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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2017, the Group together with its joint ventures and associates achieved contracted sales of approximately RMB550.80 billion with contracted sales GFA of approximately 60.66 million sq.m., representing a significant year-on-year increase of 78.3% and 61.9% respectively.
- Cash collected from sales of properties totalled approximately RMB500.33 billion, representing a significant year-on-year increase of 76.1%, generating positive net operating cash flow.
- For the year of 2017, the Group's total revenue rose by about 48.2% year on year to approximately RMB226.90 billion. Revenue from the property development segment grew by 48.6% year on year to approximately RMB220.16 billion.
- The Group's gross profit increased by 82.4% year on year to approximately RMB58.79 billion.
- The profit attributable to the owners of the Company rose by 126.3% year on year to approximately RMB26.06 billion.
- The core net profit attributable to the owners of the Company¹ rose by 106.0% year on year to approximately RMB24.69 billion.
- The Group's basic earnings per share rose by 135.4% year on year to RMB122.80 cents.

- The Board recommended payment of a final dividend of RMB24.95 cents per share in the form of cash, up by 144.6% year on year. The total annual dividends reached RMB39.97 cents per share, up by 133.5% year on year.

1 It represents 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, loss on early redemption of senior notes and changes in fair value of derivative financial instruments.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Country Garden Holdings Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**Country Garden**”) for the year ended 31 December 2017.

BUSINESS REVIEW AND OUTLOOK

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. It is now the largest residential property developer in the world, outperforming the competition.

Yet, Country Garden can hardly afford to rest on its laurels. Rather, it has to keep it up. Country Garden should become 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 rose 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.

As a practitioner of new urbanization in China, Country Garden 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 the 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 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 its grand plans for development is its 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 shareholders. Only by aligning the interests of both the professional business managers and shareholders can it 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, Chairman YEUNG Kwok Keung ("**Chairman**") does his best to contribute to the country's development through a business; and as a man from a rural community, he contributes to the revival of rural economy, through active participation in the alleviation of poverty. Since 1997, the Group, Chairman and his family, have offered assistance to about 200,000 people through a number of charity programmes on education and training to stem poverty. Chairman and his family 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 Country Garden's commitment to fight against poverty.

Environmental protection is part of corporate social responsibility. 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 the Group's internal review, the SSGF technology is able to save more than 90% of plaster. For example, if all the newly started property development projects in 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 also 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.

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.

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". Country Garden's aspiration to provide a better living environment for its customers has motivated the Group to start a property management business, which, as part of its 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 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 of the property sector in the past 25 years, what lies ahead in Country Garden's future can dwarf whatever happened in the past. Country Garden and its employees will make the most of lives, and march on.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2017	2016
	Note	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		21,628,081	20,877,029
Investment properties		8,338,114	9,773,430
Intangible assets		391,513	239,367
Land use rights		2,425,498	2,536,458
Properties under development		98,840,493	52,342,374
Investments in joint ventures		19,345,513	7,311,153
Investments in associates		11,584,871	3,873,349
Financial assets at fair value through other comprehensive income		1,517,013	870,734
Derivative financial instruments		112,605	1,034,387
Trade and other receivables	4	5,372,425	55,500
Deferred income tax assets		12,197,682	7,822,313
		181,753,808	106,736,094
Current assets			
Properties under development		360,921,992	216,383,252
Completed properties held for sale		27,886,487	30,885,254
Inventories		4,251,331	2,203,727
Trade and other receivables	4	270,541,328	117,321,747
Contract assets		15,737,782	–
Prepaid taxes		15,296,708	14,042,259
Restricted cash		11,318,174	11,843,988
Cash and cash equivalents		137,083,948	84,646,899
Financial assets at fair value through profit or loss	5	24,830,435	7,321,236
Derivative financial instruments		47,265	187,145
		867,915,450	484,835,507
Current liabilities			
Advanced proceeds received from customers		–	192,408,932
Contract liabilities		346,747,257	–
Trade and other payables	6	330,883,833	151,789,260
Receipts under securitisation arrangements		1,805,104	7,043,440
Current income tax liabilities		21,607,130	15,310,412
Senior notes	7	3,795,242	–
Corporate bonds	8	16,814,444	8,207,477
Bank and other borrowings		47,671,787	30,512,725
Derivative financial instruments		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

