2027	10.100	978,409
7 December 2027	12.980	659,817
		18,595,503

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods (the “Expected Retention Rate”) of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2017, the Expected Retention Rate was assessed to be 100% (2016: 100%).

(b) Share award scheme

Pursuant to the Incentive Scheme, certain portion of the bonus to certain senior management and employees, calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company’s shares (the “Awarded Shares”). The vesting period of the Awarded Shares is 5 years from their respective grant dates.

The Group planned to use treasury shares to award the grantees of the Awarded Shares. The Awarded Shares are held by a wholly-owned subsidiary of the Group, on behalf of these senior management and employees until the end of vesting periods.

The fair value of these Awarded Shares at the grant date approximated the portion of bonus which is to be settled in the Company’s shares.

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27 Employee share schemes (Continued)

(b) Share award scheme (Continued)

Movements in the number of Awarded Shares are as follows:

	2017 Number of shares awarded	2016 Number of shares awarded
At 1 January	51,706,175	31,802,701
Granted	38,025,132	19,903,474
Lapsed	(3,763,019)	–
At 31 December	85,968,288	51,706,175

The Group has to estimate the Expected Retention Rate of the share award scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2017, the Expected Retention Rate was assessed to be 100% (2016: 100%).

28 Other reserves and retained earnings

	Merger reserve RMB'000 (note (a))	Statutory reserve RMB'000 (note (b))	Share option reserve RMB'000	FVOCI reserve RMB'000	Translation reserve RMB'000	Revaluation reserve RMB'000	Cash flow hedge reserve RMB'000	Deferred costs of hedging reserve RMB'000	Others RMB'000	Total reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2017	(149,801)	4,212,511	131,075	59,336	(642,137)	1,464,237	89,982	(295,901)	(385,260)	4,484,042	39,967,106	44,451,148
Adjustment on adoption of HKFRS 15 (note 3)	–	–	–	–	–	–	–	–	–	–	3,152,346	3,152,346
Restated other reserves at 1 January 2017	(149,801)	4,212,511	131,075	59,336	(642,137)	1,464,237	89,982	(295,901)	(385,260)	4,484,042	43,119,452	47,603,494
Profit for the year	–	–	–	–	–	–	–	–	–	–	26,063,518	26,063,518
Transfer to statutory reserves (note (b))	–	1,129,399	–	–	–	–	–	–	–	1,129,399	(1,129,399)	–
2016 final and 2017 interim dividends	–	–	–	–	–	–	–	–	–	–	(5,382,105)	(5,382,105)
Reclassification of revaluation reserve upon disposal	–	–	–	–	–	(595,626)	–	–	–	(595,626)	595,626	–
Employee share scheme	–	–	265,268	–	–	–	–	–	–	265,268	–	265,268
– Value of employee service (note 27)	–	–	265,268	–	–	–	–	–	–	265,268	–	265,268
Change in fair value of financial assets at FVOCI, net of tax	–	–	–	(56,435)	–	–	–	–	–	(56,435)	–	(56,435)
Changes in ownership interests in subsidiaries without change of control (note 40)	–	–	–	–	–	–	–	–	(52,024)	(52,024)	–	(52,024)
Currency translation differences	–	–	–	–	121,291	–	–	–	–	121,291	–	121,291
Deferred losses on cash flow hedges, net of tax	–	–	–	–	–	–	(103,806)	–	–	(103,806)	–	(103,806)
Deferred gains of hedging, net of tax	–	–	–	–	–	–	–	750,560	–	750,560	–	750,560
Balance at 31 December 2017	(149,801)	5,341,910	396,343	2,901	(520,846)	868,611	(13,824)	454,659	(437,284)	5,942,669	63,267,092	69,209,761

28 Other reserves and retained earnings (Continued)

	Merger reserve RMB'000 (note(a))	Statutory reserve RMB'000 (note(b))	Share option reserve RMB'000	FVOCI reserve RMB'000	Translation reserve RMB'000	Revaluation reserve RMB'000	Cash flow hedge reserve RMB'000	Deferred costs of hedging reserve RMB'000	Others RMB'000	Total reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016	(149,801)	3,859,814	86,446	13,415	(870,517)	1,464,237	-	-	(461,455)	3,942,139	31,808,028	35,750,167
Profit for the year	-	-	-	-	-	-	-	-	-	-	11,516,815	11,516,815
Transfer to statutory reserves (note (b))	-	352,697	-	-	-	-	-	-	-	352,697	(352,697)	-
2015 final and 2016 interim dividends	-	-	-	-	-	-	-	-	-	-	(3,005,040)	(3,005,040)
Capital injection from non-controlling interests (note (a))	-	-	-	-	-	-	-	-	86,400	86,400	-	86,400
Employee share scheme - Value of employee service (note 27)	-	-	44,629	-	-	-	-	-	38,205	82,834	-	82,834
Change in fair value of financial assets at FVOCI, net of tax	-	-	-	45,921	-	-	-	-	-	45,921	-	45,921
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	-	(48,410)	(48,410)	-	(48,410)
Currency translation differences	-	-	-	-	228,380	-	-	-	-	228,380	-	228,380
Deferred gains on cash flow hedges, net of tax	-	-	-	-	-	-	89,982	-	-	89,982	-	89,982
Deferred costs of hedging, net of tax	-	-	-	-	-	-	-	(295,901)	-	(295,901)	-	(295,901)
Balance at 31 December 2016	(149,801)	4,212,511	131,075	59,336	(642,137)	1,464,237	89,982	(295,901)	(385,260)	4,484,042	39,967,106	44,451,148

Notes:

- (a) Merger reserve of the Group represented the difference between the share capital of subsidiaries acquired pursuant to a group reorganisation undertaken for the listing of Company on the main board of the Stock Exchange in 2007 over the nominal value of shares of the Company issued in exchange thereof.
- (b) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the Mainland China and the articles of association of certain subsidiaries in Mainland of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

Notes to the Consolidated Financial Statements

29 Deferred income tax

The analysis of deferred tax assets and liabilities is as follows:

	2017 RMB'000	2016 RMB'000
Deferred income tax assets:		
– to be realised after more than 12 months	4,987,672	3,202,375
– to be realised within 12 months	7,210,010	4,619,938
	12,197,682	7,822,313
Deferred income tax liabilities:		
– to be settled after more than 12 months	(14,758,131)	(6,262,382)
– to be settled within 12 months	(1,689,518)	(665,922)
	(16,447,649)	(6,928,304)
	(4,249,967)	894,009

The movement on the net deferred income tax account is as follows:

	2017 RMB'000	2016 RMB'000
Beginning of the year	894,009	(28,775)
Adjustment on adoption of HKFRS 15 (note 3(a))	(1,680,286)	–
Acquisition of subsidiaries (note 42)	(3,832,863)	(2,170,554)
Credited/(charged) to other comprehensive income	4,569	(7,853)
Credited in profit or loss (note 34)	364,604	3,101,191
End of the year	(4,249,967)	894,009

29 Deferred income tax (Continued)

Movement in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

	Impairment of assets RMB'000	Fair value loss from business combination RMB'000	Recognition of expenses RMB'000	Elimination of unrealised profits RMB'000	Tax losses RMB'000	Prepaid income tax RMB'000	Total RMB'000
At 1 January 2016	-	15,887	24,701	1,246,740	2,499,614	-	3,786,942
Acquisition of subsidiaries	-	67,105	-	-	-	-	67,105
Credited to profit or loss	188,156	-	58,650	3,677	1,903,962	1,813,821	3,968,266
At 31 December 2016	188,156	82,992	83,351	1,250,417	4,403,576	1,813,821	7,822,313
At 1 January 2017	188,156	82,992	83,351	1,250,417	4,403,576	1,813,821	7,822,313
Acquisition of subsidiaries (note 42)	-	33,264	-	-	-	-	33,264
Credited/(charged) to profit or loss	73,545	-	235,261	(360,525)	3,031,743	1,362,081	4,342,105
At 31 December 2017	261,701	116,256	318,612	889,892	7,435,319	3,175,902	12,197,682

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets as at 31 December 2017 of RMB13,698,000 (2016: RMB8,563,000) in respect of accumulated tax losses amounting to RMB54,791,000 as at 31 December 2017 (2016: RMB34,253,000).

