COUNTRY GARDEN
碧桂園

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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2017, the Group together with its associates and joint ventures achieved contracted sales of approximately RMB288.91 billion with contracted sales GFA of approximately 32.26 million sq.m., representing a significant year-on-year increase of 131.0% and 106.3% respectively.
- Cash collected from sales of properties rose by 109.8% to approximately RMB220.52 billion and as a result the Group generated positive net operating cash flow.
- As at 30 June 2017, the Group's net gearing ratio decreased by 10.9 percentage points from that as at 31 December 2016 to 37.8%.
- During the period, the Group's total revenue rose by 35.5% year on year to approximately RMB77.74 billion. Revenue from the property development segment grew by 34.4% year on year to approximately RMB74.47 billion.
- The Group's gross profit increased by 42.1% year on year to approximately RMB17.10 billion.
- The profit attributable to the owners of the Company rose by 39.2% year on year to approximately RMB7.50 billion.
- The Group's basic earnings per share rose by 44.5% year on year to RMB34.95 cents for the period.
- The Group's core net profit[1] rose by 34.9% year on year to RMB7.19 billion. In addition, the retained earnings of the Group for the year ended 31 December 2016 and before has a one-off adjustment of increasing by RMB3.15 billion because of the Group's early adoption of HKFRS 15. In view of such one-off increase in retained earnings, the Board declared a higher interim dividend of RMB15.02 cents per share, up by 117.1% 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 unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**" or "**Country Garden**") for the six months ended 30 June 2017.

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2017, the Group together with its associates and joint ventures led the industry in contracted sales growth, with a year-on-year surge of 131.0% to approximately RMB288.91 billion. Building on its record-high contracted sales of over RMB300 billion for last year, Country Garden has scaled new heights by achieving rapid development again and, for that, it has made it to the list of Fortune Global 500 this year.

During the period, the Group's total revenue increased by 35.5% year on year to approximately RMB77.74 billion, gross profit grew by 42.1% year on year to approximately RMB17.10 billion, and profit attributable to owners of the Company increased by 39.2% year on year to approximately RMB7.50 billion. With future delivery of pre-sold but unrecognised areas, we can anticipate further growth of revenue in the future.

Country Garden is grateful to have been born into the era of China's revival. It has been working hard for ever higher achievements by riding on the wave of the country's reform and opening-up policy. The country's property sector has been developing steadily in tandem with the progress of its urbanisation and the growth in its household disposable income. A breakdown of the Group's contracted sales by its target market showed that the property projects in China's first- and second-tier cities contributed to approximately 50% of the total, and those in the third- and fourth-tier cities accounted for the rest. A strong nationwide business presence has enabled the Group to withstand market fluctuations to the highest degree. A firm belief in the country's urbanisation has enabled the Group to persevere in its mission in the wait before dawn and to achieve excellence once more while most of its peers were transfixed with worry about the difficult market.

Country Garden has been growing stronger. During the period, the Group realized cash generated from property sales of approximately RMB220.52 billion and a net operating cash inflow of approximately RMB16.42 billion, making a positive net operating cash flow for the second time after the year of 2016. As at 30 June 2017, the net gearing ratio of the Group decreased by 10.9 percentage points from that as at 31 December 2016 to 37.8%. The weighted average borrowing cost was 5.32%, which was down by 34 basis points from that as at 31 December 2016. The Group's available cash reached approximately RMB120.13 billion and its undrawn credit lines totalled approximately RMB221.97 billion. The Group has such plentiful working capital that it has been recognized by credit rating agencies and major financial institutions for its strong financial position. Country Garden has been striving for sustainable and steady operations so as to fulfil our responsibility towards the capital market. Country Garden will continue its balanced development full steam ahead.

Being humble helps Country Garden maintain its leading position in the industry.

Not complacent about the business performance of its operations in mainland China, Country Garden is fostering new growth drivers elsewhere. In Malaysia, the Group established a joint venture with the Government of Johor to develop Forest City, an urban property development and operation project for 20 years. The project has been well received by overseas enterprises and investors. The Group will adhere to its strategy of determining output according to sales performance, which to is, undertaking property development projects with roll-over investment according to the overseas market responses. This can help the Group maintain its profitability in the future.

During the period under review, the Group's real estate-related business also made significant progress in development. The Group undertook contracts to manage properties with total gross floor area ("**GFA**") of approximately 251 million sq.m. for approximately 1 million home owners in 223 cities across 27 provinces in China. The Group's property management and community-related businesses generated revenue of approximately RMB1,208 million, up by 24.6% year on year. The business segment also recorded an operating profit of approximately RMB258 million, up by 37.3% year on year. The Group is planning a separate listing of that business on a stock market, and the move will help to enhance all of the Group's business units in the value chain of the property sector.

Building on past achievements and always bearing in mind the original aim when starting Country Garden.

