2016
ANNUAL REPORT

中國恒大集團
CHINA EVERGRANDE GROUP

China Evergrande Group
中國恒大集團

(incorporated in the Cayman Islands with limited liability)
Stock Code: 3333

The Group completed its layout on the four major segments, namely real estate, finance, cultural tourism and healthcare, and the transformation from "real estate" to "real estate + services" while the real estate segment started to change from "scale development" to "scale + efficiency development". In 2016, the total land reserve of the Group was 229 million square meters. The total number of projects was 582 and they were located in 209 cities in China. The contracted sales amount of the Group was RMB373.37 billion and the GFA of contracted sales was 44.69 million square meters, both of which broke the records and ranked top in China.


ENTERTAINMENT
CONFERENCE
THE MOST
SOUGHT-AFTER
TOP-NOTCH
CULTURAL TOURISM
DESTINATION
EXHIBITION
CULTURE
BUSINESS
TRAVEL

229
MILLION SQUARE METRES
OF LAND RESERVE

582
PROJECTS

209
CITIES UNDER COVERAGE

National
LAYOUT MAP

Project in first- and second-tier cities

BEJING
1 Evergrande City Beijing
2 Evergrande Royal Scenic Bay Beijing
3 Evergrande Palace Beijing
4 Evergrande Metropolis Beijing
5 Evergrande Emerald Court Beijing
6 Evergrande Left Riverbank Beijing
7 Evergrande Elite Shadow Greek Beijing
8 Evergrande International Hotspring Tourist City
9 Evergrande Culture Tourist City Beijing
10 Evergrande Royal Mansion Beijing

SHANGHAI
11 Evergrande Palace Shanghai
12 Evergrande Royal Scenic Bay Shanghai
13 Evergrande First Palace Sheshan Shanghai
14 Evergrande Royal View Garden Shanghai
15 Evergrande Metropolis Shanghai
16 Evergrande Royal Seaview Garden
17 Qingpu

GUANGZHOU
18 Hengda Haishang Venice
19 The Second Jinbi Garden Guangzhou
20 The Third Jinbi Garden Guangzhou
21 Evergrande Royal Palace Guangzhou
22 Evergrande Scenic Garden Zengcheng Guangzhou
23 Evergrande Jewelry Guangzhou
24 Evergrande Scenic Garden Zengcheng
25 Evergrande Royal Scenic Peninsula Foshan
26 Evergrande Royal Scenic Bay Foshan
27 Evergrande Joy Town Foshan
28 Evergrande Splendor Qingyuan
29 Evergrande Silverlake City Qingyuan

SHENZHEN
30 Evergrande Xiaogui Bay Shenzhen
31 Caiwuwei Project Shenzhen
32 Evergrande Gentleman Hill Shenzhen
33 Huaqiangbei Project Shenzhen
34 Evergrande Sky Tower Shenzhen
35 Evergrande City Shenzhen
36 Evergrande Fashion Valley Shenzhen
37 Evergrande Royal Scenic Peninsula Shenzhen
38 Evergrande Oasis
39 Evergrande Palm Island Huiyang
40 Evergrande Mountain Bay Huizhou
41 Evergrande Royal View Garden Huizhou
42 Evergrande YueLong Court Huizhou
43 Evergrande Moon Bund Huizhou
44 Evergrande Dragon Bay Huizhou

CHONGQING
45 Evergrande Metropolis Chongqing
46 Evergrande Atrium Chongqing
47 Evergrande Splendor Chongqing
48 Evergrande Emerald Court Chongqing
49 Evergrande Royal Scenic Peninsula Chongqing
50 Evergrande Scenic Garden Chongqing
51 Evergrande Scenic Garden Fuling
52 Evergrande Royal Scenic Bay Chongqing
53 Evergrande Royal Palace Chongqing
54 Evergrande Century City Chongqing
55 Evergrande C C Land Plaza
56 Evergrande The Coronation Chongqing
57 Evergrande Central Plaza Chongqing
58 Evergrande Emerald Bay Chongqing
59 Evergrande Mountain Palace Chongqing
60 Evergrande New Town Chongqing
61 Evergrande Lu Village Chongqing
62 Evergrande Future City Chongqing
63 Evergrande Energetic City Chongqing
64 Evergrande Tongjing Town Chongqing

TIANJIN
65 Evergrande Oasis Tianjin
66 Evergrande Scenic Garden Tianjin
67 Evergrande Splendor Tianjin
68 Evergrande Metropolis Tianjin
69 Evergrande Royal Scenic Peninsula Tianjin
70 Evergrande Royal View Garden Tianjin
71 Evergrande Royal Scenic Bay Tianjin
72 Evergrande Joy Palace Tianjin
73 Evergrande Huaxi Town Tianjin

HANGZHOU
74 Evergrande Royal View Garden Hangzhou
75 Evergrande Crystal International Plaza Hangzhou

NANJING
76 Evergrande Splendor Nanjing
77 Evergrande Atrium Nanjing
78 Evergrande Palace Nanjing
79 Evergrande Emerald Court Nanjing
80 Evergrande Riverside Nanjing
81 Evergrande Dragon Court Nanjing
82 Evergrande Xishan Mansion Nanjing

JINAN
83 Evergrande Metropolis Jinan
84 Evergrande Oasis Jinan
85 Evergrande City Jinan
86 Evergrande Atrium Jinan
87 Evergrande Royal View Garden Jinan
88 Evergrande Emerald Court Jinan
89 Evergrande Longao Regency Jinan
90 Evergrande Longao East New Metropolis Jinan
91 Evergrande Bright City Jinan
92 Evergrande Left Riverbank Jinan
93 Evergrande Century Square Jinan
94 Evergrande Palace Jinan
95 Evergrande Jinbi New Town Jinan
96 Evergrande Peak Jinan

CHENGDU
97 Evergrande Oasis Chengdu
98 Evergrande City Chengdu
99 Evergrande Scenic Garden Chengdu
100 Evergrande Royal Scenic Peninsula Chengdu
101 Evergrande Royal View Garden Chengdu
102 Evergrande New City Chengdu
103 Evergrande Emerald Court Chengdu
104 Evergrande Caojiaxiang Plaza Chengdu
105 Evergrande Splendor Pengshan
106 Evergrande Central Square Chengdu
107 Evergrande Metropolis Court Chengdu
108 Evergrande Huazhi Plaza Chengdu
109 Evergrande Paradise Peninsula Chengdu
110 Evergrande Royal City Chengdu
111 Evergrande Paradise Mansion Chengdu
112 Evergrande Splendid City Chengdu
113 Evergrande River Palace Chengdu
114 Evergrande ShangLin Garden Chengdu
115 Evergrande Future City Chengdu
116 Evergrande The Coronation Chengdu
117 Evergrande Royal Palace Chengdu
118 Evergrande Royal Scenic Chengdu

WUHAN
119 Evergrande Palace Wuhan
120 Evergrande Oasis Wuhan
121 Evergrande City Wuhan
122 Evergrande Metropolis Wuhan
123 Evergrande Royal Scenic Bay Wuhan
124 Evergrande Splendor Ezhou
125 Evergrande Royal Palace Wuhan
126 Evergrande Royal Garden Wuhan
127 Evergrande Capital Wuhan
128 Evergrande Rainbow Town Wuhan
129 Evergrande Dragon city Wuhan
130 Evergrande Evergreen Garden Wuhan
131 Evergrande Emerald Court Wuhan

CHANGSHA
132 Evergrande Metropolis Changsha
133 Evergrande City Changsha
134 Evergrande Oasis Changsha
135 Evergrande Atrium Changsha
136 Evergrande Bay Changsha
137 Evergrande Royal Scenic Peninsula Changsha
138 Evergrande Emerald Court Changsha
139 Evergrande Royal Scenic Bay Changsha
140 Evergrande Royal Scenic Land Changsha
141 Evergrande Centuried Financial Square
142 Evergrande Huangxing Road Project Changsha
143 Evergrande Forest Creek City Changsha
144 Evergrande Child's Fancy World Changsha

ZHENGZHOU
145 Evergrande Oasis Zhengzhou
146 Evergrande Metropolis Zhengzhou
147 Expansion of Evergrande Scenic Garden Zhengzhou
148 Evergrande Emerald Court Zhengzhou
149 Evergrande YueLong Court Zhengzhou
150 Evergrande Atrium Zhengzhou
151 Evergrande City Zhengzhou
152 Evergrande Splendor Xinxiang
153 Evergrande Royal Scenic Bay Xinxiang
154 Evergrande Future City Zhengkai

FUZHOU
155 Evergrande Scenic Garden Fuzhou

SHIJIAZHUANG
156 Evergrande Royal Scenic Peninsula Shijiazhuang
157 Evergrande Splendor Shijiazhuang
158 Evergrande Forest Creek County Shijiazhuang

SHENYANG
159 Evergrande Oasis Shenyang
160 Evergrande City Shenyang
161 Evergrande Metropolis Shenyang
162 Evergrande Palace Shenyang

SHENYANG
163 Evergrande Bay Shenyang
164 Evergrande Atrium Shenyang
165 Evergrande Emerald Court Shenyang
166 Evergrande Royal Scenic Bay Shenyang
167 Evergrande Left Riverbank Shenyang
168 Evergrande Peak Shenyang
169 Evergrande Shengjing Impression Shenyang

HARBIN
170 Evergrande Oasis Harbin
171 Evergrande Metropolis Harbin
172 Evergrande City Harbin
173 Evergrande Royal View Garden Harbin
174 Evergrande Royal Scenic Bay Harbin
175 Evergrande Emerald Court Harbin
176 Evergrande Jade Court Harbin
177 Evergrande Atrium Harbin
178 Evergrande Grande Century Harbin
179 Evergrande International Center Harbin
180 Evergrande Harmonious World Harbin
181 Evergrande Natural Unity Harbin
182 Evergrande Flower Garden Harbin
183 Evergrande Lilac Manor Harbin
184 Evergrande Peak Harbin
185 Evergrande Royal Palace Harbin
186 Evergrande Central Square Harbin

XI'AN
187 Evergrande Oasis Xi'an
188 Evergrande Royal Scenic Xi'an
189 Evergrande Royal View Garden Xi'an
190 Evergrande Bay Xi'an
191 Evergrande Emerald Court Xi'an
192 Evergrande Dragon Bay Xi'an
193 Evergrande Emerald Court Xi'an
194 Evergrande City Plaza Xi'an
195 Evergrande International Town Xi'an

HEFEI
196 Evergrande City Hefei
197 Evergrande Royal View Garden Hefei
198 Evergrande International Center Hefei
199 Evergrande Plaza Hefei
200 Evergrande Crystal International Square Hefei
201 Evergrande YueLong Court Hefei

TAIYUAN
202 Evergrande Oasis Taiyuan
203 Evergrande Metropolis Taiyuan
204 Evergrande Scenic Garden Taiyuan
205 Evergrande Palace Taiyuan
206 Evergrande Royal Scenic Bay Taiyuan
207 Evergrande Emerald Court Taiyuan
208 Evergrande Left Bank Riverfront Taiyuan
209 Evergrande Atrium Taiyuan
210 Evergrande Future City Taiyuan
211 Evergrande City Taiyuan
212 Evergrande Bay Taiyuan

HAIKOU
213 Evergrande Culture Tourist City Haikou
214 Evergrande Bay Haikou
215 Evergrande Bund Haikou
216 Evergrande Mellisa Haikou
217 Evergrande Royal Scenic Bay Hainan
218 Evergrande Royal Sea Hainan
219 Evergrande Dingan Royal Lake Manor Haikou

CHANGCHUN
220 Evergrande Oasis Changchun
221 Evergrande City Changchun
222 Evergrande International Center Changchun
223 Evergrande Royal Scenic Changchun
224 Evergrande Metropolis Changchun
225 Evergrande City Plaza Changchun
226 Evergrande Royal Summit Changchun
227 Evergrande Atrium Changchun
228 Evergrande Royal View Garden Changchun
229 Evergrande Bay Changchun
230 Evergrande Moon Residence Changchun
231 Evergrande Mansion Changchun
232 Evergrande Tanxi Manor Changchun
233 Evergrande Beihu Impression Changchun

NANCHANG
234 Evergrande City Nanchang
235 Evergrande Oasis Nanchang
236 Evergrande Metropolis Nanchang
237 Evergrande Royal View Garden Nanchang
238 Evergrande Emerald Court Nanchang
239 Evergrande Palace Nanchang
240 Evergrande Emerald Exquisite Nanchang
241 Evergrande Emerald JunTing Nanchang
242 Evergrande Forest Creek City Nanchang

QINGDAO
243 Evergrande Golden Sands Qingdao

DALIAN
244 Evergrande Tanxijun Dalian
245 Evergrande Royal View Garden Dalian
246 Evergrande Royal Scenic Bay Dalian
247 Evergrande Harbor City Dalian
248 Evergrande City Lights Dalian
249 Evergrande Seasons Dalian
250 Evergrande Atrium Dalian
251 Evergrande Garden Avenue Dalian

NINGBO
252 Evergrande City Lights Ningbo
253 Evergrande Scenic Garden Ningbo

XIAMEN
254 Evergrande Royal View Garden Xiamen

SUZHOU
255 Evergrande Jewelry Court Suzhou
256 Evergrande Joyful Bay Suzhou

WUXI
257 Evergrande City Wuxi
258 Evergrande Oasis Wuxi
259 Evergrande Grand Bay Wuxi
260 Evergrande Dragon Bay Wuxi

FOSHAN
261 Evergrande Royal Scenic Bay Foshan
262 Evergrande Royal View Garden Shunde
263 Evergrande Emerald Court Foshan
264 Evergrande City Foshan
265 Evergrande Royal Bay Foshan
266 Evergrande Royal Alcazar Foshan
267 Evergrande Royal Landscape Foshan
268 Evergrande Dragon Emerald Shunde
269 Evergrande Central Square Shunde