Notes to the Consolidated Financial Statements

29 Deferred income tax (Continued)

Deferred income tax liabilities:

	Fair value gain from business combination RMB'000	Recognition of revenue over time RMB'000	Withholding income tax on profit to be distributed in future RMB'000	Fair value changes on investment properties RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	(774,001)	(1,327,008)	(543,396)	(1,169,729)	(1,583)	(3,815,717)
Acquisition of subsidiaries	(2,237,659)	-	-	-	-	(2,237,659)
Charged to other comprehensive income	-	-	-	-	(7,853)	(7,853)
Credited/(Charged) to profit or loss	205,122	(904,807)	(40,628)	(69,775)	(56,987)	(867,075)
At 31 December 2016	(2,806,538)	(2,231,815)	(584,024)	(1,239,504)	(66,423)	(6,928,304)
At 1 January 2017	(2,806,538)	(2,231,815)	(584,024)	(1,239,504)	(66,423)	(6,928,304)
Adjustment on adoption of HKFRS 15 (note 3(a))	-	(1,680,286)	-	-	-	(1,680,286)
Acquisition of subsidiaries (note 42)	(3,866,127)	-	-	-	-	(3,866,127)
Credited to other comprehensive income	-	-	-	-	4,569	4,569
Credited/(Charged) to profit or loss	579,424	(4,477,425)	(356,586)	419,916	(142,830)	(3,977,501)
At 31 December 2017	(6,093,241)	(8,389,526)	(940,610)	(819,588)	(204,684)	(16,447,649)

Note:

As at 31 December 2017, the retained earnings of the Group's subsidiaries not yet remitted to holding companies incorporated outside Mainland China, for which no deferred income tax liability had been provided, were approximately RMB57,639,394,000 (2016: RMB41,627,058,000). Such earnings are expected to be retained by the subsidiaries in Mainland China for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimations of overseas funding requirements.

30 Other income and gains – net

	2017	2016
	RMB'000	RMB'000
Other income		
– Management and consulting service income	848,781	–
– Forfeiture of advances received from customers	42,366	19,626
– Government subsidy income	28,945	16,697
	920,092	36,323
Other gains/(losses)		
– Gains arising from negative goodwill (note 42)	1,936,261	1,257,658
– Changes in fair value of derivative financial instruments	(400,784)	149,827
– (Losses)/gains on disposal of subsidiaries (note 41)	(170,247)	36,980
– Gains on disposals of property, plant and equipment (note 36(b))	17,586	18,722
– Others	308,587	30,955
	1,691,403	1,494,142
Total other income and gains – net	2,611,495	1,530,465

Notes to the Consolidated Financial Statements

31 Expenses by nature

	2017 RMB'000	2016 RMB'000
Auditor's remuneration	29,306	17,141
— Audit services	17,525	11,280
— Non-audit services	11,781	5,861
Advertising costs	3,438,146	3,873,047
Amortisation of intangible assets (note 9)	25,598	19,063
Provision for impairment of trade and other receivables	339,494	88,371
Business taxes and other levies (note (b))	3,648,517	6,374,273
Costs of properties recognised in profit or loss	162,751,971	113,131,527
Amorisation of incremental costs for obtaining contracts	573,462	—
Donations (note (a))	792,919	420,009
Depreciation (note 7)	724,827	697,462
Employee benefit expenses (note 32)	9,483,623	6,464,200
Land use rights amortisation (note 10)	74,077	60,731
Rental expenses	509,976	290,954
Others	4,025,896	1,768,095
Total cost of sales, selling and marketing costs and administrative expenses	186,417,812	133,204,873

Note:

- (a) During the year, RMB79,037,000 (2016: RMB386,200,000) of the Group's donations were made through Guoqiang Public Welfare Foundation of Guangdong Province. Certain directors of the Group are also directors of the foundation.
- (b) The subsidiaries in Mainland China of the Group are subject to value added tax ("VAT") from 1 May 2016 on their revenues instead of business tax. The applicable tax rates are as follows:

Category	Rate of VAT
Sale of properties (i)	5%, 11%
Property construction (ii)	3%, 11%
Property investment (i)	5%, 11%
Property management (ii)	3%, 6%
Hotel service (ii)	3%, 6%

- (i) VAT for sales of properties and income from property investment, in the case that the construction of properties commenced or the investment property was acquired before 1 May 2016, is calculated at a tax rate of 5% based on a simple method. Otherwise, the VAT is calculated at a tax rate of 11%.
- (ii) VAT for general VAT payer and small-scale VAT payer of property construction is 11% and 3%, respectively, and 6% and 3% for property management and hotel service, respectively.

32 Employee benefit expenses

	2017	2016
	RMB'000	RMB'000
Wages and salaries	15,220,964	10,115,129
Contributions to pension plans (note (a))	106,191	69,928
Staff welfare	242,730	159,842
Medical benefits	212,387	139,861
Share-based compensation expenses (note 27)	265,268	82,834
Other allowances and benefits	60,679	39,959
	16,108,219	10,607,553
Less: capitalised in properties under development	(6,624,596)	(4,143,353)
	9,483,623	6,464,200

(a) Contributions to pension plans

Employees in the Group's subsidiaries in Mainland China are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's subsidiaries in Mainland China contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

Notes to the Consolidated Financial Statements

32 Employee benefit expenses (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2016: two) directors whose emoluments are reflected in the analysis shown in note 47. The emoluments payable to the remaining four (2016: three) individuals during the year are as follows:

	2017 RMB'000	2016 RMB'000
Salaries	8,831	5,331
Discretionary bonuses	193,416	101,072
Other benefits and share-based compensation expenses	27,174	2,682
Employer's contribution to retirement benefit scheme	205	154
	229,626	109,239

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
HKD30,000,001 to HKD30,500,000	–	1
HKD46,000,001 to HKD46,500,000	–	1
HKD50,500,001 to HKD51,000,000	–	1
HKD51,000,001 to HKD51,500,000	1	–
HKD53,500,001 to HKD54,000,000	1	–
HKD55,000,001 to HKD55,500,000	1	–
HKD104,500,001 to HKD105,000,000	1	–

33 Finance income/(costs) – net

	2017 RMB'000	2016 RMB'000
Finance income:		
– Interest income on bank deposits and financial assets at FVTPL	1,619,973	532,870
– Net foreign exchange gains on financing activities	3,587,096	–
Reclassified from cash flow hedge reserves	(1,641,414)	–
Reclassified from deferred costs of hedging reserves	(143,003)	–
	1,802,679	–
	3,422,652	532,870
Finance costs:		
– Interest expenses:		
– Bank and other borrowings	(6,552,840)	(3,741,134)
– Senior notes	(2,222,000)	(1,731,150)
– Corporate bonds	(1,961,296)	(1,260,657)
– Receipts under securitisation arrangements	(304,425)	(143,810)
	(11,040,561)	(6,876,751)
Less: amounts capitalised on qualifying assets	11,040,561	6,733,712
	–	(143,039)
– Net foreign exchange losses on financing activities	–	(2,747,572)
Reclassified from cash flow hedge reserves	–	1,332,303
Reclassified from deferred costs of hedging reserves	–	(69,867)
	–	(1,485,136)
– Loss on early redemption of senior notes (note 23(a)(iii))	(146,566)	–
	(146,566)	(1,628,175)
Finance income/(costs) – net	3,276,086	(1,095,305)

