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 2018

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2018, the Group together with its joint ventures and associates achieved contracted sales of approximately RMB412.49 billion with contracted sales GFA of approximately 43.89 million sq.m., representing a significant year-on-year increase of 42.8% and 36.1% respectively.
- Cash collected from sales of properties totalled approximately RMB336.02 billion, representing a significant year-on-year increase of 52.4%, generating positive net operating cash flow.
- During the period, the Group's total revenue rose by about 69.7% year on year to approximately RMB131.89 billion.
- The Group's gross profit increased by 104.6% year on year to approximately RMB34.97 billion.
- The Group's net profit increased by 94.9% year on year to approximately RMB16.32 billion.
- The profit attributable to the owners of the Company rose by 72.5% year on year to approximately RMB12.94 billion.
- The core net profit attributable to the owners of the Company[1] rose by 80.2% year on year to approximately RMB12.95 billion.

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 Group's basic earnings per share rose by 71.8% year on year to RMB60.03 cents for the period.
- The Board declared payment of an interim dividend of RMB18.52 cents per share (the shareholders may choose to receive dividends in cash and/or in shares), up by 77.4%[2] year on year. The total interim dividend will equal 31.0% of the core net profit.

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 2018.

BUSINESS REVIEW AND OUTLOOK

Past and Present

For the six months ended 30 June 2018, the Group together with its joint ventures and associate companies, achieved contracted sales of approximately RMB412.49 billion. As of 30 June 2018, the Group's business covered 261 cities and 1,051 counties/townships in 30 provinces in mainland China. During the period, the Group's revenue increased by 69.7% year on year to approximately RMB131.89 billion; gross profit grew by 104.6% year on year to approximately RMB34.97 billion; net profit increased by 94.9% year on year to RMB16.32 billion; profit attributable to the owners of the Company rose by 72.5% year on year to approximately RMB12.94 billion; and core net profit attributable to the owners of the Company rose by 80.2% year on year to approximately RMB12.95 billion. The Company has made it to the Fortune Global 500 List again and it has improved its ranking in the list to 353rd, up by 114 places. Country Garden is one of the Chinese companies that have improved their rankings significantly in the list.

We embrace the great changes brought by urbanization in China's economy. We also fully appreciate the county and township dwellers' burning desire to improve their housing conditions amid the upgrade of China's consumption. We believe that the government's well-timed policies on housing market regulation will result in a sustainable, healthy real estate market which meets people's expectations. Given China's sheer geographical size, there is still huge potential for property development in the country. The ongoing urbanization has presented ample opportunities for Country Garden to make breakthroughs in its development, building more quality, affordable homes for the people.

A company's further development requires a stronger financial position. During the period, the Group collected approximately RMB336.02 billion in cash from property sales and achieved positive net operating cash flow again after the years 2016 and 2017. While achieving a year-on-year growth of 42.8% in contracted sales in the first half of 2018, the Group still recorded a net gearing ratio of 59.0%, which indicated healthy financial condition. Since its listing in Hong Kong,

2 The dividend per share for the six months ended 30 June 2017 for this calculation purpose has excluded the dividend increase resulting from the one-off retained earnings adjustment on 1 January 2017 due to the early adoption of HKFRS 15.

the Group has been maintaining its net gearing ratio at below 70% for eleven consecutive years. Its available cash[3] at the end of the period amounted to approximately RMB209.91 billion, and undrawn bank facilities totalled approximately RMB281.39 billion. The Group has such plentiful working capital that it has been recognized by credit rating agencies for its strong financial position and has thus secured support from major financial institutions.

Reflection and Action

In the past two months, accidents occurred in our construction works. We reflected on the matter and concluded that our inadequate attention to safety contributed to the accidents. To remedy the problem, we are overhauling our management system. For the sustainability of our business, we would rather downshift into a lower gear and raise the standards of our business management.

Life is invaluable. We would like to apologize for all the accidents that had happened in the construction works. We are determined to remedy the safety problems. This is also part of our efforts to fulfill our social responsibility.

As a developer whose business portfolio covers the entire value chain of the property sector, we must achieve excellence in every aspect of the business management in order to meet society's expectations. Aiming to build safe and quality housing, the Group raises the efficiency of management by planning scientifically and refining its business management to improve its safety and quality control measures, including but not limited to the followings:

1) Setting up a production safety committee which is headed by Chairman YEUNG Kwok Keung ("**Chairman**"). The committee will ensure that the Group adheres to the principle of "Putting safety first and being people-oriented";

2) Using stringent criteria for selecting business partners in construction works. Only those who attach great importance to safety and quality and are capable to ensure them will be selected;

3) Enhancing the supervision of the construction works carried out by the business partners. Stipulating in the construction contracts that the business partners have to ensure the safety of construction works and the quality of buildings when they fulfil the terms of the construction contracts. Construction firms can refuse to execute its employers' orders that can cause safety hazards and can report the cases to the Group's headquarters. Construction works that do not meet safety standards have to be suspended;

4) Increasing the effort to train construction workers in practices that ensure safety and quality, and making good practices for safe production an integral part of our corporate culture;

5) Appointing third-party, independent authorities to supervise construction works to ensure safety and quality. More openings of construction sites to property owners and media, utilizing external supervision;

6) Improving safety measures for work under extreme weather and arranging regular self-checks and cross-checks at construction sites of all property projects;

3 It represents cash and bank deposits (including restricted cash).

7) Stepping up technological innovation to reduce reliance on manual labor, thus minimizing the risk of accidents. In more than 400 property projects, Country Garden has now piloted SSGF.[4] It 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, ensure safety, reduce emissions and save energy.

The Group has been reflecting on the accidents that occurred at some of its construction sites, and is establishing a more comprehensive safety-control system, aiming for zero casualties.