		As at 31 December	
		2017	2016
	<i>Note</i>	RMB'000	RMB'000
Non-current liabilities			
Senior notes	7	28,118,337	29,264,448
Corporate bonds	8	30,520,235	29,502,147
Bank and other borrowings		87,844,982	38,710,079
Deferred government grants		233,440	237,445
Deferred income tax liabilities		16,447,649	6,928,304
Derivative financial instruments		355,876	—
		163,520,519	104,642,423
Equity attributable to owners of the Company			
Share capital and premium	9	24,460,811	25,677,217
Other reserves		5,942,669	4,484,042
Retained earnings		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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2017	2016
	Note	RMB'000	RMB'000
Revenue	3	226,899,786	153,086,977
Cost of sales		(168,114,404)	(120,850,891)
Gross profit		58,785,382	32,236,086
Other income and gains — net	10	2,611,495	1,530,465
Gains arising from changes in fair value of and transfer to investment properties		504,718	711,604
Selling and marketing costs		(10,002,400)	(7,383,618)
Administrative expenses		(8,301,008)	(4,970,364)
Operating profit		43,598,187	22,124,173
Finance income	11	3,422,652	532,870
Finance costs	11	(146,566)	(1,628,175)
Finance income/(costs) — net	11	3,276,086	(1,095,305)
Share of results of joint ventures and associates		(352,304)	361,704
Profit before income tax		46,521,969	21,390,572
Income tax expenses	12	(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

		Year ended 31 December	
		2017	2016
	<i>Note</i>	RMB'000	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		(56,435)	45,921
Items that may be reclassified to profit or loss:			
— Deferred (losses)/gains on cash flow hedges, net of tax		(103,806)	89,982
— Deferred gains/(costs) of hedging, net of tax		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	<i>14</i>	122.80	52.17
Diluted	<i>14</i>	122.46	52.13
Dividends			
Interim dividend paid	<i>13</i>	3,205,362	1,556,610
Final dividend proposed	<i>13</i>	5,424,108	2,176,743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Change in accounting policies and disclosures

(a) 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.

(b) 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 2).

2 Early adoption of HKFRS 15

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 HKFRS 15 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.

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.

- (a) The impact on the Group's financial position by the application of HKFRS 15 is as follows:

	As at 1 January 2017			Restated RMB'000
	As previously stated RMB'000	Reclassifications under HKFRS 15 RMB'000	Adjustments under HKFRS 15 RMB'000	
<u>Consolidated statement of financial position (extract)</u>				
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 adoption of HKFRS 15 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Amounts as reported RMB'000
<u>Consolidated statement of financial position (extract)</u>			
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

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
<u>Consolidated statement of comprehensive income (extract)</u>			
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
	<u>198,133,790</u>	<u>28,765,996</u>	<u>226,899,786</u>
<u>Consolidated cash flow statement (extract)</u>			
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)	—
	<u>195,611,342</u>	<u>(195,611,342)</u>	<u>—</u>

3 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.

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 fair value through other comprehensive income, financial assets at fair value through profit and loss 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, investment properties, intangible assets and land use rights excluding those arising from business combination.

Revenue consists of the following:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
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
	<u>226,899,786</u>	<u>153,086,977</u>

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.

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 amortisation 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

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	<u>21,086,754</u>	<u>207,356</u>	<u>717,628</u>	<u>405,531</u>	<u>(81,219)</u>	<u>22,336,050</u>

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	<u>1,389,217</u>	<u>18,823</u>	<u>107,035</u>	<u>23,089</u>	<u>1,033,103</u>	<u>2,571,267</u>
Total segment liabilities after elimination of inter-segment balances	<u>335,241,443</u>	<u>6,838,329</u>	<u>12,768</u>	<u>1,378,201</u>	<u>964,896</u>	<u>344,435,637</u>

4 Trade and other receivables

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

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

(a) Details of trade receivables are as follows:

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

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 <i>RMB'000</i>	2016 <i>RMB'000</i>
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
	<hr/>	<hr/>
	<u>29,053,391</u>	<u>13,728,684</u>

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.

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.

(b) Details of other receivables are as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Amounts due from related parties except for contract work	45,047,322	17,568,947
Land auction and other deposits	32,961,907	14,292,195
Amounts due from customers for contract work	—	667,059
Others (i)	57,185,791	52,909,399
	<hr/>	<hr/>
	135,195,020	85,437,600
Less: allowance for impairment	(719,091)	(447,886)
	<hr/>	<hr/>
Other receivables — net	<u>134,475,929</u>	<u>84,989,714</u>

(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.

5 Financial assets at fair value through profit or loss

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
PRC listed equity security (<i>note (a)</i>)	308,299	1,188,096
Wealth management products (<i>note (b)</i>)	24,522,136	6,133,140
	<u>24,830,435</u>	<u>7,321,236</u>

- (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.