Notes to the Consolidated Financial Statements

34 Income tax expenses

	2017 RMB'000	2016 RMB'000
Current income tax		
— Corporate income tax	9,852,047	7,155,122
— Land appreciation tax (note (c))	8,282,721	3,673,418
	18,134,768	10,828,540
Deferred income tax (note 29)		
— Corporate income tax	(383,360)	(2,583,387)
— Land appreciation tax (note (c))	(337,830)	(558,432)
— Withholding income tax (note (d))	356,586	40,628
	(364,604)	(3,101,191)
	17,770,164	7,727,349

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group companies as follows:

	2017 RMB'000	2016 RMB'000
Profit before income tax	46,521,969	21,390,572
Tax calculated at Mainland China corporate income tax rate of 25% (2016: 25%)	11,630,492	5,347,643
Different tax rates applicable to different subsidiaries of the Group	8,250	60,827
Land appreciation tax deductible for calculation of income tax purpose	(1,986,223)	(778,747)
Utilisation of tax losses not recognised as deferred income tax assets	(5,135)	(2,229)
Effects of share of post-tax results of joint ventures and associates	88,076	(90,426)
Income not subject to tax	(985,619)	(358,605)
Expenses not deductible for tax	718,846	393,272
	9,468,687	4,571,735
Withholding income tax on profit to be distributed in future (note (d))	356,586	40,628
Land appreciation tax (note (c))	7,944,891	3,114,986
Income tax expenses	17,770,164	7,727,349

34 Income tax expenses (Continued)

Note:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2016:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) Mainland China corporate income tax has been provided at corporate income tax rate of 25%.
- (c) Mainland China 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 cost of land use rights and all property development expenditures.
- (d) Withholding income tax is provided on the dividends to be distributed by the Mainland China subsidiaries of the Group. The relevant overseas holding companies have successfully obtained endorsement from various Mainland China tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the Mainland China subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the Mainland China subsidiaries of the Group.

35 Dividends

	2017	2016
	RMB'000	RMB'000
Interim dividend of RMB15.02 cents (2016: RMB 6.92 cents) per share	3,205,362	1,556,610
Proposed final dividend of RMB24.95 cents (2016: RMB10.20 cents) per share	5,424,108	2,176,743
Total	8,629,470	3,733,353

On 22 August 2017, the Board of Directors declared the payment of a 2017 interim dividend of RMB15.02 cents per share, totalling RMB3,205,362,000, which was paid in cash in November 2017 (2016 interim dividend: RMB1,556,610,000).

The final dividend in respect of 2016 of RMB10.20 cents per share, totalling RMB2,176,743,000, has been approved in the Annual General Meeting on 18 May 2017 and paid in cash in July 2017.

The Board of Directors recommended the payment of a 2017 final dividend of RMB24.95 cents per share, totalling RMB5,424,108,000, which has taken into account the effect of placing of the Company's shares subsequent to 31 December 2017 and up to the date of these financial statements. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

Notes to the Consolidated Financial Statements

36 Cash flow information

(a) Cash generated from operations

	2017 RMB'000	2016 RMB'000
Profit for the year	28,751,805	13,663,223
Adjustments for:		
Income tax expenses (note 34)	17,770,164	7,727,349
Interest income (note 33)	(1,619,973)	(532,870)
Interest expense (note 33)	–	143,039
Loss on early redemption of senior notes (note 33)	146,566	–
Net foreign exchange (gains)/losses (note 33)	(1,802,679)	1,485,136
Depreciation (note 7)	724,827	697,462
Amortisation of land use rights (note 10)	74,077	60,731
Amortisation of intangible assets (note 9)	25,598	19,063
Gains on disposals of property, plant and equipment (note 30)	(17,586)	(18,722)
Provision for impairment of trade and other receivables	339,494	88,371
Share of losses/(profits) of joint ventures and associates (note 12)	352,304	(361,704)
Gains arising from changes in fair value of and transfer to investment properties (note 8)	(504,718)	(711,604)
Share-based compensation expense (note 32)	265,268	82,834
Gains arising from negative goodwill (note 42)	(1,936,261)	(1,257,658)
Changes in fair value of financial assets at FVTPL	63,797	–
Changes in fair value of derivative financial instruments (notes 30)	400,784	(149,827)
Losses/(gains) on disposals of subsidiaries (note 30)	170,247	(36,980)
	43,203,714	20,897,843
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries and currency exchange differences on consolidation):		
Property under development and completed properties held for sale	(134,747,259)	(43,515,665)
Inventories	(2,047,604)	(225,290)
Restricted cash	1,886,935	(206,862)
Trade and other receivables	(155,704,952)	(71,902,317)
Prepaid taxes (excluding prepaid income taxes)	3,731,177	(521,689)
Contract assets	(8,981,435)	–
Contract liabilities	176,865,219	–
Trade and other payables	129,795,363	64,482,987
Advanced proceeds received from customers	–	88,294,136
Cash generated from operations	54,001,158	57,303,143

36 Cash flow information (Continued)**(b) In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment comprise:**

	2017 RMB'000	2016 RMB'000
Property, plant and equipment		
Net book amount of disposals (note 7)	336,326	213,643
Gains on disposals (note 30)	17,586	18,722
Proceeds	353,912	232,365

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings RMB'000	Senior notes RMB'000	Corporate bonds RMB'000	Receipts under securitisation arrangements RMB'000	Derivative financial instruments RMB'000	Total RMB'000
Net debt as at						
31 December 2016	69,222,804	29,264,448	37,709,624	7,043,440	(1,179,770)	142,060,546
Cash flows						
– Increase	87,105,843	7,746,953	10,663,805	–	–	105,516,601
– Decrease	(20,006,471)	(3,808,411)	(1,124,815)	(5,238,336)	(373,746)	(30,551,779)
– Interest paid	(6,622,051)	(2,000,592)	(1,875,231)	(304,425)	–	(10,802,299)
– Acquisition of subsidiaries	9,371,990	–	–	–	–	9,371,990
– Disposal of subsidiaries	(8,576,193)	–	–	–	–	(8,576,193)
Non-cash movements						
– Interest expenses	6,552,840	2,222,000	1,961,296	304,425	–	11,040,561
– Loss on early redemption of senior notes	–	146,566	–	–	–	146,566
– Changes in fair value of derivative financial instruments	–	–	–	–	400,784	400,784
– Foreign exchange adjustments	(1,601,204)	(1,657,385)	–	–	–	(3,258,589)
– Other non-cash movements	69,211	–	–	–	1,560,751	1,629,962
Net debt as at						
31 December 2017	135,516,769	31,913,579	47,334,679	1,805,104	408,019	216,978,150

Notes to the Consolidated Financial Statements

37 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares (note 26).

	2017	2016
Profit attributable to owners of the Company (RMB'000)	26,063,518	11,516,815
Weighted average number of ordinary shares in issue (thousands)	21,224,060	22,075,611
Earnings per share — Basic (RMB cents per share)	122.80	52.17

(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 had two categories of dilutive potential ordinary shares: share options and the Awarded Shares. For the share options and Awarded Shares, 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 and Awarded Shares. 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 and Awarded Shares.

	2017	2016
Profit attributable to owners of the Company (RMB'000)	26,063,518	11,516,815
Weighted average number of ordinary shares in issue (thousands)	21,224,060	22,075,611
Adjustments – share options and Awarded Shares (thousands)	59,151	16,560
Weighted average number of ordinary shares for diluted earnings per share (thousands)	21,283,211	22,092,171
Earnings per share — Diluted (RMB cents per share)	122.46	52.13

38 Guarantees

	2017 RMB'000	2016 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	214,908,534	127,502,653
Guarantees to joint ventures and associates and certain third parties in respect of borrowings (note (b))	33,499,551	18,617,370
	248,408,085	146,120,023

Note:

- (a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.