Every building constructed by Country Garden, every window and every pipe of such a building is the product of the hard work of the Group's over 1,000 certified constructors, 3,200 certified engineers, more than 1,100 holders of doctor's degrees and 6,000 designers. Country Garden understands what society expects from it — it will continue to improve and keep building safe, comfortable, and handsome housing. This is also how the Group meets consumers' demand and gives back to society.

Innovation and Future

In addition to real estate development, Country Garden actively participates in the revival of rural economy, making the alleviation of poverty its another mainstay business. Founded in a rural village, Country Garden has expanded its business into the international market. Now it tries to introduce internationally advanced technologies and business practices to the rural areas of China. In response to a programme of the revitalization of rural economy stipulated by the 19th National Congress of the Communist Party of China, Country Garden is planning to develop a modern agricultural business. Taking a financially prudent approach to the plan, the Group will try to introduce modern agricultural practices of international standards into China's rural villages. This can increase farmers' income and also add impetus to the government's strategy for national development. Since 1997, the Group, Chairman and his family have offered assistance to about 200,000 people through a number of charity programmes on education by opening free high school and vocational schools and setting up tuition aids, revitalization of rural villages, vocational training, and the subsidizing of some rural industries to stem poverty. During the period, the Group carried out its poverty alleviation work to help 340,000 people in 14 counties in nine provinces. Our fight against poverty has been in full swing.

Besides, Country Garden is cooperating with financial institutions in developing a long-term property leasing business. 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. During the period, more than 21,000 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 24,000. This year, 46 projects in 12 cities are expected to commence operation to ensure sufficient housing supply. Whether it sells or leases out flats, Country Garden remains committed to its mission which is to provide five-star living for the people.

4 SSGF: Safe & Share, Sci-tech, 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 has switched from rudimentary practices to science and technology as it has evolved into a modern enterprise that seeks sustainable development. In fact, investing in the field of technology is a good way of contributing to the national development. Country Garden is planning a robot business. It will focus on core robotic technologies and develops intelligent manufacturing through research on and development of Internet of Things (IoT), artificial intelligence (AI), cloud computing and big data platform that can support the development of the Group's real estate-related businesses and raise the level of automation. It will conduct research and development in the field of robotics through cooperation with tertiary institutions, research institutes and enterprises, and business incubators. We aim to develop such products as culinary robots, robots that can conduct inspection, robots that can carry out interior decoration and robots for modern agriculture. We plan to establish a base for research on and development of robots in Shunde, Guangdong with emphasis on smart technology. Experts and academicians in the field of robotics will be recruited to the research team of the base. In the same way as the Company successfully spun off its property management business through a separate listing on 19 June 2018, Country Garden will seek to unlock the potential value of its real estate-related businesses, thus rewarding investors for their trust in and support for it.

Introspection and Outlook

As an enterprise under the spotlight, the Group must pursue excellence in safety and quality in addition to growth in scale of business. Country Garden aspires to become a long-lasting enterprise that creates value for society and capital market in a sustainable manner. To attain this goal, the whole staff should work as a cohesive group for the common good while running the business. Since its establishment, Country Garden has been working to improve the well-being of society. If this is not our primary objective, all our efforts will be meaningless. As an active participant in the country's new type of urbanization, Country Garden builds homes for urban dwellers where they can turn their dream of living a good life into reality. The Group should be dedicated to working for millions of home owners, and fulfilling its responsibilities towards over 200,000 staff members[5] and numerous other stakeholders including investors. Every one working at Country Garden shall always be grateful to society and our clients, and also has respect for life — we should do our best to ensure safety and quality of our construction works and deliver quality products to the buyers.

Safety and quality are the cornerstones of a company's sustainable development. To build safe, reliable, environmentally friendly, five-star homes for the people, the entire staff of Country Garden will work diligently, responsibly and unremittingly. This is also our way to contribute to society's well-being.

Go above and beyond with prudence.

Join us.

5 Including Country Garden Services Holdings Company Limited and companies in other business segments such as design.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 June 2018** *RMB million*	Audited 31 December 2017 *RMB million*
Non-current assets			
Property, plant and equipment		**22,902**	21,628
Investment properties		**12,523**	8,338
Intangible assets		**561**	392
Land use rights		**2,608**	2,425
Properties under development		**140,805**	98,840
Investments in joint ventures		**26,742**	19,346
Investments in associates		**16,205**	11,585
Financial assets at fair value through other comprehensive income		**1,496**	1,517
Derivative financial instruments		**125**	113
Trade and other receivables	*3*	**11,230**	5,372
Deferred income tax assets		**11,432**	12,198
		246,629	181,754
Current assets			
Properties under development		**512,974**	360,922
Completed properties held for sale		**31,330**	27,886
Inventories		**5,858**	4,252
Trade and other receivables	*3*	**351,186**	270,541
Contract assets and acquisition costs		**14,141**	15,738
Prepaid taxes		**26,552**	15,297
Restricted cash		**13,487**	11,318
Cash and cash equivalents		**196,427**	137,084
Financial assets at fair value through profit or loss		**4,293**	24,830
Derivative financial instruments		**166**	47
		1,156,414	867,915
Current liabilities			
Contract liabilities		**469,494**	346,748
Trade and other payables	*4*	**442,391**	330,884
Receipts under securitisation arrangements		**794**	1,805
Current income tax liabilities		**22,259**	21,607
Senior notes	*5*	**5,349**	3,795
Corporate bonds	*6*	**17,726**	16,814
Convertible bonds	*7*	**12,914**	–
Dividend payable		**5,424**	–
Bank and other borrowings		**72,115**	47,672
Derivative financial instruments		**201**	212
		1,048,667	769,537
Net current assets		**107,747**	98,378
Total assets less current liabilities		**354,376**	280,132