DONGGUAN
270 Evergrande Royal View Garden Dongguan
271 Evergrande Atrium Dongguan
272 Evergrande Palace Dongguan
273 Evergrande Royal Scenic Dongguan
274 Evergrande Emerald Court Dongguan
275 Evergrande Bay Dongguan
276 Evergrande Left Riverbank Dongguan
277 Evergrande Royal Garden Dongguan

NANTONG
278 Evergrande Grand Court Nantong

SANYA
279 Evergrande Royal Seaview Garden Sanya
280 Evergrande Royal Palace Sanya

QUANZHOU
281 Evergrande Royal Scenic Bay Quanzhou
282 Evergrande Emerald Dragon Court Quanzhou
283 Evergrande Emerald Court Quanzhou
284 Evergrande City Plaza Quanzhou

TANGSHAN
285 Evergrande Palace Tangshan
286 Evergrande Dragon Court Tangshan
287 Evergrande Academism Tangshan

WEIFANG
288 Evergrande Metropolis Weifang
289 Evergrande Emerald Court Weifang

XUZHOU
290 Evergrande Left Riverbank Xuzhou

GUIYANG
291 Evergrande City Guiyang
292 Evergrande Metropolis Guiyang
293 Evergrande Atrium Guiyang
294 Evergrande Emerald Court Guiyang
295 Evergrande Royal Garden Guiyang
296 Evergrande New World Guiyang
297 Evergrande Central Park Guiyang
298 Evergrande Central Square Guiyang
299 Evergrande City Square Guiyang
300 Evergrande Child's Fancy World Guiyang

CHINA EVERGRANDE GROUP

KUNMING
301 Evergrande Splendor Kunming
302 Evergrande Atrium Kunming
303 Evergrande Yunbao Palace Kunming
304 Evergrande Metropolis Kunming
305 Evergrande JiuLong Bay Kunming

NANNING
306 Evergrande Oasis Nanning
307 Evergrande International Center Nanning
308 Evergrande Metropolis Nanning
309 Evergrande Royal View Garden Nanning
310 Evergrande Metropolis Nanning
311 Evergrande Palace Nanning
312 Evergrande Atrium Nanning
313 Evergrande Royal Scenic Nanning

YINCHUAN
314 Evergrande Metropolis Yinchuan
315 Evergrande Royal Scenic Yinchuan
316 Evergrande Royal View Garden Yinchuan
317 Evergrande Royal Scenic Peninsula Yinchuan

HOHHOT
318 Evergrande Atrium Hohhot
319 Evergrande Metropolis Hohhot
320 Evergrande Palace Hohhot

URUMCHI
321 Evergrande Oasis Urumchi
322 Evergrande Green Metropolis Urumchi
323 Evergrande Splendor Urumchi

LANZHOU
324 Evergrande Oasis Lanzhou
325 Evergrande City Plaza Lanzhou
326 Evergrande Scenic Garden Lanzhou
327 Evergrande Metropolis Lanzhou
328 Evergrande Emerald Court Lanzhou
329 Evergrande Royal View Garden Lanzhou

XINING
330 Evergrande Metropolis Xining

Project in prefecture level cities

GUANGDONG
331 Evergrande Ocean Spring Zhuhai
332 Evergrande Emerald Court Zhuhai
333 Evergrande Oasis Zhongshan
334 Evergrande City Yunfu
335 Evergrande City Shaoguan
336 Evergrande Hawaii on the sea Yangjiang
337 Evergrande City Chaozhou
338 Evergrande Scenic Garden Chaozhou
339 Evergrande Oasis Zhanjiang
340 Evergrande Metropolis Heyuan
341 Evergrande Metropolis Yangjiang
342 Evergrande Royal Scenic Bay Shantou
343 Evergrande Metropolis Zhongshan
344 Evergrande Royal View Garden Zhanjiang
345 Evergrande Metropolis Chaozhou
346 Evergrande Oasis Jieyang
347 Evergrande Emerald Court Jieyang
348 Evergrande Palace Jieyang
349 Evergrande Bund Shantou
350 Evergrande Royal Scenic Peninsula Jiangmen
351 Evergrande Century Fancy World Zhaoqing
352 Evergrande Royal Town Zhaoqing
353 Evergrande Emerald Court Zhaoqing
354 Evergrande Royal Scenic Peninsula Meizhou

ANHUI
355 Evergrande Oasis Tongling
356 Evergrande Palace Wuhu
357 Evergrande Metropolis Huaibei
358 Evergrande Atrium Huaibei
359 Evergrande Oasis Huainan
360 Evergrande City Bozhou
361 Evergrande Oasis Anqing
362 Evergrande Royal Scenic Bay Bengbu
363 Evergrande Royal Scenic Bay Ma'anshan
364 Evergrande Metropolis Chuzhou
365 Evergrande Oasis Chuzhou
366 Evergrande Royal Scenic Bay Suzhou
367 Evergrande Emerald Court Bengbu
368 Evergrande Metropolis Suzhou
369 Evergrande Oasis Fuyang
370 Evergrande Emerald Court Bozhou
371 Evergrande Royal View Garden Chuzhou
372 Evergrande Royal Scenic Fuyang
373 Evergrande Left Riverbank Huangshan
374 Evergrande Royal Scenic Bay Lu'an
375 Evergrande Oasis Maanshan

FUJIAN
376 Evergrande Emerald Court Liuzhou
377 Evergrande Royal Scenic Peninsula Zhangzhou
378 Evergrande Oasis Longyan
379 Evergrande Royal Scenic Nanping
380 Evergrande Royal Scenic Peninsula Ningde
381 Evergrande Royal Palace Sanming

GANSU
382 Evergrande Oasis Wuwei

GUANGXI ZHUANG AUTONOMOUS REGION
383 Evergrande Oasis Qinzhou
384 Evergrande Royal Scenic Peninsula Beihai
385 Evergrande Metropolis Beihai
386 Evergrande Plaza Guilin
387 Evergrande Royal Scenic Bay Fangchenggang
388 Evergrande Emerald Court Liuzhou
389 Evergrande City Liuzhou
390 Evergrande Scenic Garden Wuzhou
391 Evergrande Palace Liuzhou
392 Evergrande City Yulin
393 Evergrande Bay Guilin
394 Evergrande Mansion Liuzhou
395 Evergrande Atrium Liuzhou
396 Evergrande Royal Coast Beihai
397 Evergrande Atrium Beihai
398 Evergrande City Guigang
399 Evergrande City Guilin
400 Evergrande Royal Scenic Bay Liuzhou
401 Evergrande Royal Scenic Peninsula Qinzhou

HAINAN
402 Evergrande Splendor Danzhou
403 Hainan Ocean Flower Island

HEBEI
404 Evergrande City Qinhuangdao
405 Evergrande City Cangzhou
406 Evergrande City Xingtai
407 Evergrande Royal View Garden Xingtai
408 Evergrande Metropolis Xingtai
409 Evergrande Metropolis Handan
410 Evergrande City Hengshui
411 Evergrande Metropolis Langfang
412 Evergrande Zhongding Project Langfang
413 Evergrande Emerald Court Langfang
414 Evergrande Oasis Hengshui
415 Evergrande Scenic Garden Xingtai
416 Evergrande Emerald Court Handan

HENAN
417 Evergrande Oasis Luoyang
418 Evergrande Metropolis Xinyang
419 Evergrande Oasis Anyang
420 Evergrande Oasis Xuchang
421 Evergrande Metropolis Luohe
422 Evergrande Royal Scenic Luohe
423 Evergrande Atrium Xinxiang
424 Evergrande Metropolis Zhumadian
425 Evergrande Metropolis Zhumadian
426 Evergrande Metropolis Shangqiu
427 Evergrande Emerald Court Xinyang
428 Evergrande Royal View Garden Nanyang
429 Evergrande Emerald Court Xuchang
430 Evergrande Royal Scenic Peninsular Pingdingshan
431 Evergrande City Jiaozuo
432 Evergrande Royal View Garden Kaifeng
433 Evergrande Royal View Bay Nanyang
434 Evergrande YueLong Court Puyang
435 Evergrande Emerald Court Shangqiu
436 Evergrande Royal Scenic Bay Xinyang
437 Evergrande Metropolis Zhoukou

GUIZHOU
438 Evergrande City Zunyi
439 Evergrande Emerald Court Zunyi

HEILONGJIANG
440 Evergrande Oasis Daqing
441 Evergrande Oasis Mudanjiang
442 Evergrande Emerald Court Mudanjiang
443 Evergrande Emerald Court Tsitsihar
444 Evergrande Metropolis Tsitsihar
445 Evergrande Royal View Tsitsihar

HUBEI
446 Evergrande Oasis Yichang
447 Evergrande Royal View Garden Yichang
448 Evergrande Scenic Garden
449 Evergrande Metropolis Suizhou
450 Evergrande Metropolis Jingzhou
451 Evergrande Sky Capital Ezhou
452 Evergrande Gold Metropolis Jingzhou
453 Evergrande Emerald Court Jingzhou
454 Evergrande Metropolis Suizhou
455 Evergrande Golden Metropolis Suizhou
456 Evergrande Emerald Court Xiangyang

HUNAN
457 Evergrande Palace Changde
458 Evergrande Palace Chenzhou
459 Evergrande Metropolis Yueyang
460 Evergrande Oasis Hengyang
461 Evergrande Oasis Yiyang
462 Evergrande Nanhu Peninsula Yueyang
463 Evergrande Royal Garden Huaihua
464 Evergrande Emerald Court Xiangtan
465 Evergrande Royal View Garden Chenzhou
466 Evergrande Palace Zhuzhou
467 Evergrande Oasis Yueyang
468 Evergrande Royal Scenic Bay Changde
469 Evergrande Palace Shaoyang
470 Evergrande Royal Scenic Peninsula Xiangtan

JILIN
471 Evergrande Palace Jilin
472 Evergrande Royal Scenic Bay Songyuan

JIANGSU
473 Evergrande Oasis Zhenjiang
474 Evergrande Metropolis Huai'an
475 Evergrande Palace Suqian
476 Evergrande Oasis Suqian
477 Evergrande Emerald Court Suqian
478 Evergrande City Lianyungang
479 Evergrande Metropolis Lianyungang
480 Evergrande Metropolis Yancheng
481 Evergrande Emerald Court Changzhou
482 Evergrande Royal Scenic Jiangyin
483 Evergrande Royal Scenic Changzhou
484 Evergrande Royal View Garden Yancheng
485 Evergrande Golden Bay Project Changzhou

JIANGXI
486 Evergrande Metropolis Jingdezhen
487 Evergrande Atrium Xinyu
488 Evergrande City Xinyu
489 Evergrande Oasis Yingtan
490 Evergrande Royal Scenic Jiujiang
491 Evergrande Royal View Garden Jian
492 Evergrande Royal Scenic Yingtan
493 Evergrande Emerald Court Ganzhou
494 Evergrande Metropolis Ganzhou
495 Evergrande Royal Scenic Bay Jingdezhen
496 Evergrande Oasis Yichun
497 Evergrande Bay Jiujiang
498 Evergrande Royal View Garden Ganzhou
499 Evergrande Royal Palace Ganzhou
500 Evergrande Royal Scenic Peninsula Ji'an
501 Evergrande Metropolis Shangrao

LIAONING
502 Evergrande Oasis Liaoyang
503 Evergrande Oasis Anshan
504 Evergrande Metropolis Anshan
505 Evergrande Oasis Yingkou
506 Evergrande City Yingkou
507 Evergrande Bay Yingkou
508 Evergrande Palace Panjin
509 Evergrande Palace Fushun
510 Evergrande Plaza Fushun
511 Evergrande Oasis Benxi
512 Evergrande Royal Scenic Bay Huludao

SHANDONG
513 Evergrande Splendor Laiwu
514 Evergrande Palm Islands Dongying
515 Evergrande City Tai'an
516 Evergrande Palace Linyi
517 Evergrande Oasis Linyi
518 Evergrande Metropolis Jining
519 Evergrande Royal View Garden Zibo
520 Evergrande Metropolis Jining
521 Evergrande Palm Island Dongying
522 Evergrande Emerald Court Linqi
523 Evergrande Central Square Linyi
524 Evergrande Royal Coast Weihai
525 Evergrande Emerald Court Zibo

INNER MONGOLIA
526 Evergrande Palace Baotou
527 Evergrande Metropolis Baotou
528 Evergrande Oasis Ulanhot
529 Evergrande Oasis Wuhai
530 Evergrande Emerald Court Baotou

NINGXIA HUI AUTONOMOUS REGION
531 Evergrande Oasis Shizuishan
532 Evergrande Metropolis Wuzhong

SHANXI
533 Evergrande Oasis Yuncheng
534 Evergrande Metropolis Yuncheng
535 Evergrande Palace Lvliang
536 Evergrande Oasis Datong
537 Evergrande Palace Linfen
538 Evergrande Royal View Garden Yangquan

SICHUAN
539 Evergrande City Ziyang
540 Evergrande Oasis Zigong
541 Evergrande Metropolis Zigong
542 Evergrande City Panzhihua
543 Evergrande Royal Scenic Bay Luzhou
544 Evergrande Metropolis Zigong
545 Evergrande Palace Luzhou
546 Evergrande Bay Luzhou
547 Evergrande City Luzhou
548 Evergrande Emerald Court Mianyang

ZHEJIANG
549 Evergrande Oasis Jiaxing
550 Evergrande Royal Scenic Peninsula Quzhou
551 Evergrande Joyful Bay Huzhou
552 Evergrande Left Lake Land Jiaxing
553 Evergrande Jewelry Court Shaoxing
554 Evergrande Royal Scenic Bay Zhoushan