6 Trade and other payables

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade payables (<i>note (b)</i>)	165,314,939	76,074,204
Other payables (<i>note (c)</i>)	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
	<u>330,883,833</u>	<u>151,789,260</u>

- (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 <i>RMB'000</i>	2016 <i>RMB'000</i>
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
	<u>165,314,939</u>	<u>76,074,204</u>

- (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.

7 Senior notes

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
As at 1 January	29,264,448	20,878,179
Additions (<i>note (a)</i>)	7,746,953	6,654,357
Early redemption (<i>note (b)</i>)	(3,661,845)	–
Interest expenses (<i>note 11</i>)	2,222,000	1,731,150
Coupon interest paid	(2,000,592)	(1,590,989)
Exchange differences	(1,657,385)	1,591,751
	<u>31,913,579</u>	<u>29,264,448</u>
Less: current portion included in current liabilities	(3,795,242)	–
Included in non-current liabilities	<u><u>28,118,337</u></u>	<u><u>29,264,448</u></u>

During the year ended 31 December 2017, the Group has issued and redeemed senior notes as follows:

- (a) 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.

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) On 25 August 2017 (the “**Redemption Date**”), senior notes with an aggregate principal amount of USD550,000,000 issued in 2014 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 senior notes 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 11*).

8 Corporate bonds

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
As at 1 January	37,709,624	15,258,499
Additions	10,663,805	21,901,130
Interest expenses (<i>note 11</i>)	1,961,296	1,260,657
Repayment upon maturity	(1,124,815)	–
Coupon interest paid	(1,875,231)	(714,613)
Exchange differences	–	3,951
	<u>47,334,679</u>	<u>37,709,624</u>
Less: current portion included in current liabilities	(16,814,444)	(8,207,477)
Included in non-current liabilities	<u><u>30,520,235</u></u>	<u><u>29,502,147</u></u>

During the year ended 31 December 2017, the Group has issued corporate bonds as follows:

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 I of Guangdong Giant Leap Construction Co., Ltd. ("Giant Leap") issued in 2017 — series 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 — series 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 — series I	3,800,000	6.90%	24 October 2017	4 years	3,779,500	7.20%
RMB Corporate bonds II of Giant Leap issued in 2017 — series II	1,200,000	6.90%	10 November 2017	4 years	1,194,000	7.18%
RMB Private bonds of Country Garden Property Co., Ltd. issued in 2017 — series I	2,000,000	6.50%	10 October 2017	3 years	2,000,000	6.50%
RMB Private bonds of Country Garden Property Co., Ltd. issued in 2017 — series II	700,000	6.00%	23 November 2017	3 years	700,000	6.00%

9 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	<u>21,279,888,782</u>	<u>2,127,989</u>	<u>2,003,572</u>	<u>22,837,475</u>	<u>24,841,047</u>	<u>(380,236)</u>	<u>24,460,811</u>

(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.

10 Other income and gains — net

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
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
	<u>920,092</u>	<u>36,323</u>
Other gains/(losses)		
— Gains arising from negative goodwill	1,936,261	1,257,658
— Changes in fair value of derivative financial instruments	(400,784)	149,827
— (Losses)/gains on disposal of subsidiaries	(170,247)	36,980
— Gains on disposals of property, plant and equipment	17,586	18,722
— Others	308,587	30,955
	<u>1,691,403</u>	<u>1,494,142</u>
Total other income and gains — net	<u><u>2,611,495</u></u>	<u><u>1,530,465</u></u>

11 Finance income/(costs) — net

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Finance income:		
— Interest income on bank deposits and financial assets at fair value through profit or loss	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)	—
	<u>1,802,679</u>	<u>—</u>
	<u>3,422,652</u>	532,870
Finance costs:		
— Interest expenses:		
— Bank and other borrowings	(6,552,840)	(3,741,134)
— Senior notes (<i>note 7</i>)	(2,222,000)	(1,731,150)
— Corporate bonds (<i>note 8</i>)	(1,961,296)	(1,260,657)
— Receipts under securitisation arrangements	(304,425)	(143,810)
	<u>(11,040,561)</u>	<u>(6,876,751)</u>
Less: amounts capitalised on qualifying assets	<u>11,040,561</u>	6,733,712
	<u>—</u>	<u>(143,039)</u>
— 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)
	<u>—</u>	<u>(1,485,136)</u>
— Loss on early redemption of senior notes	(146,566)	—
	<u>(146,566)</u>	<u>(1,628,175)</u>
Finance income/(costs) — net	<u><u>3,276,086</u></u>	<u><u>(1,095,305)</u></u>