	Note	Unaudited 30 June 2018 RMB million	Audited 31 December 2017 RMB million
Non-current liabilities			
Senior notes	*5*	**28,411**	28,118
Corporate bonds	*6*	**30,146**	30,520
Bank and other borrowings		**127,260**	87,845
Deferred government grants		**44**	233
Deferred income tax liabilities		**25,639**	16,448
Derivative financial instruments		**429**	356
		211,929	163,520
Equity attributable to owners of the Company			
Share capital and premium	*8*	**30,184**	24,461
Other reserves		**5,385**	5,943
Retained earnings		**69,375**	63,267
		104,944	93,671
Non-controlling interests		**37,503**	22,941
Total equity		**142,447**	116,612
Total equity and non-current liabilities		**354,376**	280,132

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June **2018** ***RMB million***	 2017 *RMB million*
Revenue	*2*	**131,894**	77,738
Cost of sales		**(96,921)**	(60,641)
Gross profit		**34,973**	17,097
Other income and gains — net	*9*	**1,758**	1,693
Gains arising from changes in fair value of and transfer to investment properties		**539**	159
Selling and marketing costs		**(4,502)**	(3,337)
Administrative expenses		**(5,551)**	(3,960)
Research and development expenses		**(331)**	(78)
Operating profit		**26,886**	11,574
Finance income	*10*	**777**	830
Finance costs	*10*	**(596)**	–
Finance income — net	*10*	**181**	830
Share of results of joint ventures and associates		**(210)**	6
Profit before income tax		**26,857**	12,410
Income tax expenses	*11*	**(10,538)**	(4,037)
Profit for the period		**16,319**	8,373
Profit attributable to:			
— Owners of the Company		**12,939**	7,501
— Non-controlling interests		**3,380**	872
		16,319	8,373
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic	*13*	**60.03**	34.95
Diluted	*13*	**57.80**	34.88
Dividends			
Interim dividend	*12*	**4,016**	3,205

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
	Note	**2018**	2017
		RMB million	*RMB million*
Profit for the period		**16,319**	8,373
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		**(14)**	32
Items that may be reclassified to profit or loss:			
— Deferred gains/(losses) on cash flow hedges, net of tax		**2**	(60)
— Deferred (costs)/gains of hedging, net of tax		**(169)**	416
— Currency translation differences		**(261)**	(173)
Total other comprehensive income for the period, net of tax		**(442)**	215
Total comprehensive income for the period		**15,877**	8,588
Total comprehensive income attributable to:			
— Owners of the Company		**12,514**	7,777
— Non-controlling interests		**3,363**	811
		15,877	8,588

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 Changes in accounting policies and disclosures

During the six months period ended 30 June 2018, the Group has changed and separated its presentation of profit and loss section from a single consolidated statement of comprehensive income into two separate statements — a consolidated income statement and a consolidated statement of comprehensive income. As the number of items of other comprehensive income increased, the directors of the Company considered that the change would result in a more clear presentation of the Group's performance in these consolidated financial statements to the readers. The change in presentation has been applied retrospectively.

Except as described above, the accounting policies applied are consistent with those of the 2017 Financial Statements as described therein.

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. Other amendments and interpretations to existing standards that are effective for the financial year beginning on 1 January 2018 and adopted by the Group for this period either do not have a material impact or are not relevant to the Group.

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 2018 and have not been early adopted:

		Effective for the financial year beginning on or after
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 2018 and have not been early applied in preparing the interim financial information. None of these is expected to have a significant impact on the Group's accounting policies.

2 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.

In previous year, the executive directors assessed the performance of the Group organised into five business segments as follows: Property development, Construction, Property investment, Property management and Hotel operation.

During the six months ended 30 June 2018, the executive directors reassessed the performance and operations of the Group and concluded that the Group only have two reportable segments — Property development and Construction, and the other segments are individually and collectively insignificant for segment reporting purposes. The comparatives information has been restated.

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 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 tax, contract assets and acquisition costs 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, convertible bonds, receipts under securitisation arrangements, bank and other borrowings, dividend payable, current and deferred income tax liabilities and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment, investment properties, land use rights and intangible assets, excluding those arising from business combination.

Revenue consists of the following:

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Sales and construction of properties under property development activities	**126,885**	74,475
Rendering of other construction services	**2,457**	1,106
Rental income	**117**	76
Rendering of property management services	**1,632**	1,208
Rendering of hotel services and others	**803**	873
	131,894	77,738

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 diversified 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 million*	Construction *RMB million*	Others *RMB million*	Total Group *RMB million*
Six months ended 30 June 2018				
Revenue from contracts with customers	**126,885**	**16,682**	**2,807**	**146,374**
Revenue from other sources: rental income	**–**	**–**	**117**	**117**
Segment revenue	**126,885**	**16,682**	**2,924**	**146,491**
Inter-segment revenue	**–**	**(14,225)**	**(372)**	**(14,597)**
Revenue from external customers	**126,885**	**2,457**	**2,552**	**131,894**
Segment results	**25,475**	**163**	**1,032**	**26,670**
At 30 June 2018				
Total segment assets after elimination of inter-segment balances	**1,341,344**	**17,657**	**26,530**	**1,385,531**
Investments in joint ventures and associates	**42,947**	**–**	**–**	**42,947**
Capital expenditure	**665**	**19**	**1,731**	**2,415**
Total segment liabilities after elimination of inter-segment balances	**892,452**	**16,471**	**3,006**	**911,929**