SHAANXI
555 Evergrande City Hanzhong
556 Evergrande City Yangling

YUNNAN
557 Evergrande Metropolis Qujing

TIBET AUTONOMOUS REGION
558 Aiding Tibet Project Linzhi

Project in County/County level cities

FUJIAN
559 Evergrande Metropolis Shishi
560 Evergrande Royal Scenic Anxi
561 Evergrande City Fuqing
562 Evergrande Scenic Garden Wuyishan

GUIZHOU
563 Evergrande City Kaili

HUNAN
564 Evergrande Palace Liuyang

JIANGSU
565 Evergrande Metropolis Danyang
566 Evergrande City Danyang
567 Evergrande Atrium Zhangjiagang
568 Evergrande Royal View Garden Jiangyin
569 Evergrande Royal Scenic Jiangyin
570 Evergrande Dongjiu Palace Yixing

GUANGDONG
571 Evergrande Spring City Enping

SICHUAN
572 Evergrande Emerald Court Qionglai

ANHUI
573 Evergrande Royal View Garden Chaohu
574 Evergrande Oasis Feidong

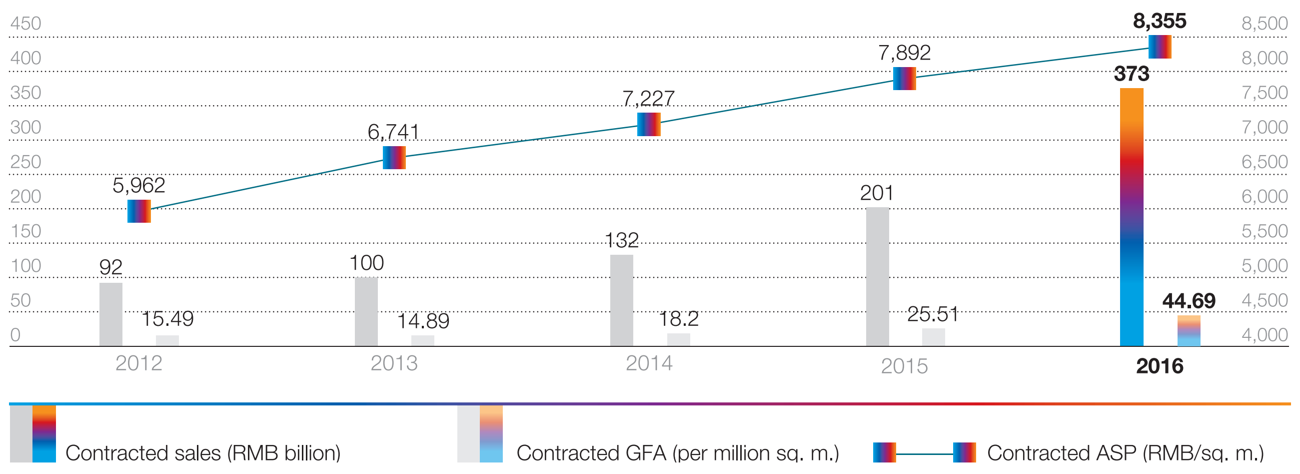
HAINAN
575 Evergrande Qizi Bay Changjiang A1, A3 Project
Evergrande Qizi Bay Changjiang B1, B3 Project

ZHEJIANG
576 Evergrande Royal Scenic Haiyan
577 Evergrande Metropolis Pinghu
578 Evergrande Peninsula On The Sea Xiangshan
579 Evergrande Guanlan Palace Yuyao
580 Evergrande Shengzhou Project Shaoxing

XINJIANG UYGHUR AUTONOMOUS REGION
581 Evergrande Atrium Yining
582 Evergrande Oasis Yining

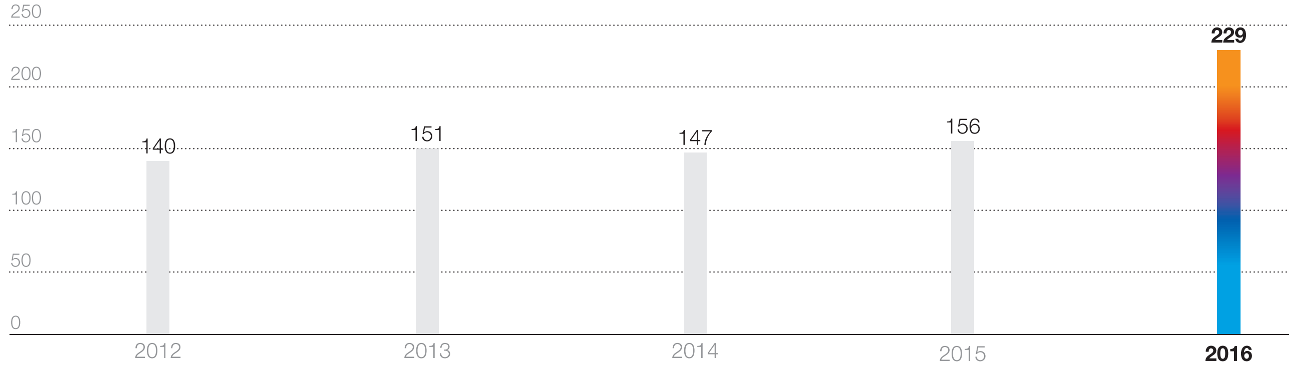
2012–2016 COMPARISON OF OPERATING RESULTS

CONTRACTED SALE



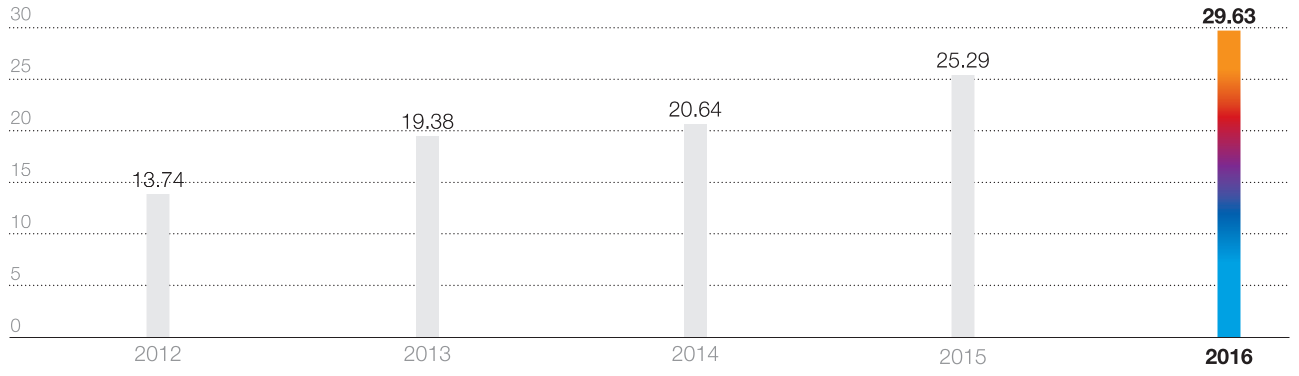
LAND RESERVE

(In million sq.m.)



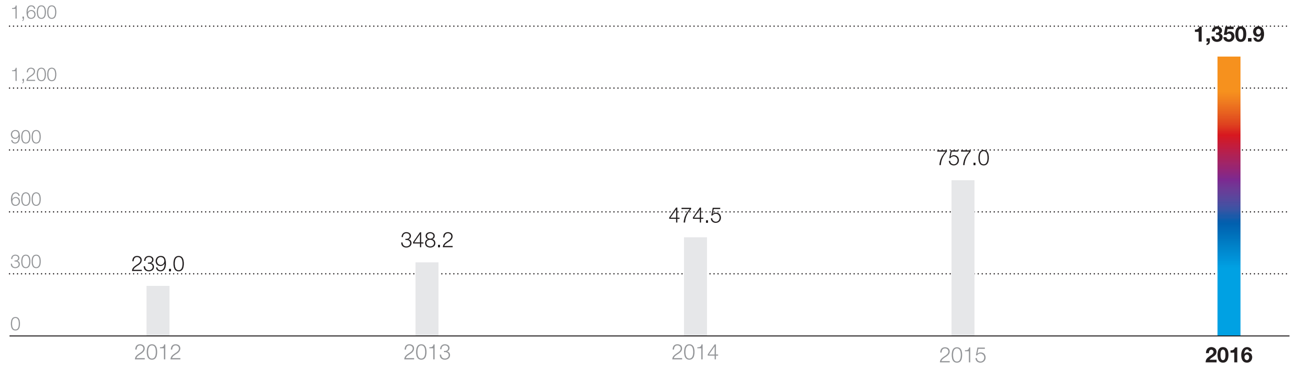
COMPLETED AREA

(In million sq.m.)



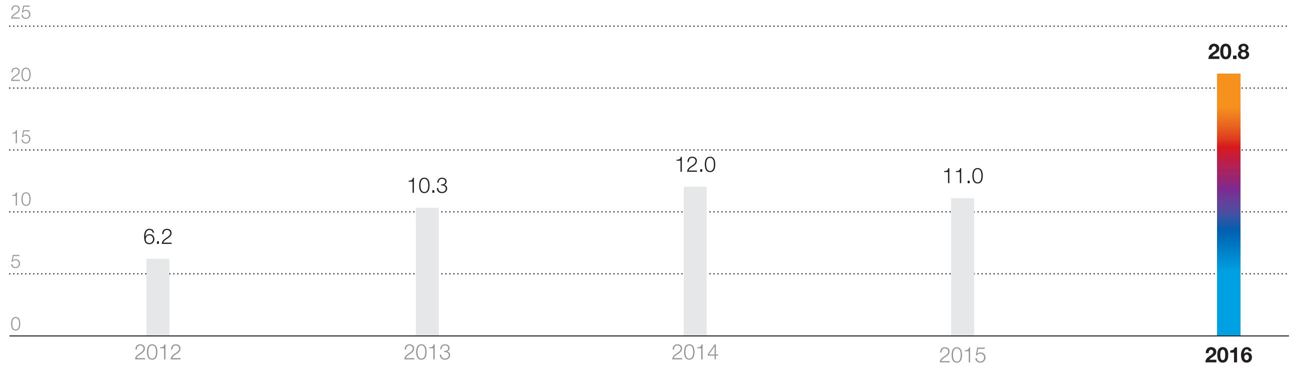
TOTAL ASSETS

(RMB billion)



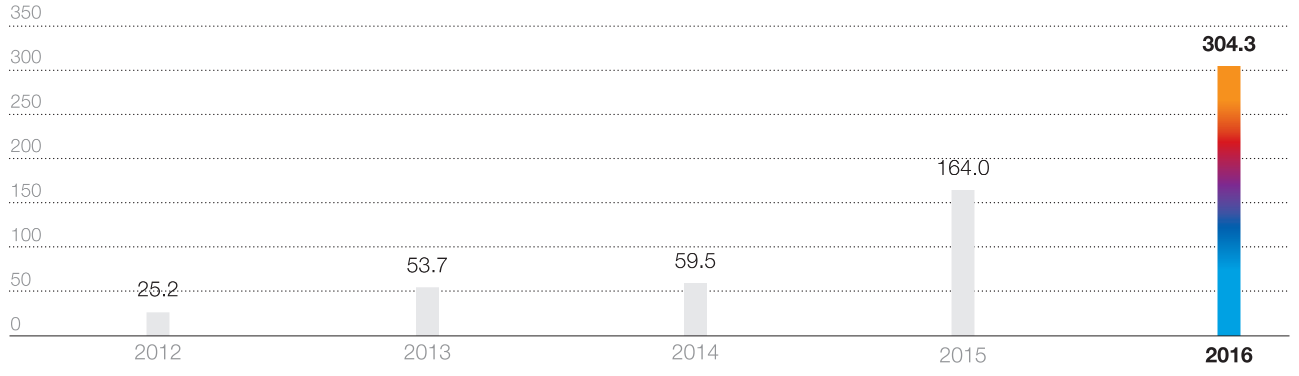
CORE PROFIT

(RMB billion)



CASH BALANCE

(RMB billion)



CONTENTS

BOARD OF DIRECTORS AND COMMITTEES

Chairman of the Board of Directors

Professor Hui Ka Yan

Executive Directors

Dr. Xia Haijun
Ms. He Miaoling
Mr. Pan Darong
Mr. Shi Junping
Mr. Huang Xiangui

Independent Non-Executive Directors

Mr. Chau Shing Yim, David
Mr. He Qi
Ms. Xie Hongxi

Audit Committee

Mr. Chau Shing Yim, David *(Chairman)*
Mr. He Qi
Ms. Xie Hongxi

Remuneration Committee

Mr. He Qi *(Chairman)*
Professor Hui Ka Yan
Ms. Xie Hongxi

Nomination Committee

Professor Hui Ka Yan *(Chairman)*
Mr. He Qi
Mr. Chau Shing Yim, David

Authorised Representatives

Professor Hui Ka Yan
Mr. Fong Kar Chun, Jimmy

CORPORATE AND SHAREHOLDER INFORMATION

Head Office

43rd Floor, Evergrande Center
No. 78 Huangpu Avenue West
Guangzhou
Guangdong Province
The PRC
Postal code: 510620

Place of Business in Hong Kong

Suites 1501–1507, One Pacific Place,
88 Queensway, Hong Kong

Website

www.evergrande.com

Company Secretary

Mr. Fong Kar Chun, Jimmy
Hong Kong solicitor

Auditor

PricewaterhouseCoopers

Principal Bankers

China CITIC Bank Corporation Limited
China Minsheng Banking Corp., Ltd.
China Bohai Bank Co., Ltd.
China Everbright Bank Company Limited
Agricultural Bank of China Limited
Postal Savings Bank of China Co., Ltd.
China Zheshang Bank Co., Ltd.
Bank of Beijing Co., Ltd.
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Shanghai Pudong Development Bank Co., Ltd
China Merchants Bank Co., Ltd
Bank of China Limited
Hua Xia Bank Company Limited
China Construction Bank Corporation
Bank of Jinzhou Co., Ltd
Bank of Shanghai Co., Ltd.
Hengfeng Bank Co., Ltd.
Yingkou Coastal Bank Co. Ltd
China Development Bank Corporation
Bank of Communications Co., Ltd.
China Guangfa Bank Co., Ltd