39 Commitments**(a) Commitments for capital and property development expenditures**

	2017 RMB'000	2016 RMB'000
Contracted but not provided for:		
Property, plant and equipment	85,812	17,178
Property development expenditure (including land premium)	143,979,421	94,916,269
	144,065,233	94,933,447

Notes to the Consolidated Financial Statements

39 Commitments (Continued)

(b) Operating lease commitments

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market price. The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	2017 RMB'000	2016 RMB'000
Not later than one year	81,578	56,445
Later than one year and not later than five years	126,934	76,198
Later than five years	33,239	23,991
	241,751	156,634

(c) Operating lease rentals receivable

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market price. The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	2017 RMB'000	2016 RMB'000
Not later than one year	208,341	131,731
Later than one year and not later than five years	722,386	460,477
Later than five years	426,553	588,544
	1,357,280	1,180,752

40 Transactions with non-controlling interests

(a) Acquisition of additional interests in subsidiaries

In 2017, the Group acquired additional equity interests of certain subsidiaries from the relevant non-controlling interests for a total cash consideration of RMB182,534,000.

The following table summarises the acquisitions.

	2017 RMB'000
Total carrying amounts of non-controlling interests acquired	25,683
Total consideration paid	(182,534)
Total difference recognised within equity	(156,851)

(b) Disposal of interests in subsidiaries without loss of control

In 2017, the Group disposed of certain equity interests of certain subsidiaries for a total cash consideration of RMB295,199,000.

The following table summarises the disposals.

	2017 RMB'000
Total carrying amounts disposed to non-controlling interests	(190,372)
Proceeds from disposals	295,199
Total difference recognised within equity	104,827

(c) The aggregate effects of the above transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2017:

	2017 RMB'000
Changes in equity attributable to owners of the Company arising from:	
– Acquisition of additional interests in subsidiaries	(156,851)
– Disposal of interests in subsidiaries without loss of control	104,827
Net effect for transactions with non-controlling interests on equity attributable to owners of the Company	(52,024)

Notes to the Consolidated Financial Statements

41 Disposal of subsidiaries

During the year, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposals are as follows:

	RMB'000
Disposal consideration	
– Cash received	1,218,410
– Outstanding and included in other receivables	1,183,962
– Fair value of investments in joint ventures and associates held after disposal of certain subsidiaries	1,219,657
	3,622,029
Less:	
– Total net assets of subsidiaries disposed of	4,538,273
– Non-controlling interest disposed of	(745,997)
	(170,247)
Losses on disposals	
Cash proceeds from disposal, net of cash disposed of	
– Cash consideration received	1,218,410
– Less: cash and cash equivalents in the subsidiaries disposed of	(1,086,848)
	131,562
– Net cash inflow on disposals	

42 Business combination

Business combination during the year mainly included the acquisitions of a number of property development companies and acquisition of additional interest in joint ventures and associates. The directors of the Company consider that none of these subsidiaries acquired during the year was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

42 Business combination (Continued)

The acquired companies' principal activities are property development and management and construction. The financial information of these acquired companies on the acquisition date is summarised as follows:

	RMB'000
Total purchase consideration	
— Cash paid	8,520,871
— Fair value of investments in joint ventures and associates held before business combination	2,210,243
	10,731,114
Total recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	6,617,006
Restricted cash	1,361,121
Property, plant and equipment	453,528
Properties under development and completed properties held for sale	63,284,040
Trade and other receivables	32,411,128
Deferred tax assets	33,264
Bank and other borrowings	(9,371,990)
Trade and other payables	(26,138,424)
Contract liabilities	(45,523,697)
Current income tax liabilities	(2,122,512)
Deferred tax liabilities	(3,866,127)
	17,137,337
Non-controlling interests	(4,535,124)
Negative goodwill	(1,936,261)
Goodwill	65,162
	10,731,114
Outflow of cash to acquire business, net of cash acquired	
— cash considerations	8,520,871
— cash and cash equivalents in the subsidiaries acquired	(6,617,006)
	1,903,865
Cash outflow on acquisitions	1,903,865

Gains arising from negative goodwill was mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons or other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

Notes to the Consolidated Financial Statements

42 Business combination (Continued)

The goodwill arose from the acquisition was mainly attributable to economies of scales expected from combining the operations of the Group and the acquired entities.

The acquired businesses contributed total revenues of RMB17,258,223,000 and net profit of RMB3,499,564,000 to the Group for the period from their respective acquisition dates to 31 December 2017. Had these companies been consolidated from 1 January 2017, the consolidated statement of comprehensive income would show pro-forma revenue of RMB227,131,406,000 and profit for the year of RMB27,876,109,000.

43 Related party transactions

The Company is ultimately controlled by Ms. Yang Huiyan (the "Ultimate Controlling Shareholder").

Apart from those related party transactions disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties.

(a) Transactions with related parties

	2017 RMB'000	2016 RMB'000
(i) Controlled by certain shareholder, certain directors and/or their close family members		
Sales of properties	2,647,055	–
Purchase of design service	2,171,283	1,055,012
Construction service income	15,460	124,791
Other transactions	21,483	14,122
	4,855,281	1,193,925
(ii) Associates		
Providing guarantee in respect of borrowings	11,900,976	6,804,250
Construction service income	433,996	703,919
Other transactions	117,314	26,080
	12,452,286	7,534,249
(iii) Joint ventures		
Providing guarantee in respect of borrowings	19,956,075	11,813,120
Sales of properties	1,223,602	–
Construction service income	1,042,788	507,670
Other transactions	292,833	50,853
	22,515,298	12,371,643

The prices for the above design service fees, construction service fees, and other transactions were determined in accordance with the terms of the underlying agreements.

43 Related party transactions (Continued)**(b) Key management compensation**

Key management includes directors and chief executive officer.

	2017 RMB'000	2016 RMB'000
Fees and salaries	53,682	66,471
Discretionary bonuses	168,174	34,870
Employer's contribution to retirement benefit	617	749
Other benefits and share-based compensation	13,042	5,851
	235,515	107,941

(c) Balances with related parties

Saved as disclosed in other notes above, the Group had the following significant balances with its related parties:

(i) Controlled by certain shareholder, certain directors and/or their close family members

	2017 RMB'000	2016 RMB'000
Trade receivables	281,514	218,015
Amounts due from customers of contract work	-	69,819
Contract assets	73,218	-
Other receivables	119,174	72,078
Other prepayments	62,208	48,497
Trade and other payables	2,707,281	347,906

(ii) Associates

Trade receivables	324,249	258,559
Amounts due from customers of contract work	-	158,544
Contract assets	396,045	-
Other receivables	22,649,429	8,928,396
Other prepayments	383	381
Trade and other payables	32,785,288	12,910,341

Notes to the Consolidated Financial Statements

43 Related party transactions (Continued)

(c) Balances with related parties (Continued)

(iii) Joint ventures

	2017 RMB'000	2016 RMB'000
Trade receivables	8,215,947	188,169
Amounts due from customers of contract work	–	169,608
Contract assets	590,122	–
Other receivables	22,278,719	8,568,473
Other prepayments	8,973	–
Trade and other payables	52,092,842	14,262,739
Loans to related parties	53,780	–

The above balances due from/to related parties are mainly interest free, unsecured and to be settled according to the contract terms.

44 Significant subsequent events

On 16 January 2018, the Group entered into a placing and subscription agreement for 460,000,000 shares at a price of HKD 17.13 per share. On the same date, the Group also entered into a bond subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD15,600,000,000 due 27 January 2019 (the "Bonds"). The Bonds could be converted into ordinary shares of the Company at the initial conversion price of HKD20.556 per share at any time on or after 11 March 2018 and before the tenth business day prior to the maturity date. The Bonds are listed in the Singapore Exchange Securities Trading Limited.