The blood, sweat and tears with which Country Garden was founded are indelible. Carrying on the entrepreneurial spirit, Country Garden build on our successes in the core business of residential property development by exploring other possible business models with the prudence of such a first-rate enterprise as Country Garden. As a property operator, Country Garden has now committed itself to the growing trend towards the integration of industrial development into urban development. The Group is now building tech-towns in the surrounding areas of first-tier cities in the country, thus placing hi-tech industry and urban areas in close proximity. This can provide infrastructure and ancillary services for the hi-tech industry. Country Garden will thus be able to achieve sustainable profitability by developing and operating the properties of such hi-tech townships.

The Group has evolved its mechanisms well for managing business and human resources to facilitate its development. The partnership scheme was introduced in October 2014. As at 30 June 2017, the partnership scheme was introduced to a total of 973 property projects, which recorded aggregate contracted sales of approximately RMB424.7 billion. The Group have recruited a large number of top talents in the industry, including 588 holders of PhDs. Country Garden has geared up for both the maintenance of its market leadership and a brighter prospect.

Country Garden is well aware of an earnest expectation that the property sector will improve the living conditions. As real estate professionals, Country Garden will never forget the original goal that we set twenty years ago when we founded Country Garden: to provide safe, aesthetically pleasing and affordable flats that meet the real needs of the home buyers and services; and to become a dedicated property operator who adds impetus to China's urbanization with a view to evolving into a heritage brand whose history spans a century. Dedication and honesty are the traits that make Country Garden thrive. Stakeholders who trust in Country Garden will be rewarded handsomely.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 June 2017** *RMB'000*	Audited 31 December 2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**21,798,685**	20,877,029
Investment properties		**9,374,890**	9,773,430
Intangible assets		**301,385**	239,367
Land use rights		**2,518,459**	2,536,458
Properties under development		**60,529,896**	52,342,374
Investments in joint ventures		**9,319,132**	7,311,153
Investments in associates		**6,078,254**	3,873,349
Financial assets at fair value through other comprehensive income		**861,063**	870,734
Derivative financial instruments		**691,567**	1,034,387
Trade and other receivables	*4*	**6,478,744**	55,500
Deferred income tax assets		**10,802,790**	7,822,313
		128,754,865	106,736,094
Current assets			
Properties under development		**295,776,820**	216,383,252
Completed properties held for sale		**20,704,809**	30,885,254
Inventories		**2,641,814**	2,203,727
Trade and other receivables	*4*	**183,059,380**	117,321,747
Contract assets	*2*	**9,932,187**	–
Prepaid taxes		**25,111,684**	14,042,259
Restricted cash		**10,016,467**	11,843,988
Cash and cash equivalents		**110,113,104**	84,646,899
Financial assets at fair value through profit or loss		**8,517,270**	7,321,236
Derivative financial instruments		**39,280**	187,145
		665,912,815	484,835,507
Current liabilities			
Advanced proceeds received from customers		**–**	192,408,932
Contract liabilities	*2*	**270,042,724**	–
Trade and other payables	*5*	**234,723,274**	151,789,260
Receipts under securitisation arrangements		**6,642,542**	7,043,440
Current income tax liabilities		**16,892,041**	15,310,412
Senior notes		**468,929**	–
Corporate bonds		**13,311,424**	8,207,477
Dividend payable	*10*	**2,176,743**	–
Bank and other borrowings		**26,847,838**	30,512,725
Derivative financial instruments		**97,510**	41,762
		571,203,025	405,314,008
Net current assets		**94,709,790**	79,521,499
Total assets less current liabilities		**223,464,655**	186,257,593

	Note	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
Non-current liabilities			
Senior notes		**28,100,965**	29,264,448
Corporate bonds		**24,924,443**	29,502,147
Bank and other borrowings		**62,135,989**	38,710,079
Deferred government grants		**235,986**	237,445
Deferred income tax liabilities		**13,710,540**	6,928,304
Derivative financial instruments		**53,041**	–
		129,160,964	104,642,423
Equity attributable to owners of the Company			
Share capital and premium	*6*	**25,036,232**	25,677,217
Other reserves		**4,921,361**	4,484,042
Retained earnings		**48,444,141**	39,967,106
		78,401,734	70,128,365
Non-controlling interests		**15,901,957**	11,486,805
Total equity		**94,303,691**	81,615,170
Total equity and non-current liabilities		**223,464,655**	186,257,593

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June **2017** ***RMB'000***	 2016 *RMB'000*
Revenue	*3*	**77,737,754**	57,362,492
Cost of sales		**(60,641,209)**	(45,336,521)
Gross profit		**17,096,545**	12,025,971
Other income and gains – net	*7*	**1,692,966**	263,939
Gains arising from changes in fair value of and transfer to investment properties		**159,480**	360,582
Selling and marketing costs		**(3,337,312)**	(1,981,774)
Administrative expenses		**(4,038,331)**	(1,844,799)
Operating profit		**11,573,348**	8,823,919
Finance income	*8*	**830,495**	269,903
Finance costs	*8*	**–**	(263,497)
Finance income – net	*8*	**830,495**	6,406
Share of post-tax profits of joint ventures and associates		**6,131**	378,899
Profit before income tax		**12,409,974**	9,209,224
Income tax expenses	*9*	**(4,036,575)**	(3,004,349)
Profit for the period		**8,373,399**	6,204,875
Profit attributable to:			
– Owners of the Company		**7,501,432**	5,389,583
– Non-controlling interests			
Perpetual capital securities		**–**	871,467
Other non-controlling interests		**871,967**	(56,175)
		871,967	815,292
		8,373,399	6,204,875