Shareholder Information

Listing Information

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange")
The bonds of the Company are quoted on Singapore Stock Exchange Limited ("Singapore Stock Exchange")

Securities Codes

Stock

HKEX: 3333

Bonds

1,500,000,000 US$ 8.75% Senior Notes due 2018
CUSIP: 300151AB3/G3225AAD5
Common Code: 098624279/098129359
ISIN: US300151AB32/USG3225AA057

400,000,000 US$ 7.8% Private Notes due 2019
Common Code: 134292199
ISIN: XS1342921993

300,000,000 US$ 8.0% Senior Notes due 2019
Common Code: 134452056
ISIN: XS1344520561

500,000,000 US$ 7% Senior Notes due 2020
Common Code: 158043068
ISIN: XS1580430681

1,000,000,000 US$ 12.00% Senior Notes due 2020
Common Code: 116514648
ISIN: XS1165146488

1,000,000,000 US$ 8.25% Senior Notes due 2022
Common Code: 158043114
ISIN: XS1580431143

1,000,000,000 US$ 9.5% Senior Notes due 2024
Common Code: 158786753
ISIN: XS1587867539

Investor Relationship

For enquiries, please contact:
Investor Relationship Department
Email: evergrandeIR@evergrande.com
Telephone: (852) 2287 9208/2287 9226/2287 9225

Financial Calendar

Announcement of final results:	28 March 2017
Closure of register of members to ascertain shareholders' entitlement to attend the annual general meeting ("AGM"):	9 June 2017 to 15 June 2017
AGM:	15 June 2017


REPORT OF CHAIRMAN

REPORT OF CHAIRMAN

Dear Shareholders,

I am pleased to present the reports of China Evergrande Group ("Evergrande" or the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2016. The Group's turnover and gross profit for the year amounted to RMB211.44 billion and RMB59.42 billion respectively, both representing year-on-year growth of 58.8%. Core business profit was RMB20.81 billion. The net profit was RMB17.62 billion.

Hui Ka Yan
Chairman

REPORT OF CHAIRMAN

Business Review

In 2016, as the second largest economy in the world, China attached great importance to stability while pushing forward the Reform of the Supply Side. In 2016, the opening year of the "13th Five-Year Plan", China's GDP amounted to RMB74,413 billion throughout the year with a steady growth of around 6.7%[1]. Against the backdrop of the overall stability of economic development in China, the quality of growth significantly improved and the economic structure continued to optimize while the five missions namely "De-capacity, de-stocking, de-leveraging, cost reduction and weak link improvement" made steady progress and innovation was urged for during the change in new and old momentum. Under the new economic normal, further reform and innovation and optimization and upgrading of industry structure will further stimulate market vitality and economic growth.

Throughout the year, the real estate market in China continued to boom, and the transactions presented a trend of increasing sales price and volume. The accumulated sales of commodity housing reached 1.57 billion square meters, representing a year-on-year increase of 22.5%, where residential properties accounted for 22.4%. The sales of commodity housing amounted to RMB11.8 trillion, representing a year-on-year increase of 34.8%, where residential properties grew by 36.1%[2]. At the same time, the adjustment policies on real estate during the year had significant effect. In the first half of 2016, due to the downward pressure on the economy and high inventory level, the macro-economic policy was relatively eased by reduction in bank reserve ratio, interest rates, tax and down payment. With the intensive introduction of favorable measures, the market demand was quickly unleashed. Further, affected by the de-stocking policies, the housing prices in certain popular cities became too high such that the local governments gradually implemented policies to control prices, so as to avoid the trend of rapid rising of housing prices. Meanwhile, the real estate policies diverged: the housing prices were adjusted and tightened for the popular cities with enhanced regulation while the de-stocking strategy continued for the third- and fourth-tier cities by working on both the demand and supply side to remodel the market environment.

1 Source: "Preliminary Calculation Results of the Fourth Quarter and Full-year GDP of China for 2016" issued by the National Bureau of Statistics of China

2 Source: "National Real Estate Development and Sales for 2016" issued by the National Bureau of Statistics of China

Facing the complicated market environment and the intense industry competition, the Board made well-grounded judgments based on its keen insights, forward-thinking and strategic layout and was decisive in capturing market opportunities at the timing of the introduction of favorable policies. In 2016, accumulated contracted sales reached RMB373.37 billion, representing a year-on-year increase of 85.4% as well as representing 124.5% of the up-lifted sales target of RMB300 billion, such that the Group ranked top in terms of sales for the year. GFA of contracted sales was 44.69 million square meters, representing a year-on-year growth of 75.2%; and the average contract selling price also had a year-on-year increase of 5.9%. As at 31 December 2016, the GFA on the land reserves was 229 million square meters, and the accumulated average cost was RMB1,570 per meter. The area under construction was 80.37 million square meters while 489 projects were under construction. In 2016, the Group launched 116 new projects and the number of projects for sale accumulated to 473 with sales proceeds of RMB300.9 billion. As at 31 December 2016, cash balance held by the Group (including cash and cash equivalents and restricted cash) was RMB304.3 billion. Besides, the Group strived to have a diversified industry layout, forming the four major segments, namely real estate, finance, tourism and healthcare. The Group has completed the transformation from "real estate" to "real estate + services". The real estate segment started to change from "scale development" to "scale + efficiency development".

Land Reserves

The Group stepped up efforts in expanding its land reserves and facilitated the commencement of projects in first- and second-tier cities and well-developed prefecture-level cities.

The Group acquired land reserves of 102.38 million square meters for its new projects. The Group acquired 213 new projects and is also acquiring more land in the surrounding area of 22 of its existing projects. Among the newly acquired projects, 11 were located in first-tier cities, and 116 in second-tier cities. The number of new projects in the first- and second-tier cities accounted for 59.6% of the number of all the new projects. The main purpose of these acquisitions was to further optimize the regional layout of the projects among first- to third-tier cities, with an objective of improving our overall profitability. Newly acquired projects covered 109 cities, with a majority of them located in Guangzhou, Beijing, Shanghai, Chongqing, Chengdu, Foshan, Zhuhai, Huizhou, Qingdao, Fuzhou, Suzhou and Shaoxing. The cost of newly acquired land reserves was reduced to RMB1,996 per square meter as 65.7% of the new projects were acquired by transfer or cooperation.

REPORT OF CHAIRMAN

Completed construction occupied 29.630 million square meters of the Group's land reserves, and the total land reserves balance at the end of 2016 was 229 million square meters, representing an increase of 73.28 million square meters or approximately 46.9% year on year. The land reserves of the Group of carrying amount of RMB360.07 billion were located in 209 cities in China and covered all of the first-tier cities, most provincial capitals and a majority of prefecture-level cities with potential in China. We had 582 projects in total, with 56.7% of them located in the first- and second-tier cities. The average cost of land reserves was approximately RMB1,570 per square meter, which was relatively low in the industry.

Contracted Sales

With the increasing contracted sales price, volume and record-breaking sales amount, the Group ranked top in terms of sales.

In 2016, the Group's contracted sales increased by 85.4% year on year to RMB373.37 billion, representing 124.5% of the target of RMB300 billion. GFA of contracted sales was 44.69 million square meters, representing year-on-year growth of 75.2%; and the average contract selling price was RMB8,355 per square meter, representing a year-on-year increase of 5.9%.

The leading sales performance was mainly attributable to the Group's far-sighted optimization of the regional layout of its projects, upgrading of decoration and facilities among other product value additions, as well as its flexible and practical sales strategy and selling price. The average price of contracted sales of the Group continued to rise. The average single-month trading prices for nine months during the year all exceeded RMB8,500 per square meter, with May, September and November recording more than RMB9,000 per square meter, with the highest of RMB9,707 per square meter. The Board believed that the increasing selling price and sales amount were favorable for maintaining the net profit margins of the major business of the Group.

During the year, the Group launched 116 new projects located in 75 cities for sale, including Beijing, Shanghai, Guangzhou, Foshan, Dongguan, Nanjing, Changsha, Tianjin, Wuhan, Fuzhou, Dalian, Yueyang, Sanya, Zhuhai and Huihzou, of which 64% are located in the first- and second-tier cities. With new presence in 25 of the above cities, we had an aggregate of 473 projects for sale as at the end of the year, which are located in 191 cities including 4 first-tier, 38 second-tier and 128 prefecture-level cities and 21 county level cities.

For the whole year, the contracted sales amounted to RMB373.37 billion, with RMB49.88 billion in the first-tier cities, accounting for 13.4% of the total contracted sales, and RMB201.66 billion in the second-tier cities, accounting for 54.0% of the total contracted sales. The aggregate sales in the first- and second-tier cities as a percentage of that of the Group was 67.4%, another increase of 8 percentage points as compared to 2015. This indicated a success under the strategy of optimizing regional project layout over the years, as witnessed by the balanced sales among first-tier to county level cities[3].

Property Development

The Group stepped up efforts in construction, arranged reasonable construction planning, maintained a large amount of projects under construction, and focused on the coordination among construction planning, sales planning and construction completion planning.

During the year, the new construction commencement GFA, completed GFA and GFA under construction were 51.375 million square meters, 29.630 million square meters and 80.365 million square meters, representing an increase of 20.7%, 17.2% and 37.1%, respectively, as compared to the previous year.

During the year, the Group launched 116 new projects, representing a year-on-year rise of 43%. The Group delivered a total of 389 projects for the whole year with a transaction amount of RMB203.89 billion. The GFA of properties delivered was 25.565 million square meters. The precise and rigorous development plan provided adequate resources for sales, accelerated the turnover of capital and secured the delivery amount and revenue recognition.

As at 31 December 2016, the Group obtained construction certificates for 489 of its 582 projects. 109 of the projects had not commenced sales, where most of them were able to commence sales in 2017. The Board considered that its industry-leading scale of development and construction and the saleable area would provide a solid foundation for the Group to record revenue after delivery and ensure strong contracted sales in the future.

3 First-tier cities: Beijing, Shanghai, Guangzhou and Shenzhen;
Second-tier cities: Provincial capitals except for Guangzhou, cities specifically designated in the state plan except for Shenzhen, Chongqing, Tianjin, Sanya and prefecture-level cities with over RMB500 billion GDP and a population of more than 7 million;
Prefecture-level cities: Prefecture-level cities other than the first- and second-tier cities mentioned above.
County/county-level cities: County-level cities with administrative level at county or equivalent

REPORT OF CHAIRMAN

Financial Resources

Capital costs greatly reduced with diversified financing channels, and the Group continued to maintain sufficient cash balance.

The Group continuously strengthened its financial resources through a combination of measures to ward off potential risks in order to repay the principal and interests of its domestic and foreign debts as they fell due with sufficient resources. In mid-January, the Group completed the issuance of private placement bonds amounting to RMB10 billion with a term of four years and an interest rate 6.98%. In early August, the Group completed the issuance of private placement bonds amounting to RMB4.2 billion with a term of two years and an interest rate of 6.8%. With the above measures, the Group optimized its debt structure by replacing short-term debts with long-term debts and placing high interest rate debts with low interest rate debt and replenished the general working capital.

The Group issued 7.8% private notes amounting to US$400 million due 2019 and 8% senior notes amounting to US$300 million due 2019 in January 2016 respectively. The proceeds were used in the repayment of the 9.25% senior notes with a principal amount of RMB3.7 billion due 19 January 2016 (settled in US$) and the replenishment of general working capital.

In 2016, the Group collected sales proceeds of RMB300.89 billion. The Group entered into strategic cooperation agreements with China CITIC Bank, Pufa Bank, China Bohai Bank, Shengjing Bank, Minsheng Bank, Bank of China, Postal Savings Bank of China, Industrial Bank (China), CITIC Trust and Agricultural Bank of China, and secured RMB673.3 billion of facilities in total. Moreover, the Group reduced its land premium payment through project cooperation and by leveraging its positive brand image to clinch better contract terms, payment methods and payment conditions.

With the above measures, the total cash of the Group at the end of the year reached RMB304.33 billion, which was the highest level since its listing. Capitalizing on the solid cooperation foundation with large-scale commercial banks in China, the Group had unutilized banking facilities amounting to RMB138.30 billion at the end of the year. Together with the total cash of RMB304.33 billion at the end of the year, the Group's available funds amounted to RMB442.63 billion in total.

Meanwhile, the Group also sold certain commercial premises in a timely manner and adopted measures to increase the selling price of residential units while striving to control its selling expenses and management costs. The profit margins of the core businesses reached 9.8%, representing an increase of 1.5 percentage points as compared to 2015. The Board believed that, with the further optimization of the location and product quality of the projects, as well as the further selling of commercial premises, there would be much room for raising the selling prices of products, which, in turn, would have a positive effect on the profit margins of the core businesses of the Group.

Standardization of Premium Products

The standardization policy was further promoted, which enabled the Group to mitigate the impact of escalating costs on gross profit margin and generates value for its shareholders.

Responding to market changes in the year, the Group further enhanced its product mix and comprehensively upgraded its standards for layouts, facades and decoration. The optimized product types are further standardized, and thus the designs are more tailored to the end-user market as well as housing improvement needs and the product types are further diversified. The approaches adopted in architectural design, material supply and construction methods function in an "assembly-line" style, and helped to shorten the design cycle, guarantee the design quality and improve development efficiency.

In addition, the Group actively pursued leading technologies globally by deepening strategic cooperation with Harvard University and Tsinghua University, partnering with Tsinghua University and British Building Research Establishment on green construction and carrying out feasibility study on smart home, residential air haze removal system and the central soft water purification system to enhance product value-addition.