On 19 March 2018, the Group submitted the application materials to Stock Exchange in relation to the spin-off and listing of property management services business.

45 Statement of financial position and reserve movement of the Company

	Note	As at 31 December	
		2017 RMB'000	2016 RMB'000
Non-current assets			
Investments in subsidiaries		43,651,791	38,798,506
Derivative financial instruments		112,605	1,034,387
Financial assets at FVOCI		783,052	305,514
		44,547,448	40,138,407
Current assets			
Amounts due from subsidiaries		75,774,975	60,805,009
Other receivables		405,613	393,235
Cash and cash equivalents		3,331,602	2,220,930
Financial assets at FVTPL		196,026	–
Derivative financial instruments		47,265	187,145
		79,755,481	63,606,319
Current liabilities			
Amounts due to subsidiaries		13,326,896	12,671,372
Other payables		394,302	344,997
Senior notes		3,795,242	–
Bank and other borrowings		5,924,746	3,510,577
Derivative financial instruments		212,013	41,762
		23,653,199	16,568,708
Net current assets		56,102,282	47,037,611
Total assets less current liabilities		100,649,730	87,176,018

Notes to the Consolidated Financial Statements

45 Statement of financial position and reserve movement of the Company (Continued)

	Note	As at 31 December	
		2017 RMB'000	2016 RMB'000
Non-current liabilities			
Senior notes		28,118,337	29,264,448
Bank and other borrowings		20,202,734	8,944,606
Corporate bonds		20,437,741	20,402,799
Derivative financial instruments		355,876	–
		69,114,688	58,611,853
Equity			
Share capital and premium		24,868,688	26,126,813
Other reserves	(a)	865,558	(46,808)
Retained earnings	(a)	5,800,796	2,484,160
Total equity		31,535,042	28,564,165
Total equity and non-current liabilities		100,649,730	87,176,018

The statement of financial position of the Company was approved by the Board of Directors on 20 March 2018 and were signed on its behalf.

MO Bin
Director

YANG Ziyang
Director

45 Statement of financial position and reserve movement of the Company (Continued)**Note (a) Reserve movement of the Company**

	Other reserves	Retained earnings	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2016	86,446	1,748,949	1,835,395
Profit for the year	–	3,740,251	3,740,251
Deferred gains on cash flow hedges, net of tax	89,982	–	89,982
Deferred costs of hedging, net of tax	(295,901)	–	(295,901)
Dividends	–	(3,005,040)	(3,005,040)
Employee share schemes			
– value of employee services	44,629	–	44,629
Change in fair value of financial assets at FVOCI, net of tax	28,036	–	28,036
At 31 December 2016	(46,808)	2,484,160	2,437,352
At 1 January 2017	(46,808)	2,484,160	2,437,352
Profit for the year	–	8,698,741	8,698,741
Deferred losses on cash flow hedges, net of tax	(103,806)	–	(103,806)
Deferred gains of hedging, net of tax	750,560	–	750,560
Dividends	–	(5,382,105)	(5,382,105)
Employee share schemes			
– value of employee services	265,268	–	265,268
Change in fair value of financial assets at FVOCI, net of tax	344	–	344
At 31 December 2017	865,558	5,800,796	6,666,354

Notes to the Consolidated Financial Statements

46 Particulars of principal subsidiaries

The following is a list of principal subsidiaries at 31 December 2017, all of these are limited liability companies:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Directly held by the Company:					
Incorporated in the BVI and operates in Mainland China:					
Smart World Development Holdings Ltd.	28 March 2006	USD300	100%	–	Investment holding
Indirectly held by the Company:					
Incorporated in Hong Kong and operates in Hong Kong:					
Country Garden (Hong Kong) Development Company Limited	21 September 2005	HKD1	100%	–	Investment holding
Incorporated in the BVI and operates in Hong Kong:					
Estonia Development Ltd.	21 March 2006	USD200	100%	–	Investment holding and rendering of property related sales services
Angel View International Limited	7 April 2006	USD200	100%	–	Investment holding and rendering of property related sales services
Incorporated in the BVI and operates in Mainland China:					
Falcon Investments Development Ltd.	21 March 2006	USD300	100%	–	Investment holding
United Gain Group Ltd.	28 March 2006	USD200	100%	–	Investment holding
Wise Fame Group Ltd.	28 March 2006	USD300	100%	–	Investment holding
Boavista Investments Limited	7 April 2006	USD200	100%	–	Investment holding
Impreza Group Limited	7 April 2006	USD300	100%	–	Investment holding
Infiniti Holdings Development Limited	7 April 2006	USD300	100%	–	Investment holding
Bright Start Group Limited	19 July 2011	USD1	100%	–	Investment holding
Pure Smart Enterprises Limited	19 July 2011	USD1	100%	–	Investment holding
Top Favor Holding Limited	19 July 2011	USD1	100%	–	Investment holding
Golden Favor Investments Limited	19 July 2011	USD1	100%	–	Investment holding
Power Great Enterprise Limited	10 December 2007	USD1	100%	–	Investment holding
Great Favor Investments Limited	16 July 2013	USD1	100%	–	Investment holding
Silver Dawn Holding Limited	23 January 2014	USD1	100%	–	Investment holding
Tin Spring Limited	15 June 2015	USD1	100%	–	Investment holding
Scenic Reserve Limited	2 October 2015	USD1	100%	–	Investment holding

46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Established and operates in Mainland China:					
Guangdong Yaokang Investment Co., Ltd. 廣東耀康投資有限公司	20 April 2015	RMB1,200,000,000	100%	–	Investment
Shenyang Shenbeixincheng Yidong Real Estate Co., Ltd. 瀋陽瀋北新城伊東置業有限公司	18 May 2007	RMB750,000,000	100%	–	Property development
Guangdong Giant Leap Construction Co., Ltd. 廣東騰越建築工程有限公司	25 March 1997	RMB5,200,000,000	100%	–	Construction
Shanghai Xinbi Garden Property Development Co., Ltd. 上海新碧房地產開發有限公司	26 August 2015	RMB20,000,000	100%	–	Property development
Dongguan Country Garden Property Development Co., Ltd. 東莞市碧桂園房地產開發有限公司	25 September 2009	RMB666,660,000	90%	10%	Property development
Dongguan Zhuangshi Property Development Co., Ltd. 東莞莊士房地產開發有限公司	9 February 1999	RMB300,000,000	93%	7%	Property development
Dongguan Humen Hongyi Real Estate Development Co., Ltd. 東莞虎門鴻藝房地產開發有限公司	14 July 1999	RMB67,200,000	90%	10%	Property development
Zhongshan City Bilang Real Estate Development Co., Ltd. 中山市碧朗房地產開發有限公司(i)*	20 January 2017	RMB100,000,000	48%	52%	Property development
Foshan Xin Ya Real Estate Co., Ltd. 佛山信雅房地產有限公司*	29 October 2015	RMB100,000,000	50%	50%	Property development
Foshan Chancheng Country Garden Property Development Co., Ltd. 佛山市禪城區碧桂園房地產開發有限公司	13 November 2009	RMB1,000,000,000	90%	10%	Property development
Foshan Shunde Zhouhua Country Garden Property Development Co., Ltd. 佛山市順德區宙華投資諮詢有限公司	12 November 2012	RMB13,241,966,520	100%	–	Investment consulting
Country Garden Property Co., Ltd. 碧桂園地產集團有限公司	20 April 2015	RMB13,292,986,520	100%	–	Property development
Foshan Shunde Country Garden Property Development Co., Ltd. 佛山市順德區碧桂園物業發展有限公司	2 April 1997	RMB1,387,500,000	100%	–	Property development