	Property development *RMB million*	Construction *RMB million*	Others *RMB million*	Total Group *RMB million*
Six months ended 30 June 2017				
Revenue from contracts with customers	74,475	10,064	2,326	86,865
Revenue from other sources: rental income	–	–	76	76
Segment revenue	74,475	10,064	2,402	86,941
Inter-segment revenue	–	(8,958)	(245)	(9,203)
Revenue from external customers	74,475	1,106	2,157	77,738
Segment results	11,254	92	377	11,723
At 31 December 2017				
Total segment assets after elimination of inter-segment balances	970,470	16,950	23,544	1,010,964
Investments in joint ventures and associates	30,913	–	18	30,931
Capital expenditure	1,819	26	1,574	3,419
Total segment liabilities after elimination of inter-segment balances	659,724	14,987	3,154	677,865

3 Trade and other receivables

	30 June 2018 ***RMB million***	31 December 2017 *RMB million*
Included in current assets		
— Trade receivables — net *(note (a))*	**19,059**	28,944
— Other receivables — net *(note (b))*	**215,071**	134,476
— Loans to related and third parties — net	**2,323**	2,684
— Prepayments for land *(note (c))*	**101,805**	97,035
— Other prepayments	**12,928**	7,402
	351,186	270,541
Included in non-current assets		
— Loans to third parties	**1,057**	726
— Deposits for acquisitions of companies	**10,173**	4,646
	11,230	5,372
	362,416	275,913

(a) Details of trade receivables are as follows:

	30 June 2018 *RMB million*	31 December 2017 *RMB million*
Trade receivables	**19,122**	29,054
Less: allowance for impairment	**(63)**	(110)
Trade receivables — net	**19,059**	28,944

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 property delivery date is as follows:

	30 June 2018 *RMB million*	31 December 2017 *RMB million*
Within 90 days	**17,222**	25,923
Over 90 days and within 180 days	**987**	1,487
Over 180 days and within 365 days	**559**	798
Over 365 days	**354**	846
	19,122	29,054

At 30 June 2018 and 31 December 2017, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for life time expected credit losses as prescribed by HKFRS 9. As at 30 June 2018, a provision of RMB63 million (31 December 2017: RMB110 million) 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 diversified number of customers. Trade receivables were collateralised by the titles of the properties sold.

(b) Details of other receivables are as follows:

	30 June 2018 *RMB million*	31 December 2017 *RMB million*
Amounts due from related parties	**76,460**	45,047
Land auction and other deposits	**50,880**	32,962
Others(*)	**88,979**	57,186
	216,319	135,195
Less: allowance for impairment	**(1,248)**	(719)
Other receivables — net	**215,071**	134,476

* 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 receivable according to contract terms.

(c) Prepayments for land use rights are related to prepaid land acquisition costs, while the relevant land use right certificates have not been obtained at 30 June 2018.

4 Trade and other payables

	30 June 2018 *RMB million*	31 December 2017 *RMB million*
Trade payables *(note (a))*	**214,571**	165,314
Other payables *(note (b))*	**187,131**	132,664
Other taxes payable	**34,786**	24,712
Salaries payable	**4,875**	7,614
Accrued expenses	**1,028**	580
	442,391	330,884

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

	30 June 2018 *RMB million*	31 December 2017 *RMB million*
Within 90 days	**180,170**	138,681
Over 90 days and within 180 days	**26,547**	21,155
Over 180 days and within 365 days	**4,904**	3,609
Over 365 days	**2,950**	1,869
	214,571	165,314

(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 according to contract terms.

5 Senior notes

	Six months ended 30 June	
	2018 *RMB million*	2017 *RMB million*
As at 1 January	**31,913**	29,264
Additions *(note (a))*	**6,451**	–
Early redemption *(note (b))*	**(4,757)**	–
Interest expenses	**1,280**	1,017
Coupon interest paid	**(1,138)**	(1,001)
Exchange differences	**11**	(711)
	33,760	28,569
Less : current portion included in current liabilities	**(5,349)**	(469)
Included in non-current liabilities	**28,411**	28,100

(a) On 17 January 2018, the Company issued two senior notes in an aggregate principal amount of USD250 million and USD600 million respectively (the "**2023 Notes III**" and the "**2025 Notes**"). The 2023 Notes III carry interest at the rate of 4.750% per annum, payable semi-annually on 17 January and 17 July in arrears, and will mature on 17 January 2023, unless redeemed earlier. The 2025 Notes carry interest at the rate of 5.125% per annum, payable semi-annually on 17 January and 17 July in arrears, and will mature on 17 January 2025, unless redeemed earlier.

On 12 March 2018, the Company issued senior notes in an aggregate principal amount of RMB950 million (the "**2021 Notes II**"). The 2021 Notes II carry interest at the rate of 5.8% per annum, payable semi-annually on 12 March and 12 September in arrears, and will mature on 12 March 2021, unless redeemed earlier.

(b) On 20 February 2018 (the "**Redemption Date**"), the outstanding senior notes maturing in 2023 in the aggregated principal amount of USD750 million (the "**2023 Notes I**") were early redeemed at a redemption price equal to 103.75% of the principal amount thereof, plus accrued and unpaid interest of approximately USD6 million to the Redemption Date. The total redemption price paid by the Company on the Redemption Date was approximately USD784 million. The difference between the redemption price and the carrying amount of the 2023 Notes I on the Redemption Date, amounting to approximately USD28 million (equivalent to approximately RMB185 million), was charged to profit or loss under 'finance income — net' (note 10).