Four Major Segments

The Group completed its layout on the four major segments, namely real estate, finance, healthcare and cultural tourism, the transformation from "real estate" to "real estate + services" while the real estate segment started to change from "scale development" to "scale + efficiency development".

In order to further consolidate its principal business real estate, the Group intended to spin off its real estate business for listing in the A share market. On 30 December 2016, the Group reached agreements with a number of investors, pursuant to which Hengda Real Estate introduced strategic investors with a total investment amount of RMB30 billion based on its valuation of RMB198 billion. The investment amount accounted for 13.16% of Hengda Real Estate's enlarged share capital. The Company did not rule out the introduction of additional investors in the near future. On 24 January 2017, the Group obtained an in-principle approval for the proposed spin-off from the Hong Kong Stock Exchange.

恒大金融 (Evergrande Finance) is a financial holding group which integrates diversified business including banking, insurance and internet finance and holds 17.28% equity interest in Shengjing Bank as the largest shareholder. The bank's total assets amounted to RMB905.5 billion with deposit balance of RMB415.2 billion, both maintaining high growth rates as compared to last year. For Evergrande Life, its annual standardized premiums amounted to RMB56.5 billion. It gradually promoted its internet finance business. There were over 15 million registered users in hdfax.com, with annual trading volume of RMB33.9 billion.

Evergrande Tourism Group is a large cultural tourism composite focusing on its major product — fairytale land and striving to provide services for children. For the tourism group, the contracted sales amounted to RMB17.47 billion for the year. The area under construction was 10.6 million square meters. The area under construction of the Haihua Island Project was 7.18 million square meters, comprising 28 commercial attractions including fairytale land, marine world, snow mountain and water park, conference and exhibition center, museums and Chinese film and television production base. Recently, 16 of the commercial attractions completed the construction of their main structures. The area under construction of Hengda Haishang Venice in Qidong was 3.42 million square meters, comprising commercial attractions including coastal housing, vacation, international conferences, Olympic sports and elite education. The Evergrande Fairytale Land under planning will be a world-class fairytale indoor theme park for young children while targeting at promoting Chinese culture and reflecting world's culture. The theme park will open for all seasons.

Evergrande Health Group is a large and comprehensive health industry group which commences elderly care operation, new high-end international hospitals, medical cosmetics and anti-aging. Evergrande • Elderly Care Valley focused on health services including full life-cycle and all-rounded health service. In respect of international hospital, Evergrande Health Group cooperated with Brigham and Women's Hospital, a major teaching hospital of Harvard Medical School, to establish "Boao Evergrande International Hospital — Affiliate of Brigham and Women's Hospital". It explored the model for "flagship stores + medical cosmetology micro-agencies" for the medical cosmetology and anti-aging business and has opened three medical cosmetology micro-agencies in Guangzhou, Beijing and Tianjin.

Corporate Social Responsibility

Under the new normal of economy, the Group upholds the philosophy of "Put people first, serve the country through industry development" and does its utmost to shoulder its social responsibility and create social value in an effort to achieve harmonious development between the Company and the society.

In 2016, the Group provided more than 1.7 million job opportunities. The Group made over 100 donations to charity and public welfare work relating to livelihood, poverty, education, environmental protection, sports and others for a total amount of more than RMB4.2 billion over 20 years. The Group was awarded the China Charity Award, the highest government award in the field of charity, for the seventh consecutive year, and also the first anti-poverty effort contribution award in China. In future, we will continue to devote ourselves to charity and public welfare work and cooperate with our shareholders, employees, the upstream and downstream industry chain and customers to make our due contribution to harmonious development of the society.

REPORT OF CHAIRMAN

Caring Livelihood

The philosophy of properties for the people is the foothold of Evergrande. To benefit the people, the Group, as the sole developer in the industry delivering well-decorated properties, enhanced the overall quality of products to provide affordable boutique housing to common people.

In 2016, the Group fulfilled its responsibility as a corporate citizen in supporting the charity and public welfare matters in China. In April, the Group donated approximately RMB129 million to Harvard University. In August, the Group donated RMB200 million to Guangdong Foundation for Poverty Alleviation. In November, the Group donated RMB200 million to Tsinghua University Education Foundation and donated RMB30 million to University of Jinan Development Education Foundation.

From December 2015, the Group implemented its poverty alleviation plan for Dafang, Bijie, Guizhou. The plan was to help all of the 180,000 poverty population in Dafang to shake off poverty by the end of 2018 through a free input of RMB3.0 billion in three years and a series of comprehensive measures. As at the end of 2016, the Group helped 80,500 people in Dafang to step above the poverty line, reaching 45% of the poverty alleviation target.

Green Homes

The Group continued to promote the upgrading of products and further optimized its major layouts so as to enhance the regional suitability, quality and environmental performance of its residential products. Adhering to the objective of "green ecology, energy saving and environmental protection", the Group persisted in delivering well-decorated properties to mitigate environmental pollution of re-decoration. Advanced technology is applied from project design to construction, improving product quality and environmental standards in the industry.

The Group further deepened the strategic cooperation with the top-tier partners in the world. The Group introduced eight strategic investors such as CITIC, Zhongrong, CEFC, Shandong Highway and Shenzhen Guangtian to optimize its capital structure. The Group established further strategic cooperation with China Merchants Group and various financial institutions to achieve mutual development. The Group entered into strategic cooperation with four renowned household appliance companies, namely Haier Group, Gree Group, Midea Group and TCL Group, facilitating the upgrading of Evergrande's strategy on properties for the people.

In 2016, the Group enhanced its property services standards to further improve its after-sales services and property management. The satisfaction of property buyers continued to increase.

Cooperation with integrity

Integrity is the essence of business. Since its incorporation, the Group has upheld principle of operation with integrity. During the cooperation with 861 strategic cooperation partners in China and foreign countries, the Group has always attach great importance to open transactions and tax payment according to laws, which jointly promoted the construction of integrity alliance and achieved mutual development.

In 2016, the Group strengthened strategic cooperation, pushed forward centralized procurement and shared the results with its strategic cooperation partners. The Group established an inspection mechanism and a service hotline in response to supplier satisfaction and the quality of services providing to suppliers improved steadily.

The Group extended the scope of supplier regional management system, consolidated the supplier resources and opened up the procurement and supply chains for suppliers and regional companies, greatly enhanced the efficiency and transparency of the Group's procurement.

By optimizing the quality assessment on tender entry, the Group strengthened quality control from the sources of procurement. The Group established a 360-degree quality assurance system to monitor the entire process and set a control red line of "product quality veto by one vote". The Group also established a comprehensive assessment incentive and elimination mechanism for suppliers such that the supply chain management was further strengthened, facilitating the consistent enhancement in product quality.

Supporting Sports and Cultural Events

By virtue of professional operation mode and modern wisdom in enterprise management, the Group put every effort to promote the development of China's sports industry. In 2016, Evergrande Football Club was again laurelled, winning the champion of the China Football Association Super League, Chinese FA Cup and Chinese FA Super Cup. The club won a total of 14 champions in seven years. Evergrande Football School obtained a total of 19 champions in various competitions.

The Group pushed forward the development of cultural industries in China, including the opening of 36 cinemas for the year. A total of 75 cinemas were opened with 523 screens.

Awards

During the year, the Group landed on the Fortune Global 500 in 2016 and became the only private enterprise which enters the Fortune Global 500 with only 20 years' efforts in the real estate industry. At the same time, the Group won 16 national awards, ranking first among China's real estate companies in overall strength for the first time with a brand value of RMB39.262 billion which ranked first in the industry for seven times.

In the assessment of the Top 100 China Real Estate Companies jointly organized by Enterprise Research Institute of Development Research Center of the State Council, Institute of Real Estate Studies of Tsinghua University and China Index Academy, the Group won the first prize for the first time, and won several awards including the Top 100 China Real Estate Companies, the Top 10 of the Top 100 China Real Estate Companies in overall strength, the Top 10 of the Top 100 China Real Estate Companies in business scale, the Top 10 of the Top 100 China Enterprises in financing capability and the Top 10 of the Top 100 China Enterprises in operating efficiency. In the report of the Top 500 China Real Estate Developers jointly organized by China Real Estate Association and China Real Estate Appraisal Center of Shanghai E-house China R&D Institute, Evergrande ranked first among its industry peers in overall strength for the first time, and ranked first in several awards including the Top 10 China Real Estate Developers in overall development, the Top 10 Chin Real Estate Developers for Tourism Real Estate, the Top 10 China Real Estate Developers in corporate responsibility, the Top 10 China Real Estate Developers in city coverage and the Top 10 China Real Estate Developers in innovation capability. The Group was awarded the 2016 Excellence Company Award in the selection of Golden Brick Award for Real Estate of China convened and sponsored by 21st Century Business Herald newspaper chain, the most influential financial press in China.

In the anti-poverty effort award ceremony organized by the State Council Leading Group of Poverty Alleviation and Development, the Group was awarded the anti-poverty effort contribution award in China. The Group awarded the 2016 China Social Responsibility Precision Poverty Alleviation Award of Xinhua.com and Chinese Academy of Social Sciences. The Group was also awarded the China Charity Award, the highest government award in the field of charity, for the seventh consecutive year.

The acquisition of all such awards showcases a unanimous social recognition of the Group' governance structure, development model, operating results and social contributions.

Business Outlook

The Central Economic Work Conference held in December 2016 emphasized the establishment of a long-term mechanism for the real estate market which facilitates the stable and healthy development of the market, showing the central government will continue to maintain its active financial policy and stable monetary policy so as to maintain stable and sustainable growth.

Looking forward to 2017, the Board is of the opinion that the major focus of the overall economy will continue to be stable and make progress while maintaining stability while revitalizing the real economy. The Reform of the Supply Side will be further implemented. "De-stocking" will be a crucial task and the consistent healthy growth of the real estate industry will continue to facilitate the robust economic development in China. Moreover, the macro-control policies on the real estate industry will become divergent, and specific policy formulated base on the actual condition of cities will be implemented. With the increasing competition in the real estate industry, it is believed that large real estate enterprises with a large amount of resources will further enjoy advantages in land resources quality, corporate mergers and acquisitions, strategic transformation, talent pool and other aspects, enabling them to capture the market opportunities. The stronger ones will stay and maintain the leading position, leading the development of industry upgrading.

REPORT OF CHAIRMAN

Based on the comprehensive judgment on the "new normal" of China's economy and the real estate industry, the Board will exploit potentialities of and adapt to market changes and focus on its own development based on the domestic and foreign economic conditions. It will execute the layout of downward consolidation and upward development so as to take off again in further building a leading system for sales and collection of sales proceeds in China. It will enlarge its land bank and maintain strict cost control while optimizing debt structure and improving profit management. Leveraging the thoughtful layout, it will also improve the quality of its products and services while maintaining stability and to facilitate diversified, quality and coordinated development by further deployment of the four major segments, namely real estate, finance, tourism and healthcare.

Land Reserves

In 2017, the Group will acquire high quality projects in an enterprising, prudent and pragmatic fashion, and secure a leading position in terms of land reserves in the industry. The Group also puts greater emphasis on profitability improvement and quality and coordinated development for project expansion, and still mainly focuses its regional layout on first- and second-tier cities, as well as well-developed prefecture-level cities, aiming to raise the gross profit margins of products. Meanwhile, the Group will further strengthen the cost-effective and efficient ways to acquire projects, such as mergers and acquisitions and cooperation in property development.

Contracted Sales

The Group foresees a relatively stable policy environment with increasingly divergent regional markets in 2017. As such, the Group will follow the market trends, ensure adequate inventories, and focus on key project sales in key regions. In particular, the Group will continue to break down its annual sales target to the project level and initiate enough marketing activities from the beginning of the year so as to ensure the achievement of its annual sales target.

The Group maintained its area under construction at 80.37 million square meters, offering sufficient saleable area. The Group has 165 new residential projects available for sale, most of which are located in major cities, including Chengdu, Xi'an, Chongqing, Zhuhai, Harbin, Zhengzhou, Foshan, Dalian, Sanya and Suzhou. Based on the overall marketing strategy and the progress of construction, the Group plans to market these projects by selectively prioritizing certain projects with appropriate timing. In addition, the Group has reserved several projects used for residential and commercial purposes and a large amount of stores and parking spaces in the residential projects, which are expected to supplement the contracted sales of the year.

As the Group continuously promotes the strategy of optimizing the regional layout of projects and substantially increases the added value of its products by upgrading supporting facilities, decoration standards and housing structures, the average transaction price for the year is expected to increase further. During January to February 2017, the average price contracted sales of the Group was RMB8,805 per square meter and RMB9,510 per square meter, respectively. As to the specific pricing strategy, the Group will strike a balance between sales price and sales volume and between scale and gross profit to achieve positive growth for both. Sales targets are designated on a quarterly basis, and the sales results will be reviewed on a monthly basis. The monthly sales results are reported to shareholders and investors by voluntary announcements. Given the adequate inventories, strong execution capability and product advantages of the Group, the Board is very confident that the Group can achieve its full-year contract sales target.

Financial Capital

The Group will continue to maintain its steady financial policies, keep up sufficient cash balances and maintain its net profit margin for its main operations. To accomplish this, the Group will further set reasonable sales price, enhance the collection of sales proceeds, continue to expand project cooperation and sell some of the commercial premises in an appropriate extent and further increase the turnover of inventories.

With respect to capital arrangement, the Group made reasonable arrangements on the repayment plans for the existing corporate bonds and perpetual bonds and implemented stricter payment management plan while leveraging diversified financing channels and managing the dynamic balance between capital inflow and outflow.