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46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Foshan Shunde Longjiang Country Garden Real Estate Co., Ltd. 佛山市順德區龍江碧桂園置業有限公司(i)	3 January 2017	RMB0	91%	9%	Property development
Foshan Gaoming Country Garden Property Development Co., Ltd. 佛山市高明區碧桂園房地產開發有限公司	13 January 2004	RMB1,162,500,000	100%	–	Property development
Foshan Yuankang Property Development Co., Ltd. 佛山源康房地產發展有限公司	29 February 2008	RMB1,310,000,000	94%	6%	Property development
Nanjing Jin Mengdu Property Development Co., Ltd. 南京金夢都房地產開發有限責任公司	27 September 2005	RMB134,090,000	85%	15%	Property development
Jurong Country Garden Property Development Co., Ltd. 句容碧桂園房地產開發有限公司	12 August 2010	USD564,500,000	100%	–	Property development
Jitian Construction Development (Kunshan) Co., Ltd. 吉田建設開發(昆山)有限公司	10 September 2002	RMB104,256,603	100%	–	Property development
Zengcheng Country Garden Property Development Co., Ltd. 增城市碧桂園物業發展有限公司	22 September 2000	RMB1,448,200,000	100%	–	Property development
Taicang Country Garden Property Development Co., Ltd. 太倉碧桂園房地產開發有限公司*	5 May 2015	RMB700,000,000	43%	57%	Property development
Taiyuan Jun He Run Bi Real Estate Development Co., Ltd. 太原君和潤碧房地產開發有限公司(i)	13 September 2002	RMB0	60%	40%	Property development
Anqing Country Garden Property Development Co., Ltd. 安慶碧桂園房地產開發有限公司	27 September 2007	RMB740,000,000	100%	–	Property development
Anhui Hexian Country Garden Property Development Co., Ltd. 安徽和縣碧桂園房地產開發有限公司	15 May 2007	RMB750,000,000	100%	–	Property development
Shanxi Rongbi Real Estate Development Co., Ltd. 山西融碧房地產開發有限公司(i)	12 September 2017	RMB10,000,000	51%	49%	Property development
Chaohu Country Garden Property Development Co., Ltd. 巢湖市碧桂園房地產開發有限公司	18 December 2006	RMB1,115,200,000	100%	–	Property development
Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd. 廣州南沙經濟技術開發區碧桂園物業發展有限公司	2 August 2001	USD253,800,000	100%	–	Property development

46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Guangzhou Fengbi Country Garden Property Development Co., Ltd. 廣州市鳳碧房地產開發有限公司	29 May 2015	RMB1,000,000	85%	15%	Property development
Guangzhou Bihao Country Garden Property Development Co., Ltd. 廣州市碧豪房地產開發有限公司	16 December 2015	RMB1,430,000	70%	30%	Property development
Guangzhou Country Garden Property Development Co., Ltd. 廣州碧桂園物業發展有限公司	30 July 1998	RMB506,000,000	100%	–	Property development
Zhangjiagang Chengdong Country Garden Real Estate Development Co., Ltd. 張家港城東碧桂園房地產開發有限公司(i)	28 December 2016	RMB20,000,000	55%	45%	Property development
Zhangjiagang Chengnan Country Garden Real Estate Development Co., Ltd. 張家港城南碧桂園房地產開發有限公司	26 December 2016	RMB20,000,000	51%	49%	Property development
Huidong Country Garden Real Estate Development Co., Ltd. 惠東碧桂園房地產開發有限公司	23 January 2008	RMB450,000,000	100%	–	Property development
Huizhou Hongye Investment and Development Co., Ltd. 惠州市宏業投資開發有限公司(ii)*	23 September 2004	RMB190,000,000	50%	50%	Property development
Hangzhou Country Garden Jiutai Real Estate Co., Ltd. 杭州碧桂園久泰置業有限公司	14 September 2015	USD136,000,000	94%	6%	Property development
Hangzhou Country Garden Property Development Co., Ltd. 杭州碧桂園房地產開發有限公司	1 April 2011	RMB862,576,465	100%	–	Property development
Wuhan Eco-city Country Garden Investment Co., Ltd. 武漢生態城碧桂園投資有限公司	4 December 2009	RMB500,000,000	55%	45%	Property development
Shantou Country Garden Investment Co., Ltd. 汕頭市碧桂園投資有限公司	6 September 2016	RMB10,000,000	66%	34%	Property development
Shantou Country Garden Property Development Co., Ltd. 汕頭市碧桂園置業有限公司	11 August 2016	RMB10,000,000	94%	6%	Property development
Jiangmen East Coast Country Garden Property Development Co., Ltd. 江門市東岸房地產發展有限公司	13 August 2003	RMB650,000,000	100%	–	Property development

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46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Jiangmen Wuyi Country Garden Property Development Co., Ltd. 江門市五邑碧桂園房地產開發有限公司	28 September 2003	RMB863,000,000	100%	–	Property development
Jiangmen Pengjiang Phoenix Country Garden Real Estate Development Co., Ltd. 江門市蓬江區鳳凰碧桂園房地產開發有限公司	18 July 2016	RMB10,000,000	95%	5%	Property development
Jiangyin Jingyu Property Development Co., Ltd. 江陰景裕房地產開發有限公司	12 April 2013	RMB2,300,000,000	85%	15%	Property development
Shenyang Country Garden Property Development Co., Ltd. 瀋陽市碧桂園房地產開發有限公司	11 January 2007	RMB1,350,000,000	100%	–	Property development
Shenyang Hunnan Xincheng Country Garden Property Development Co., Ltd. 瀋陽渾南新城碧桂園房地產開發有限公司	25 April 2007	RMB1,540,000,000	100%	–	Property development
Shenyang Suigang Baiyun Country Garden Property Development Co., Ltd. 瀋陽穗港白雲房地產投資開發有限公司	15 October 2002	RMB689,801,628	100%	–	Property development
Henan Country Garden Real Estate Co., Ltd. 河南碧桂園置業有限公司	27 August 2015	RMB500,000,000	100%	–	Property development
Taizhou Country Garden Property Development Co., Ltd. 泰州市碧桂園房地產開發有限公司	5 January 2007	RMB548,300,000	100%	–	Property development
Hainan Baolian City (Bo'ao) Real Estate Co., Ltd. 海南寶蓮城(博鰲)實業有限公司*	26 May 2003	RMB61,224,500	43%	57%	Property development
Hainan Green Construction Investment Co., Ltd. 海南綠建投資有限公司(i)	20 November 2015	RMB728,000,000	100%	–	Property development
Hainan Lingshui Country Garden Runda Property & Investment Co., Ltd. 海南陵水碧桂園潤達投資置業有限責任公司*	11 April 2014	RMB200,000,000	49%	51%	Property development
Haikou Country Garden Property Development Co., Ltd. 海口碧桂園置業開發有限公司	1 June 2016	RMB50,000,000	85%	15%	Property development
Shenzhen Country Garden Property Investment Co., Ltd. 深圳市碧桂園房地產投資有限公司	25 August 2015	RMB761,000,000	100%	–	Property development
Qingyuan City Bisheng Real Estate Development Co., Ltd. 清遠市碧盛房地產開發有限公司(i)	9 January 2017	RMB0	86%	14%	Property development