	Note	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
– Change in fair value of financial assets at fair value through other comprehensive income, net of tax		**32,474**	3,975
Items that may be reclassified to profit or loss:			
– Deferred (losses)/gains on cash flow hedges, net of tax		**(59,604)**	25,515
– Deferred gains/(costs) of hedging, net of tax		**416,268**	(300,333)
– Currency translation differences		**(174,809)**	588,987
Total other comprehensive income for the period, net of tax		**214,329**	318,144
Total comprehensive income for the period		**8,587,728**	6,523,019
Total comprehensive income attributable to:			
– Owners of the Company		**7,776,945**	5,755,778
– Non-controlling interests			
Perpetual capital securities		**–**	871,467
Other non-controlling interests		**810,783**	(104,226)
		810,783	767,241
		8,587,728	6,523,019
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic	*11*	**34.95**	24.18
Diluted	*11*	**34.88**	24.17
Dividends			
Interim dividend	*10*	**3,205,901**	1,556,610

INTERIM CONSOLIDATED CASH FLOW STATEMENT

		Unaudited Six months ended 30 June	
	Note	**2017**	2016
		RMB'000	*RMB'000*
Cash flows from operating activities			
Cash generated from/(used in) operations		**30,065,854**	(4,664,463)
Income tax paid		**(9,751,699)**	(4,400,093)
Interest paid		**(3,890,084)**	(2,618,888)
Net cash generated from/(used in) operating activities		**16,424,071**	(11,683,444)
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired		**(2,059,096)**	(2,147,843)
Proceeds from disposal of property, plant and equipment		**212,617**	155,866
Purchases of property, plant and equipment		**(1,559,894)**	(1,060,301)
Proceeds from disposal of investment properties		**–**	52,254
Payments for investment properties		**(11,061)**	(14,421)
Purchases of intangible assets		**(4,186)**	(7,476)
Purchases of land use rights		**(16,720)**	(8,331)
Investments in joint ventures		**(1,721,045)**	(1,930,756)
Investments in associates		**(865,106)**	(488,044)
Prepayments for acquisitions of property development companies		**(5,773,244)**	–
Loans advanced to third parties		**(1,066,960)**	(30,500)
Payments for settlement of derivative financial instruments		**(145,890)**	–
Cash outflow on disposal of subsidiaries, net		**(188,030)**	(336,457)
Payments of financial assets at fair value through other comprehensive income		**–**	(265,537)
Payments for financial assets at fair value through profit or loss		**(2,013,034)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**816,000**	–
Proceeds from repayments of loans to related and third parties		**561,210**	775,971
Interest received	*8*	**405,540**	269,903
Net cash used in investing activities		**(13,428,899)**	(5,035,672)

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Cash flows from financing activities			
Capital injections from non-controlling interests		**1,483,029**	1,933,548
Buy-back of shares	*6*	**(640,985)**	(809,520)
Proceeds from disposal of interests in subsidiaries without loss of control		**147,730**	12,000
Payments for acquisition of additional interests in subsidiaries		**(1,250)**	(128,256)
Issue of corporate bonds		**–**	7,960,000
Redemption and repayment of perpetual capital securities		**–**	(2,928,000)
Proceeds received under securitisation arrangements		**–**	6,211,000
Proceeds from bank and other borrowings		**39,898,033**	18,306,798
Repayments of bank and other borrowings		**(17,944,887)**	(18,751,237)
Distribution to holders of perpetual capital securities		**–**	(616,749)
Repayments of receipts under securitisation arrangements		**(390,000)**	–
Net cash generated from financing activities		**22,551,670**	11,189,584
Net increase/(decrease) in cash and cash equivalents		**25,546,842**	(5,529,532)
Cash and cash equivalents at the beginning of the period		**84,646,899**	36,240,752
Exchange (losses)/gains on cash and cash equivalents		**(80,637)**	89,024
Cash and cash equivalents at the end of the period		**110,113,104**	30,800,244

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Changes in accounting policy and disclosures

(a) Amendments and interpretations to existing standards that are effective for the financial year beginning on 1 January 2017 do not have a material impact or are not relevant to the Group.

(b) The Group has early adopted HKFRS 9 "Financial instruments" ("HKFRS 9") on 1 January 2016 and HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") on 1 January 2017.