With respect to the control of costs and expenses, the Group will continue to implement reforms of product upgrades and standardization to ensure product quality and reduce costs. The Group will also utilize new media, namely Heng Fang Tong (恒房通), and various types of media to lower its selling expenses. Besides, the Group established a industry-leading ERP (Enterprise Resource Planning) system, which covers seven core business modules including investment management, design management, project planning and project management, tendering management, contract management, procurement and supply chain management, with number of users reaching 16,000, and will make full use of information technology to further reduce operating expenses.

Final Dividend

As the Group is undergoing a spin-off reorganisation, in accordance with Question 10 of the "Revised Frequently Asked Questions and Answers for Laws and Regulations for the Regulation of Listed Issuers" (《上市公司監管法律法規常見問題與解答修訂彙編》) of China Securities Regulatory Commission, no final dividend for 2016 has been declared at this time. Upon completion of the spin-off reorganisation, the Company will declare a special dividend in respect of 50% of the distributable profits of the Company for the whole year of 2016 and the first half year of 2017 to the shareholders of the Company.

Annual General Meeting

The annual general meeting of the Company will be held on Thursday, 15 June 2017. A notice convening the annual general meeting of the Company will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 9 June 2017 to 15 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 8 June 2017.

REPORT OF CHAIRMAN

Purchase, Sale or Redemption of the Company's Listed Securities

During 2016, the Company repurchased from the market a total of 127,665,000 shares. All the repurchased shares have been cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Details of the repurchases of the shares of the Company are as follows:

Month of repurchase	Number of shares repurchased	Highest price per share (HK$)	Lowest price per share (HK$)	Aggregate purchase price (HK$)
January 2016	127,665,000	6.70	5.91	821,992,990
	127,665,000			821,992,990

On 12 January 2016, the Company issued 8% senior notes due 2019 with a principal amount of US$300 million. The senior notes are listed and traded on the Singapore Stock Exchange. The Company also issued on the same date 7.8% senior notes due 2019 with a principal amount of US$400 million.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

Subsequent Event

The Company announced on 3 October 2016 that 廣州市凱隆置業有限公司 (Guangzhou Kailong Real Estate Company Limited) ("Kailong Real Estate") and 恒大地產集團有限公司 (Hengda Real Estate Group Company Limited) ("Hengda Real Estate"), both being subsidiaries of the Company, entered into a cooperation agreement with 深圳經濟特區房地產(集團)股份有限公司 (Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd.) ("Shenzhen Real Estate") and 深圳市投資控股有限公司 (Shenzhen Investment Holding Co. Ltd.) ("Shenzhen Investment") pursuant to which the parties agreed to work towards the entering into a reorganisation agreement under which Shenzhen Real Estate will by way of issue of Renminbi ordinary shares (A shares) and/or the payment of cash consideration, acquire 100% of the equity interest in Hengda Real Estate from Kailong Real Estate, which will result in Kailong Real Estate becoming the controlling shareholder of Shenzhen Real Estate thereby enabling the Company to effectively list the real estate related assets of the Group on the Shenzhen Stock Exchange A-share market (the "Proposed Reorganisation"). The Proposed Reorganisation constitutes a spin-off under Practice Note 15 of the Listing Rules and would require the approval of the Stock Exchange. On 24 January 2017, the Company received the in-principle approval from the Stock Exchange in respect of the proposed spin-off.

On 17 March 2017, the Company announced the issue of (i) 7% senior notes due 2020 with a principal amount of US$500 million, and (ii) 8.25% senior notes due 2022 with a principal amount of US$1,000 million.

On 24 March 2017, the Company announced the issue of 9.5% senior notes due 2024 with a principal amount of US$1,000 million.

Model Code on Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the directors. Having made due and careful enquiries with the directors, the Company confirmed that for the year ended 31 December 2016, all directors always abided by the Model Code.

Review of Consolidated Financial Information

The Audit Committee of the Company consists of all of the independent non-executive directors of the Company, namely Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi. The Audit Committee assists the Board in providing an independent review of the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2016.

Announcement of Full Year Results on the Stock Exchange's Website and the Company's Website

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

Acknowledgement

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

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

Hong Kong, 28 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group recorded revenue of RMB211.44 billion for the reporting period (2015: RMB133.13 billion), representing a year-on-year growth of 58.8%. Gross profit amounted to RMB59.42 billion (2015: RMB37.41 billion), representing a year-on-year growth of 58.8%.

Core business profit was RMB20.81 billion for this year, which is calculated based on net profit excluding fair value gains on investment properties, exchange losses, gains on financial assets at fair value through profit or loss and one-off donation. The core business profit margin was 9.8% for 2016.

Revenue

During 2016, the revenue is RMB211.44 billion. A growth rate of 58.8% in revenue was recorded compared with 2015. Revenue generated from the property development segment increased by 61.2% to RMB203.89 billion. The increase was mainly due to the property area of recognized sales increased by 48.3% as compared with 2015 and the average selling price of the properties increased by 8.7% as compared with 2015. Revenue generated from property management amounted to RMB1.95 billion, an increase of 47.7% from last year. Revenue generated from investment properties amounted to RMB647 million, up by 168.5%, which was mainly rental income from the properties.

Gross Profit

Gross profit of the Group was RMB59.42 billion for this year, representing a 58.8% growth as compared with last year. Increase in gross profit was mainly attributable to 48.3% of growth in the delivered property area in 2016. Sales of corresponding area could only be recognized upon delivery. Gross profit rate is 28.1%, remaining relatively stable comparing to 2015.

Fair Value Gain on Investment Properties

Fair value gain of investment properties of the Group as at 31 December 2016 was RMB5.12 billion, representing a decrease of 60.2% as compared with 2015. Investment properties of the Group mainly include commercial podiums in living communities, office buildings with gross floor area of about 6.64 million square meters and approximately 410,000 car parking spaces.

Gain on Financial Assets at Fair Value Through Profit or Loss

Gain on financial assets at fair value through profit or loss was RMB141 million for this year, due to the net increase of the value of the securities portfolio held by the Group.

Selling and Marketing Costs

During 2016, selling and marketing costs of the Group rose from RMB13.33 billion for 2015 to RMB15.98 billion, which was mainly attributable to the increase in the number of projects launched and significant increase in contracted sales during the year. A large portion of costs were spent on nationwide marketing and brand publicity activities, which resulted in a rise in contracted sales. These costs were booked as selling and marketing expenses in 2016. However, corresponding revenue could only be recognized after the delivery of property possession. Measures have been implemented to ensure that the Group did not overrun selling and marketing budgets on basis of contract sales amount. In terms of the portion of selling and marketing expenses to contracted sales, there is a drop of 2.3 percentage points, comparing with the selling and marketing expenses ratio of 2015.

Administrative Expenses

During 2016, administrative expenses of the Group increased to RMB9.60 billion from RMB6.14 billion for 2015, which was mainly attributable to the continuous expansion of the Group’s nation-wide business and significant growth in contracted sales for 2016. Office expenses and depreciation increased accordingly. The level of staff remuneration also increased.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Borrowings

As at 31 December 2016, the borrowings of the Group amounted to RMB535.07 billion, with the following maturities:

	31 December 2016 (RMB billion)	As percentage of total borrowings	31 December 2015 (RMB billion)	As percentage of total borrowings
Less than 1 year	202.9	37.9%	158.7	53.5%
1–2 years	161.3	30.1%	54.8	18.5%
2–5 years	158.7	29.7%	74.0	24.9%
More than 5 years	12.2	2.3%	9.4	3.1%
	535.1	100.0%	296.9	100.0%

A portion of the borrowings were secured by pledge of the property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash at bank and the equity interests of certain subsidiaries of the Group at an average effective interest rate of 8.27% per annum (1st half of 2015: 9.59%).

Foreign Exchange Exposure

The Group's business is principally conducted in Renminbi. A significant portion of residential and investment properties are located in Mainland China. However, there are approximately 15.8% of borrowings denominated in foreign currencies, such as US$, HK$ and etc.

We estimate Renminbi exchange rate to continue its two-way volatility as Renminbi exchange mechanism becomes more market-oriented. However, even though exchange loss of RMB5.77 billion was recorded in 2016, there is still uncertainty on the actual exchange losses or gains relating to borrowings in foreign currencies, when they were repaid on due dates.

The Group will closely monitor its exchange risk exposure and will adjust debt profile when necessary based on market changes. Since the 2nd half of 2016, the Group has been increasing certain offshore borrowings in the currencies other than US$ and HK$, whose exchange rates were relatively stable with Renminbi. The Group has not entered into any significant forward exchange contract to hedge its exposure to the risk.

Liquidity

As at 31 December 2016, the total amount of cash and cash equivalents and restricted cash of the Group was RMB304.33 billion, together with unutilized banking facilities of RMB138.30 billion. The abundant working capital provided opportunities for the Group to seek the best business opportunities and provided adequate financial support to the rapid development.

Land Reserves

During 2016, the Group acquired 213 pieces of additional land in 109 cities, which mainly include Guangzhou, Beijing, Shanghai, Chongqing, Chengdu, Foshan, Zhuhai, Huizhou, Qingdao, Fuzhou, Suzhou and Shaoxing. As at 31 December 2016, the land reserve area of the newly acquired land was approximately 102.376 million square meters, the average cost of which was RMB1,996 per square meter.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the details of the additional land acquired by the Group in 2016.

Distribution of newly acquired land reserves of the Group in 2016

No.	Province	Name of Project	Land reserve original value (RMB100 million)	Land reserve area (m^2)	Price of Floor Area (RMB/price of floor area)	Actual shareholding
1	Guangdong Province	Evergrande Palm Island Huiyang	5.53	527,038	1,050	100.00%
2		Evergrande Royal View Garden Shunde	5.30	825,840	642	100.00%
3		Evergrande Joy Town Foshan	37.73	402,923	9,363	100.00%
4		Evergrande Xiaogui Bay Huizhou	16.47	395,867	4,160	100.00%
5		Evergrande Scenic Garden Zengcheng	6.39	332,012	1,925	100.00%
6		Evergrande Metropolis Chaozhou	4.11	356,734	1,152	100.00%
7		Evergrande Oasis Jieyang	6.46	458,240	1,409	100.00%
8		Evergrande Emerald Court Foshan	0.04	2,750	1,410	100.00%
9		Evergrande City Foshan	2.61	184,991	1,410	100.00%
10		Evergrande Emerald Court Dongguan	7.40	165,702	4,466	100.00%
11		Evergrande Royal Bay Foshan	9.91	332,070	2,985	100.00%
12		Evergrande Bay Dongguan	3.20	177,565	1,802	100.00%
13		Evergrande Left Riverbank Dongguan	6.89	181,034	3,806	100.00%
14		Evergrande Royal Alcazar Foshan	2.95	220,100	1,340	100.00%
15		Evergrande Royal Landscape Foshan	11.10	716,428	1,550	100.00%
16		Evergrande Dragon Emerald Shunde	3.54	105,730	3,350	100.00%
17		Evergrande Mountain Bay Huizhou	5.29	154,764	3,416	100.00%
18		Evergrande Royal View Garden Huizhou	7.90	242,300	3,259	100.00%
19		Evergrande YueLong Court Huizhou	16.38	281,499	5,820	75.00%
20		Evergrande Moon Bund Huizhou	4.50	110,603	4,069	100.00%
21		Evergrande Dragon Bay Huizhou	16.48	374,427	4,402	35.70%
22		Evergrande Fashion Valley Shenzhen	33.50	391,260	8,562	100.00%
23		Evergrande Emerald Court Jieyang	2.25	214,073	1,051	100.00%
24		Evergrande Palace Jieyang	2.18	179,516	1,213	100.00%
25		Evergrande Bund Shantou	19.13	437,493	4,371	100.00%
26		Evergrande Royal Scenic Peninsula Jiangmen	6.60	284,625	2,318	100.00%
27		Evergrande Century Fancy World Zhaoqing	14.04	2,301,343	610	58.00%
28		Evergrande Royal Town Zhaoqing	4.00	413,180	968	100.00%
29		Evergrande Emerald Court Zhaoqing	2.80	146,087	1,917	100.00%
30		Evergrande Emerald Court Zhuhai	2.90	66,632	4,352	100.00%
31		Evergrande Royal Scenic Peninsula Meizhou	20.50	2,063,164	994	100.00%
32		Evergrande Central Square Shunde	11.50	441,513	2,605	100.00%
33		Evergrande Royal Garden Dongguan	8.75	125,685	6,961	100.00%
34	Beijing	Evergrande Elite Shadow Greek Beijing	44.21	197,316	22,404	100.00%
35	Shanghai	Evergrande Royal Seaview Garden	29.26	375,903	7,785	90.00%
36	Chongqing	Qingpu	33.85	842,449	4,018	100.00%
37		Evergrande Emerald Bay Chongqing	5.47	278,526	1,965	51.00%
38		Evergrande Mountain Palace Chongqing	4.10	278,532	1,472	45.90%
39		Evergrande New Town Chongqing	11.30	582,800	1,939	100.00%
40		Evergrande Lu Village Chongqing	10.89	321,399	3,388	100.00%
41		Evergrande Energetic City Chongqing	9.71	489,400	1,983	100.00%
42		Evergrande Tongjing Town Chongqing	6.66	335,571	1,983	100.00%
43		Evergrande Future City Chongqing	14.45	575,716	2,510	51.00%