46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Wenzhou Country Garden Jiutai Real Estate Co., Ltd. 溫州碧桂園久泰置業有限公司(i)	8 August 2016	RMB80,000,000	95%	5%	Property development
Hubei Country Garden Property Development Co., Ltd. 湖北省碧桂園房地產開發有限公司	13 August 2015	RMB1,000,000,000	100%	–	Property development
Hubei Lianzhi Country Garden Zishanhu Property Development Co., Ltd. 湖北聯置碧桂園梓山湖房地產開發有限公司	29 December 2011	RMB500,000,000	51%	49%	Property development
Liyang Hua Bi Real Estate Development Co., Ltd. 溧陽華碧房地產開發有限公司	19 October 2016	RMB567,731,214	85%	15%	Property development
Chuzhou Bihui Real Estate Development Co., Ltd. 滁州碧輝房地產開發有限公司(i)	23 January 2017	RMB50,000,000	85%	15%	Property development
Wuhu Jinzhi Country Garden Property Development Co., Ltd. 蕪湖晉智房地產開發有限公司	5 November 2007	RMB800,000,000	100%	–	Property development
Tongliao Country Garden Property Development Co., Ltd. 通遼碧桂園房地產開發有限公司	15 October 2007	RMB500,000,000	100%	–	Property development
Zhengzhou Country Garden Xintian Real Estate Co., Ltd. 鄭州碧桂園新田置業有限公司*	3 February 2016	RMB550,204,082	43%	57%	Property development
Foshan Jinzhonghuan Real Estate Co. Ltd. 佛山市金中環房地產有限公司(i)	11 December 2013	RMB10,000,000	100%	–	Property development
Foshan Shunde Country Garden Real Estate Co., Ltd. 佛山市順德區碧桂園房產置業有限公司(i)	10 July 2017	RMB0	100%	–	Property development
Foshan Shunde Daliang Country Garden Property Development Co., Ltd. 佛山市順德區大良碧桂園房地產開發有限公司	11 April 2014	USD40,000,000	100%	–	Property development
Foshan Shunde Jun An Country Garden Property Development Co., Ltd. 佛山市順德區均安碧桂園物業發展有限公司	28 June 2000	RMB10,000,000	90%	10%	Property development
Foshan Shunde Jun An Country Garden Property Co., Ltd. 佛山市順德區均安碧桂園置業有限公司(i)	1 September 2017	RMB5,000,000	51%	49%	Property development
Foshan Shunde Leliu Country Garden Real Estate Development Co., Ltd. 佛山市順德區勒流碧桂園房地產開發有限公司(i)	18 September 2017	RMB0	65%	35%	Property development
Foshan Shunde Guoying Real Estate Co., Ltd. 佛山順德國瀛房地產有限公司*	1 September 2014	RMB196,078,431	46%	54%	Property development

Notes to the Consolidated Financial Statements

46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Guangdong Country Garden Real Estate Information Consulting Co., Ltd. 廣東碧桂園房地產資訊諮詢有限公司	26 July 2013	RMB2,000,000	100%	–	Real estate consulting
Foshan Shunde Bijing Electronic Technology Co., Ltd. 佛山市順德區碧晶電子科技有限公司	19 November 2008	RMB2,000,000	100%	–	Electronic hardware development
Foshan Shunde Biri Security Engineering Co., Ltd. 佛山市順德區碧日安防工程有限公司	8 July 2008	RMB8,000,000	100%	–	Construction
Foshan Shunde Longshun Construction Project Management Co., Ltd. 佛山市順德區龍順建築項目管理有限公司(i)	14 March 2017	RMB67,959,000	51%	49%	Construction
Guangdong Biri Science & Technology Co., Ltd. 廣東碧日科技有限公司	6 March 2014	RMB10,000,000	100%	–	Biomass energy development
Guangdong Longyue Construction Engineering Co., Ltd. 廣東龍越建築工程有限公司	14 April 2011	RMB300,000,000	100%	–	Construction
Guangdong Tengan Mechanical and Electrical Installation Engineering Co., Ltd. 廣東騰安機電安裝工程有限公司	30 September 2004	RMB200,000,000	100%	–	Construction
Foshan Fengxi Food Co., Ltd. 佛山市鳳禧食品有限公司	18 March 2016	RMB5,000,000	100%	–	Food sales
Guangdong Country Garden Property Service Co., Ltd. 廣東碧桂園物業服務股份有限公司	19 April 2004	RMB360,000,000	92%	8%	Property management
Guangdong Excellent Landscape design Engineering Co., Ltd. 廣東卓越景觀設計工程有限公司	24 July 2013	RMB10,000,000	100%	–	Landscape design
Foshan Bihan Apartment Management Co., Ltd. 佛山碧函公寓管理有限公司(i)	28 August 2017	RMB10,000,000	100%	–	Apartment Management
Foshan Juzhele Real Estate Agent Co., Ltd. 佛山市居者樂房地產代理有限公司	30 May 2016	RMB0	100%	–	Real estate consulting

46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Yangxi Biyue Property Development Co., Ltd. 陽西碧月房地產開發有限公司	19 September 2016	RMB600,000,000	54%	46%	Property development
Suizhou Country Garden Property Development Co., Ltd. 隨州碧桂園房地產開發有限公司	31 August 2007	RMB580,000,000	100%	–	Property development
Shaoguan Country Garden Property Development Co., Ltd. 韶關市碧桂園房地產開發有限公司	5 June 2007	RMB750,000,000	100%	–	Property development
Shaoguan City Bihong Real Estate Investment Development Co., Ltd. 韶關市碧鴻房地產投資開發有限公司(i)*	22 December 2016	RMB820,370,722	43%	57%	Property development
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB747,800,000	100%	–	Property development
Heshan Country Garden Property Development Co., Ltd. 鶴山市碧桂園物業發展有限公司	22 June 2006	RMB963,000,000	100%	–	Property development
Zengcheng Country Garden Phoenix City Hotel Co., Ltd. 增城市碧桂園鳳凰城酒店有限公司	13 January 2004	RMB500,700,000	100%	–	Hotel operation
Established and operates overseas:					
BGY North Ryde Pty Ltd	1 October 2013	AUD1	100%	–	Property development
BGY Cityview Holdings LLC (i)*	6 July 2017	USD200,000,000	47%	53%	Property development
Country Garden Danga Bay Sdn. Bhd.	16 October 2012	RM150,000,100	100%	–	Property development
Country Garden Real Estate Sdn. Bhd.	16 December 2013	RM1,000,000	100%	–	Property development

(i) These subsidiaries are newly established or acquired by the Group during the year.

* As the Group has the rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority vote position of the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the Mainland China companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

Notes to the Consolidated Financial Statements

47 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and chief executive officer is set out below:

For the year ended 31 December 2017:

Name of director	Fees RMB'000	Salary (Note (i)) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman						
Mr. YEUNG Kwok Keung	-	10,000	190	-	14	10,204
Executive directors						
Ms. YANG Huiyan	-	6,000	-	-	48	6,048
Mr. MO Bin*	-	6,000	27,828	-	67	33,895
Mr. ZHU Rongbin (resigned on 1 June 2017)	-	2,292	19,526	-	40	21,858
Mr. WU Jianbin (resigned on 1 April 2017)	-	1,250	3,260	-	106	4,616
Ms. YANG Ziyang	-	4,000	220	-	48	4,268
Mr. SU Rubo (resigned on 1 April 2017)	-	1,000	865	190	12	2,067
Mr. OU Xueming (resigned on 1 April 2017)	-	1,000	722	729	12	2,463
Mr. YANG Zhicheng	-	4,000	18,155	5,075	43	27,273
Mr. XIE Shutai (resigned on 2 March 2018)	-	4,000	2,361	190	86	6,637
Mr. SONG Jun	-	4,000	31,945	5,670	86	41,701
Mr. LIANG Guokun	-	4,000	25,266	-	43	29,309
Mr. SU Baiyuan	-	4,000	37,836	1,188	12	43,036
Non-executive director						
Mr. CHEN Chong	-	370	-	-	-	370
Independent non-executive directors						
Mr. LAI Ming, Joseph	330	-	-	-	-	330
Mr. SHEK Lai Him, Abraham	330	-	-	-	-	330
Mr. TONG Wui Tung, Ronald	330	-	-	-	-	330
Mr. HUANG Hongyan	240	-	-	-	-	240
Ms. HUANG Xiao (resigned on 1 April 2017)	60	-	-	-	-	60
Mr. MEI Wenjue (resigned on 2 March 2018)	240	-	-	-	-	240
Mr. YEUNG Kwok On	240	-	-	-	-	240
	1,770	51,912	168,174	13,042	617	235,515

* Chief executive officer of the Company

i Mr. ZHU Rongbin resigned on 1 June 2017 as executive director of the Company.

ii Mr. WU Jianbin, Mr. SU Rubo, and Mr. OU Xueming resigned on 1 April 2017 as executive director of the Company.

iii Ms. HUANG Xiao resigned on 1 April 2017 as independent non-executive director of the Company.

iv Mr. XIE Shutai resigned on 2 March 2018 as executive director of the Company, and Mr. MEI Wenjue resigned on 2 March 2018 as independent non-executive director of the Company.