New and revised standards, amendments and interpretations to existing standards have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted:

		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
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 Group is yet to assess the impact of the above new and revised standards, amendments and interpretations to existing standards on the Group's consolidated financial statements.

(c) The Group has elected to early adopt HKFRS 15 as issued by the HKICPA for its 2017 financial year, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. From 1 January 2017 onwards, the Group has adopted the following accounting policies on revenues. The effects of the adoption of HKFRS 15 are set out in Note 2.

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 customers; 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 one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

For property development and sales contracts 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.

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 significant financing component.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

2. Early adoption of HKFRS 15

As explained in note 1(c) above, the Group has early adopted HKFRS 15 as issued in July 2014 from 1 January 2017, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15. 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 billings 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, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the 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, stamp duty and sales commissions directly attributable to obtaining a contract, if recoverable, are capitalised as contract assets.

(a) The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 January 2017			
	As previously stated	**Reclassifications under HKFRS 15**	**Adjustments under HKFRS 15**	**Restated**
	RMB'000	*RMB'000*	*RMB'000*	*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 period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 30 June 2017		
	Results without the early adoption of HKFRS 15	**Effects of the early adoption of HKFRS 15**	**Results as reported**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of financial position (extract)			
Properties under development	371,093,991	(14,787,275)	356,306,716
Trade and other receivables	194,179,983	(4,641,859)	189,538,124
Contract assets	–	9,932,187	9,932,187
Advanced proceeds received from customers	290,930,455	(290,930,455)	–
Trade and other payables	233,543,945	1,179,329	234,723,274
Contract liabilities	–	270,042,724	270,042,724
Deferred income tax liabilities	10,420,861	3,289,679	13,710,540
Retained earnings	42,538,049	5,906,092	48,444,141
Non-controlling interests	14,886,273	1,015,684	15,901,957

	Six months ended 30 June 2017		
	Results without the early adoption of HKFRS 15	**Effects of the early adoption of HKFRS 15**	**Results as reported**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of comprehensive income (extract)			
Revenue	62,987,757	14,749,997	77,737,754
Cost of sales	(51,015,016)	(9,626,193)	(60,641,209)
Selling and marketing costs	(3,120,249)	(217,063)	(3,337,312)
Administrative expenses	(4,074,949)	36,618	(4,038,331)
Income tax expenses	(2,427,182)	(1,609,393)	(4,036,575)
Consolidated cash flow statement (extract)			
Cash generated from operations			
— Profit for the period	5,039,433	3,333,966	8,373,399
Changes in working capital:			
— Properties under development and completed properties held for sale	(61,836,351)	14,787,275	(47,049,076)
— Contract assets	–	(9,932,187)	(9,932,187)
— Contract liabilities	–	59,590,642	59,590,642
— Advanced proceeds received from customers	80,478,373	(80,478,373)	—
— Trade and other receivables	(63,555,374)	4,641,859	(58,913,515)
— Trade and other payables	77,582,693	1,179,329	78,762,022

(c) Details of contract assets are as follows:

	30 June 2017	1 January 2017
	RMB'000	*RMB'000*
Contract assets related to sales and construction of properties	**4,718,333**	3,328,104
Contract assets related to other construction contracts	**1,001,343**	667,059
Costs for obtaining contracts	**4,212,511**	2,761,184
Total contract assets	**9,932,187**	6,756,347

3 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, fitting and decoration;
- 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 financial assets at fair value through profit or loss, and including share of post-tax profits of joint ventures and associates.

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment properties, contract assets, properties under development, completed properties held for sale, inventories, receivables 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 or 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, land use rights, investment properties and intangible assets.

Revenue consists of the following:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Sales and construction of properties under property development activities	**74,474,618**	55,406,431
Rendering of other construction, fitting and decoration services	**1,105,801**	192,326
Rental income	**76,167**	52,771
Rendering of property management services	**1,207,814**	969,036
Rendering of hotel services	**873,354**	741,928
	77,737,754	57,362,492

Sales between segments are carried out according to the terms and conditions 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 is as follows:

	Property development *RMB'000*	**Construction, fitting and decoration** *RMB'000*	**Property investment** *RMB'000*	**Property management** *RMB'000*	**Hotel operation** *RMB'000*	**Total Group** *RMB'000*
Six months ended 30 June 2017						
Total revenue	**74,474,618**	**10,063,617**	**76,167**	**1,414,934**	**910,999**	**86,940,335**
Recognised at a point in time	**59,724,621**	**–**	**–**	**–**	**–**	**59,724,621**
Recognised over time	**14,749,997**	**10,063,617**	**76,167**	**1,414,934**	**910,999**	**27,215,714**
Inter-segment revenue	**–**	**(8,957,816)**	**–**	**(207,120)**	**(37,645)**	**(9,202,581)**
Revenue (from external customers)	**74,474,618**	**1,105,801**	**76,167**	**1,207,814**	**873,354**	**77,737,754**
Depreciation and amortisation of property, plant and equipment, intangible assets and land use rights	**234,110**	**14,073**	**–**	**7,212**	**327,995**	**583,390**
Amortisation of incremental costs for obtaining contracts with customers	**180,445**	**–**	**–**	**–**	**–**	**180,445**
Segment results	**11,253,927**	**91,574**	**194,474**	**257,486**	**(75,235)**	**11,722,226**
At 30 June 2017						
Total segment assets after elimination of inter-segment balances	**735,591,877**	**12,635,545**	**9,406,468**	**2,474,349**	**13,647,471**	**773,755,710**
Capital expenditure	**959,173**	**13,580**	**11,061**	**15,330**	**596,032**	**1,595,176**
Total segment liabilities after elimination of inter-segment balances	**492,139,215**	**10,333,803**	**34,287**	**1,405,435**	**1,089,244**	**505,001,984**