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Province	Name of Project	Land reserve original value (RMB100 million)	Land reserve area (m^2)	Price of Floor Area (RMB/price of floor area)	Actual shareholding
44	Tianjin	Evergrande Royal Scenic Bay Tianjin	12.40	231,702	5,352	100.00%
45		Evergrande Joy Palace Tianjin	42.60	289,321	14,724	100.00%
46		Evergrande Huaxi Town Tianjin	7.97	430,497	1,852	100.00%
47	Hubei Province	Evergrande Evergreen Garden Wuhan	36.79	1,300,000	2,830	60.00%
48		Evergrande Emerald Court Wuhan	11.05	246,250	4,487	100.00%
49		Evergrande Gold Metropolis Jingzhou	3.52	307,046	1,148	100.00%
50		Evergrande Emerald Court Jingzhou	1.78	104,070	1,713	51.00%
51		Evergrande Metropolis Suizhou	1.46	186,410	782	100.00%
52		Evergrande Golden Metropolis Suizhou	3.30	243,700	1,354	100.00%
53		Evergrande Emerald Court Xiangyang	2.63	181,572	1,451	100.00%
54	Sichuan Province	Evergrande Paradise Peninsula Chengdu	24.11	3,264,082	739	100.00%
55		Evergrande Royal City Chengdu	3.40	246,059	1,381	100.00%
56		Evergrande Paradise Mansion Chengdu	4.53	772,274	586	100.00%
57		Evergrande Splendid City Chengdu	9.49	218,006	4,353	100.00%
58		Evergrande River Palace Chengdu	10.65	190,900	5,581	100.00%
59		Evergrande ShangLin Garden Chengdu	3.55	235,764	1,506	65.00%
60		Evergrande Future City Chengdu	17.77	536,219	3,313	100.00%
61		Evergrande The Coronation Chengdu	19.83	2,122,966	934	100.00%
62		Evergrande Royal Palace Chengdu	3.68	251,681	1,463	100.00%
63		Evergrande Palace Luzhou	6.44	261,792	2,460	100.00%
64		Evergrande Bay Luzhou	7.03	532,534	1,320	100.00%
65		Evergrande City Luzhou	9.64	567,006	1,700	100.00%
66		Evergrande Emerald Court Mianyang	2.45	151,938	1,610	100.00%
67		Evergrande Royal Scenic Chengdu	6.18	632,448	977	100.00%
68	Liaoning Province	Evergrande City Lights Dalian	10.70	128,400	8,333	100.00%
69		Evergrande Left Riverbank Shenyang	9.95	599,338	1,660	100.00%
70		Evergrande Seasons Dalian	23.14	265,119	8,730	100.00%
71		Evergrande Atrium Dalian	5.92	314,998	1,880	51.00%
72		Evergrande Garden Avenue Dalian	2.02	150,000	1,350	100.00%
73		Evergrande Peak Shenyang	7.05	304,033	2,320	100.00%
74		Evergrande Shengjing Impression Shenyang	4.11	195,548	2,100	100.00%
75	Shaanxi Province	Evergrande Dragon Bay Xi’an	7.96	360,347	2,208	100.00%
76		Evergrande Emerald Court Xi’an	4.32	283,168	1,527	100.00%
77		Evergrande City Plaza Xi’an	4.99	351,631	1,418	100.00%
78		Evergrande International Town Xi’an	7.09	356,374	1,989	100.00%
79	Jiangsu province	Evergrande Dragon Court Nanjing	14.90	159,554	9,339	100.00%
80		Evergrande Left Riverbank Xuzhou	4.32	284,077	1,522	95.00%
81		Evergrande Emerald Court Suqian	1.45	168,500	863	100.00%
82		Evergrande Royal Scenic Changzhou	4.19	205,187	2,042	100.00%
83		Evergrande Royal View Garden Yancheng	8.12	713,480	1,139	100.00%
84		Evergrande Golden Bay Project Changzhou	1.11	620,668	178	60.00%
85		Evergrande Xishan Mansion Nanjing	16.60	73,800	22,493	100.00%
86		Evergrande Grand Court Nantong	7.58	115,960	6,537	100.00%
87		Evergrande Grand Bay Wuxi	5.18	297,409	1,742	65.00%
88		Evergrande Dragon Bay Wuxi	32.60	300,635	10,844	100.00%
89		Evergrande Dongjiu Palace Yixing	3.16	94,190	3,355	100.00%
90		Evergrande Jewelry Court Suzhou	66.60	389,198	17,113	100.00%
91		Evergrande Joyful Bay Suzhou	30.38	171,870	17,677	100.00%

No.	Province	Name of Project	Land reserve original value (RMB100 million)	Land reserve area (m^2)	Price of Floor Area (RMB/price of floor area)	Actual shareholding
92	Yunnan Province	Evergrande JiuLong Bay Kunming	23.52	854,422	2,753	51.00%
93	Inner Mongolia	Evergrande Emerald Court Baotou	1.90	114,737	1,653	55.00%
94	Shanxi Province	Evergrande City Taiyuan	4.44	1,362,500	326	82.00%
95		Evergrande Bay Taiyuan	7.58	219,947	3,448	100.00%
96	Guizhou province	Evergrande Royal Garden Guiyang	5.55	847,671	655	100.00%
97		Evergrande New World Guiyang	29.73	2,783,505	1,068	100.00%
98		Evergrande Central Park Guiyang	12.80	1,069,826	1,197	100.00%
99		Evergrande Central Square Guiyang	10.21	852,877	1,197	100.00%
100		Evergrande City Square Guiyang	5.52	460,949	1,197	100.00%
101		Evergrande Child's Fancy World Guiyang	1.53	145,074	1,057	100.00%
102		Evergrande Emerald Court Zunyi	1.75	420,495	416	70.00%
103	Anhui Province	Evergrande Crystal International Square Hefei	5.16	270,943	1,906	100.00%
104		Evergrande Emerald Court Haozhou	3.80	308,893	1,230	100.00%
105		Evergrande Royal View Garden Chuzhou	1.70	269,738	630	88.00%
106		Evergrande Royal Scenic Fuyang	5.41	233,000	2,323	100.00%
107		Evergrande YueLong Court Hefei	8.27	258,947	3,195	100.00%
108		Evergrande Left Riverbank Huangshan	2.32	161,689	1,437	100.00%
109		Evergrande Oasis Maanshan	1.86	148,200	1,255	100.00%
110	Hunan province	Evergrande Royal Garden Huaihua	1.23	471,925	260	60.00%
111		Evergrande Emerald Court Xiangtan	3.87	554,581	698	60.00%
112		Evergrande Royal Scenic Land Changsha	5.19	542,328	958	51.00%
113		Evergrande Centuried Financial Square Changsha	5.49	288,856	1,900	100.00%
114		Evergrande Royal View Garden Chenzhou	2.33	299,662	778	65.00%
115		Evergrande Huangxing Road Project Changsha	1.99	198,178	1,002	51.00%
116		Evergrande Palace Zhuzhou	5.88	599,984	980	60.00%
117		Evergrande Oasis Yueyang	4.25	366,680	1,159	65.00%
118		Evergrande Royal Scenic Bay Changde	0.63	155,950	403	65.00%
119		Evergrande Palace Shaoyang	1.58	663,070	238	60.00%
120		Evergrande Royal Scenic Peninsula Xiangtan	2.79	737,209	379	60.00%
121		Evergrande Forest Creek City Changsha	6.91	520,000	1,329	73.00%
122		Evergrande Child's Fancy World Changsha	14.14	1,071,959	1,319	100.00%
123	Guangxi province	Evergrande Bay Guilin	2.98	175,090	1,700	100.00%
124		Evergrande Mansion Liuzhou	20.19	436,900	4,621	100.00%
125		Evergrande Atrium Nanning	2.51	194,800	1,289	100.00%
126		Evergrande Royal Scenic Nanning	2.51	178,531	1,403	100.00%
127		Evergrande Atrium Liuzhou	6.08	750,223	810	100.00%
128		Evergrande Royal Coast Beihai	8.58	418,870	2,048	100.00%
129		Evergrande Atrium Beihai	3.04	304,088	1,000	100.00%
130		Evergrande City Guigang	2.72	210,155	1,295	100.00%
131		Evergrande City Guilin	5.22	574,507	909	100.00%
132		Evergrande Royal Scenic Bay Liuzhou	5.56	415,756	1,337	85.00%
133		Evergrande Royal Scenic Peninsula Qinzhou	1.20	358,951	334	55.00%

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Province	Name of Project	Land reserve original value (RMB100 million)	Land reserve area (m^2)	Price of Floor Area (RMB/price of floor area)	Actual shareholding
134	Henan Province	Evergrande Emerald Court Xuchang	2.32	233,361	994	100.00%
135		Evergrande YueLong Court Zhengzhou	23.99	268,986	8,918	100.00%
136		Evergrande Atrium Zhengzhou	1.62	167,434	965	100.00%
137		Evergrande Royal Scenic Peninsular Pingdingshan	2.41	287,317	838	64.00%
138		Evergrande Future City Zhengkai	6.12	2,055,684	298	51.00%
139		Evergrande City Jiaozuo	3.14	269,598	1,164	100.00%
140		Evergrande Royal View Garden Kaifeng	4.17	452,369	922	53.00%
141		Evergrande Royal View Bay Nanyang	3.49	282,220	1,237	55.00%
142		Evergrande YueLong Court Puyang	2.51	276,954	907	100.00%
143		Evergrande Emerald Court Shangqiu	0.88	159,701	553	100.00%
144		Evergrande Royal Scenic Bay Xinyang	2.54	457,242	555	58.00%
145		Evergrande City Zhengzhou	4.64	267,073	1,736	63.75%
146		Evergrande Metropolis Zhoukou	1.00	398,337	250	70.00%
147	Jiangxi Province	Evergrande Palace Nanchang	14.77	236,067	6,256	100.00%
148		Evergrande Bay Jiujiang	2.73	302,790	903	60.00%
149		Evergrande Royal View Garden Ganzhou	8.62	183,834	4,692	100.00%
150		Evergrande Royal Palace Ganzhou	5.18	99,143	5,226	100.00%
151		Evergrande Royal Scenic Peninsula Ji'an	7.51	317,000	2,370	100.00%
152		Evergrande Emerald Exquisite Nanchang	9.58	147,500	6,496	100.00%
153		Evergrande Emerald JunTing Nanchang	7.77	115,000	6,753	100.00%
154		Evergrande Forest Creek City Nanchang	24.16	534,000	4,524	100.00%
155		Evergrande Metropolis Shangrao	12.39	420,264	2,949	100.00%
156	Hebei Province	Evergrande Scenic Garden Xingtai	2.64	318,850	829	58.00%
157		Evergrande Emerald Court Handan	4.07	303,461	1,340	100.00%
158		Evergrande Royal Mansion Beijing	2.40	193,667	1,239	65.00%
159		Evergrande Zhongding Project Langfang	3.30	53,500	6,168	100.00%
160		Evergrande Dragon Court Tangshan	29.57	1,511,300	1,956	100.00%
161		Evergrande Academism Tangshan	16.28	832,218	1,956	100.00%
162	Hainan Province	Evergrande Mellisa Haikou	37.94	1,737,431	2,184	100.00%
163		Evergrande Royal Palace Sanya	20.72	370,587	5,591	100.00%
164		Evergrande Royal Coast Sanya	8.01	224,810	3,562	100.00%
165		Evergrande Lakeside Manor Ding'an	2.28	241,238	946	100.00%
166		Evergrande Riverside Heaven Hainan	11.87	1,209,000	981	100.00%
167	Shandong Province	Evergrande Golden Sands Qingdao	9.71	429,771	2,260	100.00%
168		Evergrande Palm Island Dongying	4.43	279,734	1,584	100.00%
169		Evergrande Bright City Jinan	5.84	311,410	1,875	100.00%
170		Evergrande Left Riverbank Jinan	19.34	1,284,901	1,505	100.00%
171		Evergrande Century Square Jinan	2.01	156,450	1,285	100.00%
172		Evergrande Palace Jinan	3.26	302,175	1,078	100.00%
173		Evergrande Jinbi New Town Jinan	10.06	436,651	2,304	100.00%
174		Evergrande Peak Jinan	7.11	268,749	2,644	100.00%
175		Evergrande Emerald Court Linqi	4.48	447,684	1,000	60.00%
176		Evergrande Central Square Linyi	5.53	332,861	1,661	100.00%
177		Evergrande Royal Coast Weihai	25.39	865,815	2,932	100.00%
178		Evergrande Emerald Court Zibo	2.64	204,153	1,293	55.00%
179	Jilin Province	Evergrande Mansion Changchun	14.84	395,705	3,749	100.00%
180		Evergrande Tanxi Manor Changchun	2.47	124,131	1,993	75.00%
181		Evergrande Beihu Impression Changchun	2.17	154,652	1,404	100.00%
182	Gansu Province	Evergrande Royal View Garden Lanzhou	14.59	607,525	2,402	100.00%