6 Corporate bonds

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
As at 1 January	**47,334**	37,710
Acquisition of subsidiaries	**3,475**	–
Additions	**324**	–
Repayment upon maturity	**(3,800)**	–
Interest expenses	**1,304**	895
Coupon interest paid	**(765)**	(372)
Exchange differences	**–**	3
	47,872	38,236
Less : current portion included in current liabilities	**(17,726)**	(13,311)
Included in non-current liabilities	**30,146**	24,925

7 Convertible bonds

On 16 January 2018, the Group entered into a bond subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD15,600 million (equivalent to approximately RMB12,634 million) due 27 January 2019, with an initial conversion price of HKD20.556 per share. The conversion price was subsequently modified to HKD18.65 per share as a result of payment of dividend and distribution in specie. On 30 January 2018 (the "**Issue Date**"), the convertible bonds were issued. The net proceeds from the issue of the convertible bonds were RMB12,546 million, net of transaction cost RMB88 million. The initial value of the liability component of RMB12,171 million (the fair value was calculated using a market interest rate for an equivalent non-convertible bond) and the equity conversion component of RMB375 million were determined at issuance of the bond. The liability component is subsequently stated at amortised cost until conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in other reserves.

The convertible bonds recognised are calculated as follows:

	RMB million
Face value of the convertible bonds on Issue Date	**12,634**
Transaction costs	**(88)**
Net proceeds	**12,546**
Equity component	**(375)**
Liability component on initial recognition	**12,171**
Currency translation differences	**500**
Interest accrued	**243**
Liability component at 30 June 2018	**12,914**

Interest expenses on the liability component of the convertible bonds are calculated using the effective interest method, applying the effective interest rate of 4.59% per annum to the liability component.

Up to 30 June 2018, there has been no conversion or redemption of the convertible bonds.

8 Share capital and premium

	Number of ordinary shares *million*	**Nominal value of ordinary shares** *HKD million*	**Equivalent nominal value of ordinary shares** *RMB million*	**Share premium** *RMB million*	**Treasury shares** *RMB million*	**Group total** *RMB million*
Authorised						
At 1 January 2017, 30 June 2017 and 30 June 2018, HKD0.10 per share	100,000	10,000				
Issued and fully paid						
At 1 January 2017	21,607	2,161	2,032	24,430	(785)	25,677
Buy-back of shares	–	–	–	–	(641)	(641)
Cancellation of shares	(266)	(27)	(24)	(1,022)	1,046	–
At 30 June 2017	21,341	2,134	2,008	23,408	(380)	25,036
At 1 January 2018	21,280	2,128	2,003	22,838	(380)	24,461
Issue of shares	463	46	37	6,302	–	6,339
Placing of shares (note (a))	460	46	37	6,293	–	6,330
Issue as a result of employee share scheme	3	–	–	9	–	9
Buy-back of shares (note (b))	–	–	–	–	(616)	(616)
Cancellation of shares	(2)	–	–	(25)	25	–
At 30 June 2018	21,741	2,174	2,040	29,115	(971)	30,184

(a) Placing of shares

On 16 January 2018, the Group issued 460 million shares by way of placing at a subscription price of HKD17.13 per share.

(b) Buy-back of shares

The Group bought back a total of 55 million of the Company's shares during the six months ended 30 June 2018. The total consideration paid to buy back these shares was RMB616 million, which has been deducted from equity attributable to the owners of the Company.

9 Other income and gains — net

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Other income		
— Management and consulting service income	**269**	200
— Forfeiture of advances received from customers	**37**	31
— Government subsidy income	**27**	13
	333	244
Other gains/(losses)		
— Gains arising from negative goodwill	**847**	1,263
— Gains/(losses) on disposal of subsidiaries	**206**	(65)
— Gains on disposal of property, plant and equipment	**55**	9
— Changes in fair value of derivative financial instruments	**36**	(168)
— Others	**281**	410
	1,425	1,449
Total other income and gains — net	**1,758**	1,693

10 Finance income — net

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Finance income:		
— Interest income on short-term deposits and financial assets at fair value through profit or loss	**777**	405
— Net foreign exchange gains on financing activities	**–**	425
	777	830
Finance costs:		
— Interest expenses		
— Bank and other borrowings	**(5,894)**	(2,303)
— Senior notes (note 5)	**(1,280)**	(1,017)
— Corporate bonds (note 6)	**(1,304)**	(895)
— Convertible bonds (note 7)	**(243)**	–
— Receipts under securitisation arrangements	**(131)**	(155)
	(8,852)	(4,370)
Less: amounts capitalised on qualifying assets	**8,852**	4,370
	–	–
— Net foreign exchange losses on financing activities	**(411)**	–
— Loss on early redemption of senior notes	**(185)**	–
	(596)	–
Finance income — net	**181**	830

11 Income tax expenses

	Six months ended 30 June	
	2018	2017
	RMB million	*RMB million*
Current income tax		
— Corporate income tax	**5,185**	2,664
— Land appreciation tax	**4,768**	1,505
	9,953	4,169
Deferred income tax		
— Corporate income tax	**385**	(276)
— Withholding income tax on profit to be distributed in future	**200**	144
	585	(132)
	10,538	4,037

12 Dividend and distribution

(a) Dividend

On 21 August 2018, the Board declared an interim dividend of RMB18.52 cents per share for the six months ended 30 June 2018, totalling RMB4,016 million (2017 interim dividend: RMB15.02 cents per share, totalling RMB3,205 million) with the shareholders being given an option to elect to receive such interim dividend all in new shares or partly in new shares and partly in cash or all in cash. This interim dividend has not been recognised as liabilities in this interim financial information.

The final dividend in respect of 2017 of RMB24.95 cents (equivalent to HKD30.69 cents) per share, totalling RMB5,424 million has been approved at the annual general meeting of the Company on 17 May 2018 and paid in cash in July 2018.

(b) Distribution in specie

On 19 June 2018 (the "**Distribution Date**"), in connection with the listing of Country Garden Services Holdings Company Limited ("**CGS**"), a Company's wholly-owned subsidiary, on the Main Board of the Stock Exchange of Hong Kong Limited, the entire issued share capital of CGS was distributed to the then existing shareholders of the Company. Since then, CGS became a fellow subsidiary of the Company and both Company and CGS are ultimately controlled by Ms. Yang Huiyan before and after the distribution. A distribution in specie to shareholders of RMB1,765 million was recognised, which represented the carrying value of net assets of CGS attributable to the owners of the Company as at the Distribution Date.