	Property development *RMB'000*	Construction, fitting and decoration *RMB'000*	Property investment *RMB'000*	Property management *RMB'000*	Hotel operation *RMB'000*	Total Group *RMB'000*
Six months ended 30 June 2016						
Segment revenue	55,406,431	8,660,987	52,771	1,130,004	770,544	66,020,737
Inter-segment revenue	–	(8,468,661)	–	(160,968)	(28,616)	(8,658,245)
Revenue (from external customers)	55,406,431	192,326	52,771	969,036	741,928	57,362,492
Depreciation and amortisation	260,837	13,031	–	12,688	184,195	470,751
Segment results	8,695,592	46,770	417,005	187,498	(123,269)	9,223,596
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
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

As at 30 June 2017, segment assets of the property development segment and property management segment included the amounts of investments in joint ventures and associates accounted for using the equity method totalling RMB15,375,782,000 (31 December 2016: RMB11,184,502,000) and RMB21,604,000 (31 December 2016: nil), respectively.

Reportable segment results are reconciled to profit before income tax as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Total segment results	**11,722,226**	9,223,596
Changes in fair value of derivative financial instruments	**(168,221)**	(42,792)
Fair value gains on financial assets at fair value through profit or loss	**25,474**	22,014
Finance income – net	**830,495**	6,406
Profit before income tax	**12,409,974**	9,209,224

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Total segment assets after elimination of inter-segment balances	**773,755,710**	574,335,786
Deferred income tax assets	**10,802,790**	7,822,313
Financial assets at fair value through other comprehensive income	**861,063**	870,734
Derivative financial instruments	**730,847**	1,221,532
Financial assets at fair value through profit or loss	**8,517,270**	7,321,236
Total assets	**794,667,680**	591,571,601
Total segment liabilities after elimination of inter-segment balances	**505,001,984**	344,435,637
Dividend payable	**2,176,743**	–
Deferred income tax liabilities	**13,710,540**	6,928,304
Current income tax liabilities	**16,892,041**	15,310,412
Receipts under securitisation arrangements	**6,642,542**	7,043,440
Bank and other borrowings	**88,983,827**	69,222,804
Senior notes	**28,569,894**	29,264,448
Corporate bonds	**38,235,867**	37,709,624
Derivative financial instruments	**150,551**	41,762
Total liabilities	**700,363,989**	509,956,431

4 Trade and other receivables

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Included in current assets		
Trade receivables – net *(note (a))*	**16,805,150**	13,673,129
Other receivables – net *(note (b))*	**138,870,618**	84,989,714
Loans to third parties	**1,819,851**	1,969,159
Prepayments for land	**15,524,628**	6,820,629
Other prepayments	**10,039,133**	9,869,116
	183,059,380	117,321,747
Included in non-current assets		
Loans to third parties	**705,500**	55,500
Prepayments for acquisitions of property development companies	**5,773,244**	–
	6,478,744	55,500
	189,538,124	117,377,247

(a) Details of trade receivables are as follows:

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Trade receivables	**16,874,737**	13,728,684
Less: allowance for impairment	**(69,587)**	(55,555)
Trade receivables – net	**16,805,150**	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:

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Within 90 days	**15,382,771**	12,003,625
Over 90 days and within 180 days	**679,786**	714,221
Over 180 days and within 365 days	**367,857**	490,522
Over 365 days	**444,323**	520,316
	16,874,737	13,728,684

At 30 June 2017 and 31 December 2016, trade receivables were denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2017, a provision of RMB69,587,000 was made against the gross amount of trade receivables (31 December 2016: RMB55,555,000).

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:

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Amounts due from related parties	**33,683,845**	17,568,947
Land auction and other deposits	**30,389,977**	14,292,195
Amounts due from customers for contract work	**–**	667,059
Others (i)	**75,421,479**	52,909,399
	139,495,301	85,437,600
Less: allowance for impairment	**(624,683)**	(447,886)
Other receivables – net	**138,870,618**	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.