12 Income tax expenses

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current income tax		
— Corporate income tax	9,852,047	7,155,122
— Land appreciation tax	8,282,721	3,673,418
	<u>18,134,768</u>	<u>10,828,540</u>
Deferred income tax		
— Corporate income tax	(383,360)	(2,583,387)
— Land appreciation tax	(337,830)	(558,432)
— Withholding income tax	356,586	40,628
	<u>(364,604)</u>	<u>(3,101,191)</u>
	<u>17,770,164</u>	<u>7,727,349</u>

13 Dividends

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interim dividend of RMB15.02 cents (2016: RMB6.92 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	<u>8,629,470</u>	<u>3,733,353</u>

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.

14 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 9).

	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

15 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 The Stock Exchange of Hong Kong Limited in relation to the spin-off and listing of property management services business.

MANAGEMENT DISCUSSION AND ANALYSIS

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%).

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.

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.

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.

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, 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 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 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 in "Share Option Scheme" and "Employee Incentive Scheme" of this annual result announcement.

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 The Stock Exchange of Hong Kong Limited in relation to the spin-off and listing of property management services business.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of this announcement of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereon for the year ended 31 December 2017 have been agreed by the Company's external auditor, PricewaterhouseCoopers (“**PwC**”), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process, and performing other duties and responsibilities as may be assigned by the Board from time to time. The members of the Audit Committee are all independent non-executive Directors, namely Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham, Mr. TONG Wui Tung and Mr. HUANG Hongyan. Mr. LAI Ming, Joseph is the chairman of the Audit Committee.

The annual results have been reviewed by the Audit Committee.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board and the management of the Company are committed to the principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasise transparency, accountability and independence. For the year ended 31 December 2017, the Company has applied the principles and complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), save and except for the code provision E.1.2 of the CG 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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) of the Listing Rules 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. No incident of non-compliance was noted by the Company for 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.

SHARE OPTION SCHEME

On 20 March 2007, a share option scheme (the “**2007 Share Option Scheme**”) was approved and adopted by the then shareholders of the Company (the “**Shareholders**”) for a period of 10 years commencing on the adoption date. Subject to the terms and conditions of the 2007 Share Option Scheme, the Board may, at its discretion, grant share options to any eligible person to subscribe for the shares in the Company (the “**Shares**”) within the validity period of the scheme.

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. The 2007 Share Option Scheme has expired on 19 March 2017.

In view of the expiry of the 2007 Share Option Scheme, 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 a period of 10 years commencing on the adoption date. Subject to the terms and conditions of the 2017 Share Option Scheme, the Board may, at its discretion, grant share options to any eligible person to subscribe for the Shares within the validity period of the scheme.

During the year ended 31 December 2017, share options for 4,533,632 Shares with a fair value on the grant date of approximately RMB36,737,000 were granted to eligible persons in accordance with the terms of the 2017 Share Option Scheme.

EMPLOYEE INCENTIVE SCHEME

The trust deed in respect of the employee incentive scheme (“**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 by 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 of 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.

The Board will continue to monitor 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.

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 of the Company 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		Aggregate price HKD
		Highest HKD	Lowest 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	–	–	–	–

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's 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 pages 19 to 20 of the annual results announcement.

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 shareholders whose names appear on the register of members of the Company on Friday, 25 May 2018 (record date) ("**Eligible Shareholders**").

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 central parity 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.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the shareholders of the Company (“**Shareholders**”) to attend, speak and vote at the forthcoming annual general meeting of the Company (“**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
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Record Date	Friday, 11 May 2018
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Closure of the Register of Members	Monday, 14 May 2018 to Thursday, 17 May 2018 (both days inclusive)
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- (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:

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
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Closure of the Register of Members	Thursday, 24 May 2018 to Friday, 25 May 2018 (both days inclusive)
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Record Date	Friday, 25 May 2018
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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.

PUBLICATION OF ANNUAL RESULTS

The annual results announcement is published on the Company's website (<http://www.countrygarden.com.cn>) and the Stock Exchange's designated website (<http://www.hkexnews.hk>).

By order of the Board
Country Garden Holdings Company Limited
MO Bin
President and Executive Director

Hong Kong, 20 March 2018

As of the date of this announcement, the executive Directors are 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 and Mr. SU Baiyuan. The non-executive Director is Mr. CHEN Chong. The independent non-executive Directors are Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham, Mr. TONG Wui Tung, Mr. HUANG Hongyan and Mr. YEUNG Kwok On.