Details of net assets of CGS at the Distribution Date are set out below:

	RMB million
Total assets	**3,798**
Total liabilities	**(2,008)**
Total identifiable net assets	**1,790**
Less: non-controlling interests	**(25)**
Carrying value of net assets attributable to the owners of the Company distributed	**1,765**
Represented by:	
— Retained earnings	**1,275**
— Other reserves	**490**
	1,765

Analysis of net outflow of cash and cash equivalents in respect of the distribution:

	RMB million
Cash proceeds on distribution	**–**
Cash and cash equivalents of CGS as at Distribution Date	**(3,085)**
Net cash distributed in respect of distribution in specie	**(3,085)**

13 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.

	Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company (RMB million)	**12,939**	7,501
Weighted average number of ordinary shares in issue (million)	**21,555**	21,462
Earnings per share — Basic (RMB cents per share)	**60.03**	34.95

(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 three categories of dilutive potential ordinary shares: share options, awarded shares and convertible bonds. 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 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 convertible bonds are assumed to have been converted into ordinary 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 and conversion of convertible bonds.

	Six months ended 30 June	
	2018	2017
Profit attributable to owners of the Company (RMB million)	**12,939**	7,501
Weighted average number of ordinary shares in issue (million)	**21,555**	21,462
Adjustments — share options, awarded shares and convertible bonds (million)	**829**	42
Weighted average number of ordinary shares for diluted earnings per share (million)	**22,384**	21,504
Earnings per share — Diluted (RMB cents per share)	**57.80**	34.88

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

In prior years, the Group's revenue was primary derived from five business segments as follows: Property development, Construction, Property investment, Property management and Hotel operation. During the six months ended 30 June 2018, the executive directors reassessed the performance and operations of the Group and concluded that the Group only have two reportable segments — Property development and Construction, and the other segments are individually and collectively insignificant for segment reporting purposes. Revenue increased by 69.7% to approximately RMB131,894 million in the first half of 2018 from approximately RMB77,738 million for the corresponding period in 2017. 96.2% of the Group's revenue was generated from the sales of properties (corresponding period in 2017: 95.8%) and 3.8% from construction and other segments (corresponding period in 2017: 4.2%).

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 the first half of 2018. Revenue generated from property development increased by 70.4% to approximately RMB126,885 million for the six months ended 30 June 2018 from approximately RMB74,475 million for the corresponding period in 2017. The recognised average selling price of property delivered was RMB8,846 per sq.m. for the six months ended 30 June 2018, increasing from RMB6,900 per sq.m. for the corresponding period in 2017.

Construction

Construction revenue from external parties increased by 122.2% to approximately RMB2,457 million for the six months ended 30 June 2018 from RMB1,106 million for the corresponding period in 2017, primarily due to increase in the volume of services rendered to related parties and third parties of the Group.

Others

Others segment mainly includes property investment, property management, hotel operation and others. Revenue from external parties increased by 18.3% to approximately RMB2,552 million for the six months ended 30 June 2018 from RMB2,157 million for the corresponding period in 2017. The Spin-Off of property management was completed on 19 June 2018, please refer to the related content in note 12 in "Notes to the Interim Financial Information" and "Share Option Schemes" of this interim result announcement for the financial effect of the Spin-Off.

Finance Income — Net

The Group recorded net finance income of approximately RMB181 million in the first half of 2018 (corresponding period in 2017: approximately RMB830 million).

During the period, the Group recorded post-hedging net foreign exchange losses of approximately RMB411 million (corresponding period in 2017: post-hedging net foreign exchange gains of approximately RMB425 million), interest income of approximately RMB777 million (corresponding period in 2017: approximately RMB405 million), interest expense of approximately RMB8,852 million (corresponding period in 2017: approximately RMB4,370 million) of which 100% were capitalised on qualifying assets (corresponding period in 2017: 100%), and loss on early redemption of senior notes of approximately RMB185 million (corresponding period in 2017: nil).

Profit and Core Net Profit Attributable to Owners of the Company

Due to the increase in the recognized revenue from the sale of properties of the Group during the relevant period, the increase in the average selling price and the gross profit margin of such properties, the profit attributable to owners of the Company increased by approximately 72.5% to approximately RMB12,939 million for the six months ended 30 June 2018, when compared with approximately RMB7,501 million for the corresponding period in 2017.

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 2018 was approximately RMB12,954 million, representing an increase of approximately 80.2% when compared with approximately RMB7,189 million for the corresponding period in 2017.

Liquidity, Financial and Capital Resources

As at 30 June 2018, the Group's available cash (equals to the sum of cash and cash equivalents and restricted cash) amounted to approximately RMB209,914 million (31 December 2017: approximately RMB148,402 million). As at 30 June 2018, 93.3% (31 December 2017: 93.6%) of the Group's cash and bank deposits was denominated in Renminbi and 6.7% (31 December 2017: 6.4%) was denominated in other currencies (mainly US dollars, HK dollars and Malaysian Ringgit).

As at 30 June 2018, the carrying amount of the restricted cash was approximately RMB13,487 million (31 December 2017: approximately RMB11,318 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 2018, the net current assets of the Group were approximately RMB107,747 million (31 December 2017: approximately RMB98,378 million). The current ratio being current assets over current liabilities was approximately 1.1 as at 30 June 2018, which equals to approximately 1.1 as at 31 December 2017.