5 Trade and other payables

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Trade payables *(note (a))*	**98,706,501**	76,074,204
Other payables *(note (b))*	**107,527,739**	61,422,617
Other taxes payable	**23,409,699**	8,211,358
Salaries payable	**4,524,293**	5,683,591
Accrued expenses	**555,042**	397,490
	234,723,274	151,789,260

(a) The ageing analysis of trade payables mainly based on the date of invoices was as follows:

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Within 90 days	**83,787,038**	63,517,129
Over 90 days and within 180 days	**11,058,195**	9,412,965
Over 180 days and within 365 days	**2,537,659**	1,876,190
Over 365 days	**1,323,609**	1,267,920
	98,706,501	76,074,204

(b) 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.

6 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*	Treasury shares *RMB'000*	Total *RMB'000*
Authorised						
At 1 January 2016, 31 December 2016 and 30 June 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	(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	–
At 31 December 2016 and 1 January 2017	21,606,742,782	2,160,674	2,032,379	24,429,759	(784,921)	25,677,217
Buy-back of shares *(note (a))*	–	–	–	–	(640,985)	(640,985)
Cancellation of shares	(266,121,000)	(26,612)	(23,690)	(1,021,980)	1,045,670	–
At 30 June 2017	21,340,621,782	2,134,062	2,008,689	23,407,779	(380,236)	25,036,232

(a) Buy-back of shares

The Group bought back a total of 161,345,000 of the Company's shares during the six months ended 30 June 2017. The total consideration paid to buy back these shares was RMB640,985,000, which has been deducted from equity attributable to the owners of the Company.

7 Other income and gains – net

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Other income		
– Management and consulting service income	**199,535**	–
– Forfeiture of advances received from customers	**30,752**	47,520
– Government grants	**12,642**	86,702
	242,929	134,222
Other gains/(losses)		
– Gains arising from negative goodwill	**1,263,470**	22,430
– Fair value gains on financial assets at fair value through profit or loss	**25,474**	22,014
– Gains/(losses) on disposal of property, plant and equipment	**9,254**	(7,643)
– Changes in fair value of derivative financial instruments	**(168,221)**	(42,792)
– Others	**320,060**	135,708
	1,450,037	129,717
Total other income and gains - net	**1,692,966**	263,939

8 Finance income – net

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Finance income:		
– Interest income on short-term bank deposits	**405,540**	269,903
– Net foreign exchange gains on financing activities	**424,955**	–
	830,495	269,903
Finance costs:		
– Interest expenses:		
– Bank and other borrowings	**(2,301,635)**	(1,850,511)
– Senior notes	**(1,017,270)**	(813,081)
– Corporate bonds	**(895,349)**	(483,159)
– Receipts under securitisation arrangements	**(155,325)**	–
	(4,369,579)	(3,146,751)
Less: amounts capitalised on qualifying assets	**4,369,579**	3,146,751
	–	–
– Net foreign exchange losses on financing activities	**–**	(380,771)
Less: amounts capitalised on qualifying assets	**–**	117,274
	–	(263,497)
Finance income – net	**830,495**	6,406

9 Income tax expenses

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current income tax		
– Corporate income tax	**2,663,747**	2,131,312
– Land appreciation tax *(note (c))*	**1,504,896**	827,405
	4,168,643	2,958,717
Deferred income tax		
– Corporate income tax	**(276,068)**	(27,868)
– Withholding income tax on profit to be distributed in future *(note (d))*	**144,000**	73,500
	(132,068)	45,632
	4,036,575	3,004,349

(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) PRC corporate income tax has been provided at corporate income tax rate of 25%.

(c) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

(d) Withholding income tax is provided on the dividends to be distributed by the PRC subsidiaries of the Group. The relevant overseas holding companies have obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the profit expected to be distributed by the PRC subsidiaries of the Group.

10 Dividend

On 22 August 2017, the Board of Directors declared an interim dividend of RMB15.02 cents per share in the form of cash for the six months ended 30 June 2017, totalling RMB3,205,901,000 (2016 interim dividend: RMB6.92 cents per share, totalling RMB1,556,610,000). This interim dividend has not been recognised as liabilities in this interim financial information.

The final dividend in respect of 2016 of RMB10.20 cents (equivalent to HKD11.56 cents) per share, totalling RMB2,176,743,000 which has taken into account the effect of the buy-back of the Company's shares, has been approved in the annual general meeting of the Company on 18 May 2017 and paid in cash in July 2017.

11 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 period, excluding ordinary shares purchased by the Group and held as treasury shares *(note 6)*.

	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	**7,501,432**	5,389,583
Weighted average number of ordinary shares in issue (thousands)	**21,461,702**	22,289,163
Earnings per share – Basic (RMB cents per share)	**34.95**	24.18

(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 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.