47 Benefits and interests of directors (Continued)**(a) Directors' emoluments (Continued)**

For the year ended 31 December 2016:

Name of director	Fees RMB'000	Salary (Note (i)) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman						
Mr. YEUNG Kwok Keung	–	10,000	–	–	–	10,000
Executive directors						
Ms. YANG Huiyan	–	6,000	–	–	41	6,041
Mr. MO Bin*	–	6,000	–	–	58	6,058
Mr. ZHU Rongbin	–	5,500	10	–	42	5,552
Mr. WU Jianbin	–	5,000	316	–	267	5,583
Ms. YANG Ziying	–	4,000	16	–	41	4,057
Mr. SU Rubo	–	4,000	203	190	30	4,423
Mr. OU Xueming	–	4,000	–	729	30	4,759
Mr. YANG Zhicheng	–	4,000	14,193	3,186	40	21,419
Mr. XIE Shutai	–	4,000	529	–	75	4,604
Mr. SONG Jun	–	4,000	19,603	1,746	76	25,425
Mr. LIANG Guokun	–	4,000	–	–	38	4,038
Mr. SU Baiyuan	–	4,000	–	–	11	4,011
Non-executive director						
Mr. CHEN Chong (appointed on 8 December 2016)	–	21	–	–	–	21
Independent non-executive directors						
Mr. LAI Ming, Joseph	330	–	–	–	–	330
Mr. SHEK Lai Him, Abraham	330	–	–	–	–	330
Mr. TONG Wui Tung, Ronald	330	–	–	–	–	330
Mr. HUANG Hongyan	240	–	–	–	–	240
Ms. HUANG Xiao	240	–	–	–	–	240
Mr. MEI Wenjue	240	–	–	–	–	240
Mr. YEUNG Kwork On	240	–	–	–	–	240
	1,950	64,521	34,870	5,851	749	107,941

* Chief executive officer of the Company

Mr. CHEN Chong was appointed on 8 December 2016 as non-executive director of the Company.

Note (i): Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings

Notes to the Consolidated Financial Statements

47 Benefits and interests of directors *(Continued)*

(b) Directors' retirement benefits

During the year ended 31 December 2017, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries (2016: nil).

(c) Directors' termination benefits

During the year ended 31 December 2017, no payments to the directors of the Company as compensation for the early termination of the appointment (2016: nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017, the Company did not pay to any third party for making available directors' services (2016: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2017, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate and connected entities with such directors (2016: nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: nil).

Glossary

“2007 Share Option Scheme”	the share option scheme of the Company adopted on 20 March 2007 and which had expired on 19 March 2017
“2017 AGM”	the annual general meeting of the Company held on Thursday, 18 May 2017
“2017 Share Option Scheme”	the share option scheme of the Company adopted on 18 May 2017
“2018 AGM”	the annual general meeting of the Company to be held on Thursday, 17 May 2018
“Articles of Association”	the articles of association of the Company
“AUD”	Australian dollar, the lawful currency of Australia
“Audit Committee”	audit committee of the Company
“available cash”	the sum of cash and cash equivalents and the guarantee deposits for construction of pre-sale properties
“Beijiao Construction Co.”	Shunde Beijiao Construction Company Limited
“Board”	the board of Directors
“Chairman”	the chairman of the Board
“Chief Financial Officer”	chief financial officer of the Company
“Chief Strategy Officer”	chief strategy officer of the Company
“China Construction”	China State Construction Engineering Corporation
“China Construction Fifth Division”	China Construction Fifth Engineering Division Corp., Ltd.
“CIMA”	Chartered Institute of Management Accountants
“Core net profit attributable to owners of the Company”	profit attributable to owners of the Company excluding the post-tax gains arising from changes in fair value of and transfer to investment properties, net exchange gains/losses on financing activities, the loss on early redemption of senior notes and changes in fair value of derivative financial instruments
“Company” or “Country Garden”	Country Garden Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2007)
“Construction Services Agreement”	the construction services agreements dated 30 December 2016 entered into between Giant Leap and Qingyuan CG which renewed the construction services agreement dated 16 December 2014 entered into between Giant Leap and Qingyuan CG in respect of the provision of construction services by Giant Leap to Qingyuan CG
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Corporate Governance Committee”	corporate governance committee of the Company
“CPD”	continuous professional development
“Current ratio”	a ratio calculated by dividing current assets by current liabilities
“Design Services Agreement”	the design services further supplemental agreement dated 22 August 2017 entered into between Shunde Country Garden and Elite Architectural which further extended the design services agreement dated 27 March 2007 (as amended and supplemented by the design services supplemental agreements dated 20 June 2008, 17 December 2010, 31 October 2012, 13 December 2013 and 30 December 2016) entered into between Shunde Country Garden and Elite Architectural in respect of the provision of survey work, property design and interior design services by Elite Architectural to the Group

Glossary

“Director(s)”	director(s) of the Company
“Eligible Shareholders”	the Shareholders whose names appear on the register of members of the Company on Friday, 25 May 2018
“Elite Architectural”	Guangdong Elite Architectural Co., Ltd.
“Employee Incentive Scheme”	employee incentive scheme of the Group adopted on 20 December 2012
“Executive Committee”	executive committee of the Company
“Finance Committee”	finance committee of the Company
“GDV”	gross development value
“GFA”	gross floor area
“Giant Leap”	Guangdong Giant Leap Construction Co., Ltd.
“Group/Country Garden”	the Company and its subsidiaries
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKICS”	Hong Kong Institute of Chartered Secretaries
“Hong Kong/HKSAR”	the Hong Kong Special Administrative Region of the PRC
“LAT”	land appreciation tax
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mainland China”	the People’s Republic of China, for the purpose of this annual report, excluding Hong Kong, Macau and Taiwan
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Net current assets”	the value of total current assets after its current liabilities have been subtracted
“Net debt”	the value of total debt net of available cash
“Net gearing ratio”	a financial leverage calculated as dividing net debt by total equity
“Nomination Committee”	nomination committee of the Company
“PRC/China”	the People’s Republic of China
“President”	president of the Company
“Qingyuan CG”	Qingyuan Country Garden Property Development Co., Ltd.
“Remuneration Committee”	remuneration committee of the Company
“RM”	Ringgit Malaysia, the lawful currency of Malaysia
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of the Company with a par value of HKD0.10 each
“Share Option Schemes”	2007 Share Option Scheme and 2017 Share Option Scheme
“Shareholder(s)”	shareholder(s) of the Company
“Shunde Country Garden”	Foshan Shunde Country Garden Property Development Co., Ltd.
“Shunde Sanhe Co.”	Shunde Sanhe Property Development Co., Ltd.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	US dollar, the lawful currency of the United States of America
“Zengcheng Country Garden”	Zengcheng Country Garden Property Development Co., Ltd.
“%”	per cent



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