As at 30 June 2018, the Group's bank and other borrowings, senior notes, corporate bonds and convertible bonds amounted to approximately RMB199,375 million, RMB33,760 million, RMB47,872 million and RMB12,914 million respectively (31 December 2017: approximately RMB135,517 million, RMB31,913 million, RMB47,334 million and nil respectively).

For bank and other borrowings, approximately RMB72,115 million, RMB124,551 million and RMB2,709 million will be repayable within 1 year, between 1 and 5 years and beyond 5 years respectively (31 December 2017: approximately RMB47,672 million, RMB87,093 million and RMB752 million respectively). As at 30 June 2018 and 31 December 2017, the majority of the bank and other borrowings were secured by certain land use rights, properties, equipment and equity interests of the Group and/or guaranteed by the Group.

Net gearing ratio is measured by the net debt (representing bank and other borrowings, senior notes, corporate bonds and convertible bonds, net of available cash, which equals to the sum of cash and cash equivalents and restricted cash) over total equity. Net gearing ratio increased slightly from approximately 56.9% as at 31 December 2017 to approximately 59.0% as at 30 June 2018.

Placing and Issuance of Convertible Bonds

Please refer to the related content in note 7 and note 8 to the "Notes to the Interim Financial Information" and "Purchase, Sale or Redemption of Listed Securities" of this interim result announcement.

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 environmental 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.

Interest Rate Risk

The Group's bank and other borrowings mainly bear floating rates. As at 30 June 2018, the weighted average borrowing cost of the Group's total debt was 5.81%, which was increased by 59 basic points from that as at 31 December 2017. 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 2018, the Group had guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB311,135 million (31 December 2017: approximately RMB214,909 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 30 June 2018, the Group had provided guarantees amounting to approximately RMB48,296 million (31 December 2017: approximately RMB33,500 million) for certain borrowings of the joint ventures, associates and third parties of the Group.

Employees and Remuneration Policy

Human resource has always been the most valuable resource of the Group. As at 30 June 2018, the Group had approximately 111,264 full-time employees[6] (31 December 2017: 124,837).

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 interim result announcement.

6 Due to the spin-off and listing of Country Garden Services Holdings Company Limited on 19 June 2018, the number of employees as at 30 June 2018 of the Group does not include the employees of Country Garden Services Holdings Company Limited.

Forward Looking

In the second half of 2018, it is expected that, the government will continue to implement differentiating regulatory policies and speed up the establishment of a long-term mechanism for real estate market to promote its steady and healthy development. At the same time, the competition and the consolidation within the sector will be more intensive and the market will be further differentiated. On the other hand, urbanization in China is far from over. The county and township dwellers' ongoing desire to improve their housing conditions makes a huge potential for property development in the country. To embrace the challenges and opportunities brought by the change of the market, the Group will continue to adopt prudent financial policies and risk control measures, enhance the quality of the buildings and ensure safety, 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 conservative and practical strategy on new land acquisition to ensure the marketability of future projects and optimize geographic diversification. The objective is to develop all investment portfolios catering for different stages of China's urbanization and capture all kinds of market demand, such as further developing the rental housing market. Besides, on the basis of steady operation, the Group will make flexible adjustments according to the market situation, focus on the continuous increase of profitability and 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, continue to focus on the residential and related demands brought by urbanization, and establish an integration platform covering the entire life span for our customers.

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 2018. 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 2018 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 2018, the Company has applied the principles and has complied with the code provisions of the Corporate Governance 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**").

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 six months ended 30 June 2018. No incident of non-compliance was noted by the Company to date in 2018. 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

1. Share option schemes of the Company

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. 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 (the "**2017 AGM**") for a period of 10 years commencing on the adoption date and ending on 17 May 2027. 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 of the Company (the "**Share(s)**") within the validity period of the scheme.

During the six months ended 30 June 2018, share options for 7,724,592 Shares with a fair value on the grant date of approximately RMB104,552,600 were granted to eligible persons in accordance with the terms of the 2017 Share Option Scheme.

2. Pre-listing share option scheme of Country Garden Services Holdings Company Limited ("CG Services")

On 13 March 2018 and 17 May 2018, a share option scheme was approved and adopted by the then shareholders of CG Services and the then shareholders of the Company respectively for a period of 180 days commencing on 13 March 2018 and ending on 8 September 2018 (the "**CG Services Share Option Scheme**"). Notwithstanding any other provisions of the CG Services Share Option Scheme, CG Services shall not make any offer of options according to the CG Services Share Option Scheme after 19 June 2018.

On 21 May 2018, share options for 132,948,000 shares of CG Services with a fair value on the grant date of approximately HKD108,375,000 (equivalent to approximately RMB86,667,000) were granted to eligible persons in accordance with the terms of the CG Services Share Option Scheme effective on the date of the listing of CG Services. Three of the eligible persons are also the employees of the Group after 19 June 2018.

The spin-off of CG Services was completed on 19 June 2018 and CG Services ceased to be a subsidiary of the Company. The shares of CG Services are listed on the main board of the Stock Exchange on 19 June 2018.

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. The trustee of the Employee Incentive Scheme is Power Great Enterprises Limited ("**Power Great**"), a wholly-owned subsidiary of the Company. As of 30 June 2018, share awards for 102,529,486 Shares were granted under the Employee Incentive Scheme but the registration and transfer procedures are yet to be completed. As of 30 June 2018, the cumulative total number of the Shares held under the Employee Incentive Scheme was 152,771,551 Shares but the registration and transfer procedures of part of the Shares are yet to be completed (31 December 2017: 107,771,551 Shares).

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 any other incentive scheme.