	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	**7,501,432**	5,389,583
Weighted average number of ordinary shares in issue (thousands)	**21,461,702**	22,289,163
Adjustments – share options and awarded shares (thousands)	**42,138**	12,154
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**21,503,840**	22,301,317
Earnings per share – Diluted (RMB cents per share)	**34.88**	24.17

12 Subsequent events

On 25 July 2017 and 16 August 2017, the Company issued senior notes in an aggregate principal amount of USD600,000,000 and USD100,000,000, respectively. These notes carry interests 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily derived from five business segments: (i) property development, (ii) construction, fitting and decoration, (iii) property investment, (iv) property management, and (v) hotel operation. Revenue increased by 35.5% to approximately RMB77,737.8 million in the first half of 2017 from approximately RMB57,362.5 million for the corresponding period in 2016. 95.8% of the Group's revenue was generated from the sales of properties (corresponding period in 2016: 96.6%) and 4.2% from other segments (corresponding period in 2016: 3.4%).

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 the first half of 2017. Revenue generated from property development increased by 34.4% to approximately RMB74,474.6 million for the six months ended 30 June 2017 from approximately RMB55,406.4 million for the corresponding period in 2016. The recognised average selling price of property delivered was RMB6,900 per sq.m. for the six months ended 30 June 2017, increasing from RMB6,228 per sq.m. for the corresponding period in 2016.

Construction, Fitting and Decoration

Construction, fitting and decoration revenue from external parties increased by 475.0% to approximately RMB1,105.8 million for the six months ended 30 June 2017 from RMB192.3 million for the corresponding period in 2016, primarily due to increase in the volume of services rendered to related parties and third parties of the Group.

Property Management

The Group's property management and community-related businesses would also be our profit margin drivers. As at 30 June 2017, the Group's property management segment managed a contracted area of 251 million sq.m., covering China's 223 cities across 27 provinces for approximately 1 million households of owners in total.

For the first half of 2017, the property management and community-related businesses generated revenue of approximately RMB1,207.8 million, up by 24.6% year on year. The business segment also recorded an operating profit of approximately RMB257.5 million, up by 37.3% year on year. In the future, the Group will leverage on the capital market to develop the relevant business, thus enriching its income sources and enhancing its business value.

Hotel Operation

Hotel operation revenue from external parties increased by 17.7% to approximately RMB873.4 million for the six months ended 30 June 2017 from approximately RMB741.9 million for the corresponding period in 2016, primarily due to increased revenue from existing hotels in operation.

Property Investment

Revenue generated from property investment increased by 44.3% to approximately RMB76.2 million for the six months ended 30 June 2017 from approximately RMB52.8 million for the corresponding period in 2016. Gains arising from changes in fair value of and transfer to investment properties was approximately RMB159.5 million for the six months ended 30 June 2017, decreasing by 55.8% compared with approximately RMB360.6 million for the corresponding period in 2016. As at 30 June 2017, the fair value of the investment properties of the Group amounted to approximately RMB9,374.9 million, including approximately RMB8,046.8 million of completed properties and approximately RMB1,328.1 million of properties under development.

Finance Income — Net

The Group recorded net finance income of approximately RMB830.5 million for the six months ended 30 June 2017, compared with net finance income of approximately RMB6.4 million for the corresponding period in 2016. The Group recorded interest expenses of approximately RMB4,369.6 million for the six months ended 30 June 2017, compared with interest expenses of approximately RMB3,146.8 million for the corresponding period in 2016. The above interest expenses were fully capitalised in qualifying assets and had no impact on finance costs. The net finance income included foreign exchange gains on financing activities of approximately RMB425.0 million as a result of the appreciation of RMB, and interest income on short-term bank deposits of approximately RMB405.5 million.

Profit Attributable to Owners of the Company and Core Net Profit

The profit attributable to owners of the Company increased by approximately 39.2% to approximately RMB7,501.4 million for the six months ended 30 June 2017, when compared with approximately RMB5,389.6 million for the corresponding period 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 of the Group for the first half of 2017 was approximately RMB7,189.3 million, representing an increase of approximately 34.9% when compared with approximately RMB5,327.4 million for the corresponding period in 2016.

Interim Dividend

As a result of the early adoption of HKFRS 15, the retained earnings of the Group in the opening balance of equity as at 1 January 2017 has been increased by approximately RMB3,152.3 million. In view of the one-off increase in the retained earnings of the Group as aforesaid, the Directors recommended a higher interim dividend for the current period. Our ability to declare, or to pay, any dividends (including interim dividends) and the amount of any dividends (including interim dividends) will depend on various factors. As a result, there can be no assurance that we will pay the same ratio or amount of interim dividend in the future.

Liquidity, Financial and Capital Resources

As at 30 June 2017, the Group's cash and bank deposits (including restricted cash) amounted to approximately RMB120,129.6 million (31 December 2016: approximately RMB96,490.9 million). As at 30 June 2017, 88.5% (31 December 2016: 93.8%) of the Group's cash and bank deposits was denominated in Renminbi and 11.5% (31 December 2016: 6.2%) was denominated in other currencies (mainly US dollars, HK dollars and Malaysian Ringgit).

As at 30 June 2017, the carrying amount of the restricted cash was approximately RMB10,016.5 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 equipments, making interim construction payments and paying tax, with the prior approval of the relevant local authorities.