PLACING AND SUBSCRIPTION

On 16 January 2018 (after trading hours), the Company and Concrete Win Limited (the "**Vendor**") entered into the placing and subscription agreement (the "**Placing and Subscription Agreement**") with Goldman Sachs (Asia) L.L.C. (the "**Placing Agent**"), pursuant to which the Placing Agent has agreed to place, on a fully underwritten basis, 460,000,000 existing Shares (the "**Placing Shares**") at a price of HKD17.13 per Share (the "**Placing Price**") on behalf of the Vendor (the "**Placing**") to not less than six independent professional, institutional and/or individual investors who were or would be third parties independent of and not connected with the Company or its connected persons or any person who were or would be acting in concert with the Vendor or parties acting in concert with it. Furthermore, the Vendor has conditionally agreed to subscribe at the Placing Price for the same number of new Shares (the "**Subscription Shares**") as the Placing Shares that have been placed by the Placing Agent (the "**Subscription**"). The Placing Shares and the Subscription Shares respectively represented approximately 2.16% of the then existing issued share capital of the Company and approximately 2.12% of the issued share capital of the Company as enlarged by the Subscription.

The conditions set out in the Placing and Subscription Agreement have been fulfilled. On 30 January 2018, following completion of the Placing and the Subscription, the Company completed the allotment and issue of 460,000,000 Subscription Shares (representing approximately 2.12% of the issued share capital of the Company as enlarged by the 460,000,000 Subscription Shares) to the Vendor at the Placing Price per Subscription Share. The Subscription Shares were allotted and issued under the general mandate subject to the limit of up to 20% of the total number of Shares in issue as at the date of the 2017 AGM (i.e. 4,268,124,356 Shares, representing 20% of 21,340,621,782 Shares in issue as at the date of the 2017 AGM).

The net proceeds from the Placing was approximately HKD7,816 million. The Company intended to apply the net proceeds for the repayment of debts of the Group and/or as general working capital purpose. Please refer to the announcements of the Company dated 16 January 2018 and 17 January 2018 for further details.

ISSUE OF ZERO COUPON SECURED GUARANTEED CONVERTIBLE BONDS

On 16 January 2018 (after trading hours), the Company, Smart Insight International Limited (the "**Issuer**", a wholly-owned subsidiary of the Company) and Goldman Sachs (Asia) L.L.C. (the "**Sole Bookrunner**") entered into the bonds subscription agreement (the "**Bonds Subscription Agreement**"), pursuant to which the Sole Bookrunner agreed to subscribe for the zero coupon secured guaranteed convertible bonds due 2019 (the "**Convertible Bonds**") to be issued by the Issuer in the aggregate principal amount of HKD15,600 million. According to the announcements dated 29 May 2018 and 25 June 2018 of the Company, the Convertible Bonds might be converted into Shares at the latest modified conversion price of HKD18.65 per Share (the "**Conversion Price**"). The Convertible Bonds were guaranteed by the Company, and were jointly and severally guaranteed by certain subsidiaries of the Company. The Convertible Bonds also had the benefit of certain security on the collateral. Assuming full conversion of the Convertible Bonds at the Conversion Price, the Convertible Bonds would be convertible into 836,461,126 Shares, representing approximately 3.85% of the then issued share capital of the Company and approximately 3.70% of the issued share capital of the Company as enlarged by the issue of the conversion Shares.

The conditions set out in the Convertible Bonds Subscription Agreement have been fulfilled. On 30 January 2018, the Issuer issued the Convertible Bonds in the aggregate principal amount of HKD15,600 million to the Sole Bookrunner. The new Shares that may fall to be issued upon the conversion of the Convertible Bonds will be issued under the general mandate subject to the limit of up to 20% of the total number of Shares in issue as at the date of the 2017 AGM (i.e. 4,268,124,356 Shares, representing 20% of 21,340,621,782 Shares in issue as at the date of the 2017 AGM).

The net proceeds from the issue of the Convertible Bonds was approximately HKD15,490 million. The Company intended to apply the net proceeds for the repayment of debts of the Group and/or as general working capital purpose. Please refer to the announcements of the Company dated 16 January 2018 and 17 January 2018 for further details.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, the Company bought back a total of 55,000,000 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 *HKD*	Price per Share Lowest *HKD*	Aggregate price *HKD*
January	–	–	–	–
February	–	–	–	–
March	2,000,000	15.70	15.56	31,352,200
April	–	–	–	–
May	–	–	–	–
June	53,000,000	13.80	12.16	696,788,100

Save as disclosed above, neither the Company nor any of its subsidiaries (except Power Great) has purchased, sold or redeemed any of the Shares during the six months ended 30 June 2018. For details of purchase, sale or redemption by the Company or any of its subsidiaries of its other listed securities during the six months ended 30 June 2018, please refer to note 5 to the "Notes to the Interim Financial Information" in this announcement.

INTERIM DIVIDEND

The Board declared an interim dividend of RMB18.52 cents (2017 interim dividend: RMB15.02 cents) per Share for the six months ended 30 June 2018 to eligible Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on Tuesday, 18 September 2018 (the "**Record Date**") (the "**Eligible Shareholders**"), with the Eligible Shareholders being given an option to elect to receive such interim dividend all in new Shares or partly in new Shares and partly in cash or all in cash (the "**Scrip Dividend Scheme**").

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 Wednesday, 12 September 2018 to Tuesday, 18 September 2018.

The Scrip Dividend Scheme is subject to the Stock Exchange granting the listing of and permission to deal in the new Shares to be issued pursuant thereto.

A circular giving full details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders on or around Friday, 19 October 2018. It is expected that the interim dividend warrants and certificates for the new Shares will be dispatched to the Eligible Shareholders on or around Friday, 23 November 2018.

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	Wednesday, 12 September 2018
Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Thursday, 13 September 2018
Closure of Register of Members	Friday, 14 September 2018 to Tuesday, 18 September 2018 (both days inclusive)
Record Date	Tuesday, 18 September 2018

For purpose 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 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, 21 August 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 Ziying, 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.