As at 30 June 2017, the net current assets of the Group were approximately RMB94,709.8 million (31 December 2016: approximately RMB79,521.5 million). The current ratio being current assets over current liabilities was approximately 1.2 as at 30 June 2017, which equals to approximately 1.2 as at 31 December 2016.

As at 30 June 2017, the Group's bank and other borrowings, senior notes and corporate bonds amounted to approximately RMB88,983.8 million, RMB28,569.9 million and RMB38,235.9 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 RMB26,847.8 million, RMB59,499.0 million and RMB2,637.0 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 30 June 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 decreased from approximately 48.7% as at 31 December 2016 to approximately 37.8% as at 30 June 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. 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.

Oversea Investment Risk

The Group currently operates in several oversea countries. The complex international economic and political landscape may expose the Group to particular risks in certain countries, such as economic and political instability, foreign exchange controls, sovereign debt crises, regulations on local business operations. The Group closely monitors possible risks and environmental changes, and employs prompt countermeasures to minimise any potential business impact.

Interest Rate Risk

The Group's bank and other borrowings mainly bear floating rates. As at 30 June 2017, the weighted average borrowing cost of the Group's total debt was 5.32%, which was down by 34 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 risk. The objective of the hedges is to minimise the volatility of the RMB cost of highly probable forecast 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 risk.

Guarantees

As at 30 June 2017, the Group had guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB219,761.1 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. As at 30 June 2017, approximately RMB219,761.1 million (31 December 2016: approximately RMB127,502.7 million) was 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 30 June 2017, the Group had provided guarantees amounting to approximately RMB22,325.5 million (31 December 2016: approximately RMB18,617.4 million) for certain borrowings of the joint ventures and associates of the Group.

Employees and Remuneration Policy

Human resource has always been the most valuable resource of the Group. As at 30 June 2017, the Group had approximately 107,607 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 reserve 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.

Besides, since 2014, the Group has recruited 588 PhDs worldwide through its global recruiting program. These newly recruited talents will become the mainstay of the Group in the future.

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 the second half of 2017, it is expected that, the government will strengthen the regulation of the classification of the real estate market through adopting the policy of "implementing policies appropriate to the situations in different cities" (因城施策去庫存); 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 conservative 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 satisfactory 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 and focus 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. The Company has also submitted the application materials to the China Securities Regulatory Commission in relation to the spin-off and listing of property management services business in 2016. To Country Garden, the urbanization is far from over, the Company 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.

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, risk management and internal control 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 Audit Committee has reviewed with the management of the Company the accounting policies and practices adopted by the Group and discussed, among other things, internal control, risk management and financial reporting matters including a review of the unaudited interim results of the Group for the six months ended 30 June 2017. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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.

During the six months ended 30 June 2017, the Company has applied the principles and complied with the code provisions of the Corporate Governance Code ("**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 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 six months ended 30 June 2017. No incident of non-compliance was noted by the Company to date in 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 SCHEMES

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 six months ended 30 June 2017, no share options were granted by the Company in accordance with the terms of the 2007 Share Option Scheme.

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 six months ended 30 June 2017, share options for 2,895,406 Shares with a fair value on the grant date of approximately RMB21,074,000 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 (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 six months ended 30 June 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 30 June 2017, share awards for 73,421,469 Shares were granted under this scheme subject to the registration and transfer procedures yet to be completed. As of 30 June 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 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 with and/or adopt other incentive scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2017, the Company bought back a total of 161,345,000 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**	**Price per Share 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

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

INTERIM DIVIDEND

The Board declared an interim dividend of RMB15.02 cents (2016 interim dividend: RMB6.92 cents) per Share in the form of cash for the six months ended 30 June 2017 to eligible Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on Thursday, 28 September 2017 (the "**Record Date**") (the "**Eligible Shareholders**").

The interim dividend was declared in RMB and shall be distributed in Hong Kong dollars. The interim dividend to be distributed in Hong Kong dollars will be converted from RMB at the average central parity rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from Friday, 22 September 2017 to Thursday, 28 September 2017. It is expected that the interim dividend warrants will be dispatched to the Eligible Shareholders on or around Friday, 10 November 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Eligible Shareholders' entitlement to the interim dividend, the Register of Members will be closed as appropriate as set out below:

Ex-dividend date	Friday, 22 September 2017
Latest time to lodge transfer documents for registration with the Company's Hong Kong branch share registrar and transfer office	At 4:30 p.m. on Monday, 25 September 2017
Closure of Register of Members	Tuesday, 26 September 2017 to Thursday, 28 September 2017 (both days inclusive)
Record Date	Thursday, 28 September 2017

For purpose mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, 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 INTERIM RESULTS

The interim 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, 22 August 2017

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 Ziying, Mr. YANG Zhicheng, Mr. XIE Shutai, 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, Mr. MEI Wenjue and Mr. YEUNG Kwok On.