No.	Province	Name of Project	Land reserve original value (RMB100 million)	Land reserve area (m^2)	Price of Floor Area (RMB/price of floor area)	Actual shareholding
183	The Ningxia Hui Autonomous Region	Evergrande Royal View Garden Yinchuan	1.41	178,624	789	100.00%
184		Evergrande Royal Scenic Peninsula Yinchuan	1.50	449,427	334	100.00%
185	Zhejiang Province	Evergrande Crystal International Plaza Hangzhou	27.09	314,334	8,619	100.00%
186		Evergrande Joyful Bay Huzhou	15.56	296,493	5,248	100.00%
187		Evergrande Left Lake Land Jiaxing	7.50	154,494	4,855	100.00%
188		Evergrande Guanlan Palace Yuyao	7.13	169,011	4,219	100.00%
189		Evergrande Jewelry Court Shaoxing	22.50	330,708	6,804	100.00%
190		Evergrande Shengzhou Project Shaoxing	4.91	199,791	2,458	100.00%
191		Evergrande Royal Scenic Bay Zhoushan	3.87	149,419	2,593	100.00%
192	Fujian Province	Evergrande Oasis Longyan	2.13	190,240	1,121	100.00%
193		Evergrande Royal Scenic Nanping	4.67	224,000	2,085	100.00%
194		Evergrande Royal Scenic Anxi	2.95	194,597	1,516	100.00%
195		Evergrande City Fuqing	6.11	274,150	2,229	100.00%
196		Evergrande Scenic Garden Fuzhou	1.98	203,136	974	100.00%
197		Evergrande Scenic Garden Wuyishan	0.97	44,862	2,162	100.00%
198		Evergrande Royal Scenic Peninsula Ningde	7.90	251,875	3,136	100.00%
199		Evergrande Royal Palace Sanming	8.27	410,849	2,013	51.00%
200	Heilongjiang Province	Evergrande Jade Court Harbin	10.76	356,797	3,017	100.00%
201		Evergrande Atrium Harbin	3.12	281,611	1,107	95%, land expansion portion 67%
202		Evergrande Royal View Tsitsihar	1.27	77,760	1,639	100.00%
203		Evergrande Grande Century Harbin	0.51	18,247	2,799	100.00%
204		Evergrande International Center Harbin	4.38	156,486	2,799	100.00%
205		Evergrande Harmonious World Harbin	0.56	4,030	13,896	100.00%
206		Evergrande Natural Unity Harbin	3.22	43,657	7,373	100.00%
207		Evergrande Flower Garden Harbin	1.70	326,124	521	100.00%
208		Evergrande Lilac Manor Harbin	3.48	325,300	1,070	100.00%
209		Evergrande Peak Harbin	1.23	97,300	1,260	100.00%
210		Evergrande Royal Palace Harbin	7.47	135,791	5,501	100.00%
211		Evergrande Central Square Harbin	15.62	683,300	2,286	100.00%
212	The Xinjiang Uygur Autonomous Region	Evergrande Oasis Urumchi	4.97	273,902	1,815	100.00%
213		Evergrande Green Metropolis Urumchi	14.00	467,000	2,998	100.00%
		Total	**1,887.08**	**88,383,798**	**2,138**	

MANAGEMENT DISCUSSION AND ANALYSIS

No.	Province	Name of Project	Land reserve original value (RMB100 million)	Land reserve area (m^2)	Price of Floor Area (RMB/m^2)	Actual shareholding
Land Expansion Projects:						
1		Expansion Land of Evergrande City Liuzhou	3.31	193,933	1,707	100.00%
2		Expansion Land of Evergrande Splendor Chongqing (Phase III)	2.23	292,997	762	100.00%
3		Expansion Land of Evergrande Splendor Xinxiang (Phase III)	2.48	335,409	740	100.00%
4		Expansion Land of Ocean Flower Island (Phase IX)	24.29	5,864,641	414	100.00%
		Expansion Land of Ocean Flower Island (Phase X)	3.57	324,137	1,102	100.00%
		Expansion Land of Ocean Flower Island (Phase XI)	1.05	190,509	551	100.00%
		Expansion Land of Ocean Flower Island (Phase XII)	0.61	29,711	2,067	100.00%
		Expansion Land of Ocean Flower Island (Phase XIII)	3.59	834,993	430	100.00%
5		Huailai Project Zhangjiakou (Second batch of Phase I)	3.73	763,160	489	
		Zhangjiakou Huailai Wine Cultural Tourism City Project (Phase I Batch III)	1.21	536,656	225	100.00%
		Zhangjiakou Huailai Wine Cultural Tourism City Project (Phase II Batch I)	1.33	190,074	698	100.00%
6		Expansion Land of Evergrande Royal View Garden Nanyang (Phase II)	0.89	70,998	1,260	100.00%
		Expansion Land of Evergrande Royal View Garden Nanyang (Phase III)	0.95	76,972	1,238	100.00%
7		Evergrande The Coronation Putian	18.65	208,231	8,956	100.00%
8		Expansion Land of Evergrande Emerald Court Qiqihar	2.04	131,500	1,551	100.00%
9		Changchun Qianjin Road Project	2.78	108,788	2,555	100.00%
10		Evergrande Scenic Garden Zhengzhou (114 mu of post-Phase I)	0.80	83,742	955	51.00%

No.	Province	Name of Project	Land reserve original value (RMB100 million)	Land reserve area (m^2)	Price of Floor Area (RMB/m^2)	Actual shareholding
11		Expansion Land of Evergrande Scenic Garden Wuqing	21.10	299,700	7,040	100.00%
12		Expansion Land of Evergrande Central Square Chengdu	7.54	71,514	10,550	100.00%
13		Metropolis Shishi Land Expansion	5.12	218,323	2,347	80.00%
14		Metropolis Zhumadian Land Expansion Project	0.51	77,436	659	100.00%
15		Evergrande City Panzhihua	1.63	350,414	465	100.00%
16		Evergrande Splendor Pengshan	1.80	473,130	380	100.00%
17		Evergrande Palace Hohhot Phase II Land Expansion	2.68	88,484	3,030	100.00%
18		Evergrande Scenic Garden Ningbo Phase III Land Expansion	9.42	395,277	2,382	100.00%
19		Evergrande Spring City Enping (Land Expansion)	1.19	697,034	171	100.00%
20		Chongqing Expansion Project (Splendor Expansion)	1.74	197,813	877	100.00%
21		Royal Scenic Peninsula Shijiazhuang Lot 2016-67, 68 and 69	18.83	809,105	2,327	100.00%
22		Evergrande Emerald Court Ganzhou (Phase II expansion)	3.57	77,500	4,607	100.00%
		Total land expansion for the second half of the year	**148.66**	**13,992,178.74**	**1,062**	
			2,035.74	**102,375,977**	**1,996**	

* Surrounding land acquired for current projects

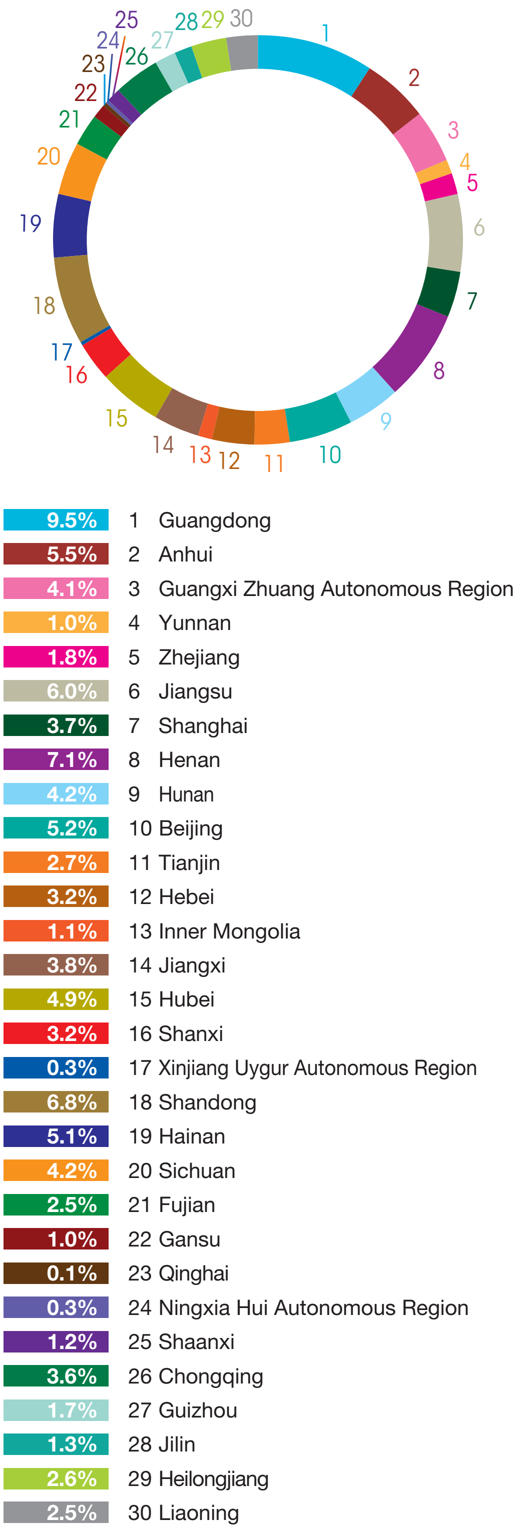
MANAGEMENT DISCUSSION AND ANALYSIS

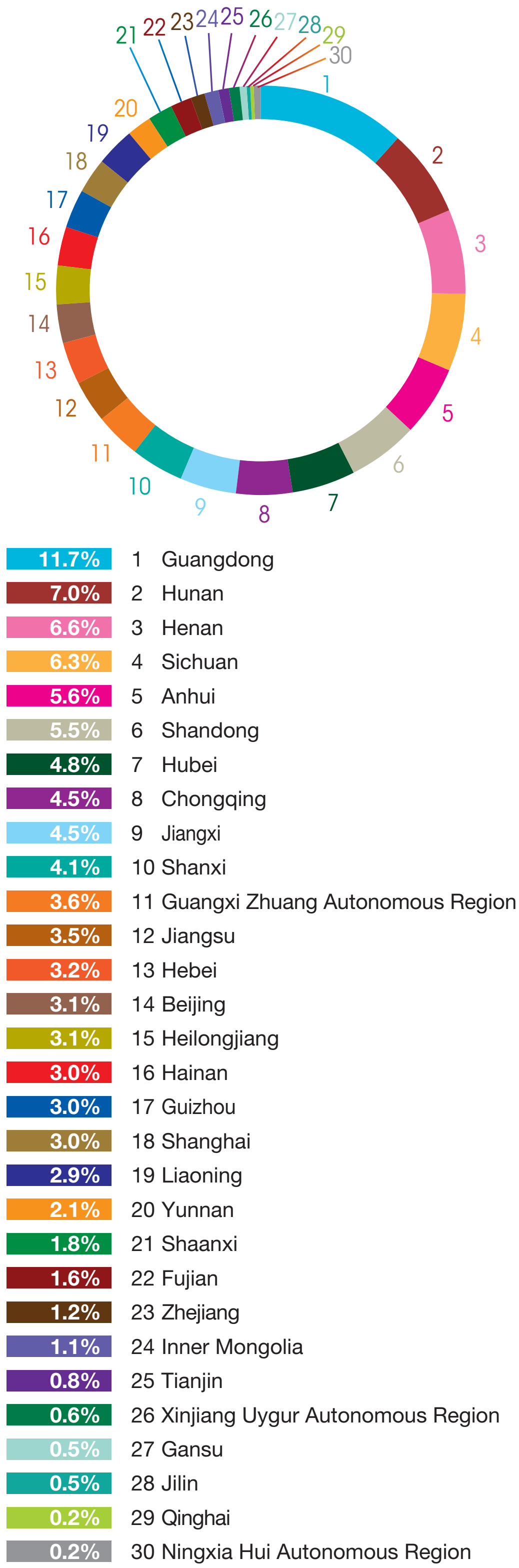
Contracted Sales

During the year, the Group's contracted sales increased by 85.4% year-on-year to RMB373.37 billion, representing 124.5% of the RMB300 billion contracted sales target. GFA of contracted sales was 44.69 million square meters, representing a year-on-year growth of 75.2%. The average price of contracted sales also recorded a year-on-year growth of 5.9%, reaching RMB8,355 per square meter. The Group started 116 new projects during the year. As at 31 December 2016, there are a total of 116 projects on sale, covering 191 cities in 30 regions in China.

The following table sets out the geographical distribution of contracted sales of the Group in 2016.

No.	Province	Contracted sales amount (RMB million)	Percentage
1	Guangdong	35,323	9.5%
2	Anhui	20,401	5.5%
3	Guangxi Zhuang Autonomous Region	15,372	4.1%
4	Yunnan	3,747	1.0%
5	Zhejiang	6,745	1.8%
6	Jiangsu	22,346	6.0%
7	Shanghai	13,921	3.7%
8	Henan	26,552	7.1%
9	Hunan	15,592	4.2%
10	Beijing	19,240	5.2%
11	Tianjin	10,033	2.7%
12	Hebei	12,045	3.2%
13	Inner Mongolia	4,167	1.1%
14	Jiangxi	14,138	3.8%
15	Hubei	18,194	4.9%
16	Shanxi	11,782	3.2%
17	Xinjiang Uygur Autonomous Region	1,182	0.3%
18	Shandong	25,492	6.8%
19	Hainan	19,186	5.1%
20	Sichuan	15,631	4.2%
21	Fujian	9,293	2.5%
22	Gansu	3,801	1.0%
23	Qinghai	261	0.1%
24	Ningxia Hui Autonomous Region	993	0.3%
25	Shaanxi	4,376	1.2%
26	Chongqing	13,314	3.6%
27	Guizhou	6,514	1.7%
28	Jilin	4,887	1.3%
29	Heilongjiang	9,664	2.6%
30	Liaoning	9,178	2.5%
	Total	**373,371**	**100%**





Property Development

During the period under review, the Group had a total of 297 projects completed or partially completed, located in 148 major areas of China, with completed aggregate GFA of 29.63 million square meters.

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

No.	Province	Area (thousands of m^2)	Percentage
1	Guangdong	3,477.3	11.7%
2	Hunan	2,078.3	7.0%
3	Henan	1,967.6	6.6%
4	Sichuan	1,869.1	6.3%
5	Anhui	1,658.1	5.6%
6	Shandong	1,642.0	5.5%
7	Hubei	1,422.5	4.8%
8	Chongqing	1,335.4	4.5%
9	Jiangxi	1,322.7	4.5%
10	Shanxi	1,225.5	4.1%
11	Guangxi Zhuang Autonomous Region	1,053.0	3.6%
12	Jiangsu	1,047.3	3.5%
13	Hebei	940.8	3.2%
14	Beijing	924.6	3.1%
15	Heilongjiang	918.6	3.1%
16	Hainan	900.4	3.0%
17	Guizhou	898.9	3.0%
18	Shanghai	895.9	3.0%
19	Liaoning	858.7	2.9%
20	Yunnan	634.5	2.1%
21	Shaanxi	528.2	1.8%
22	Fujian	483.0	1.6%
23	Zhejiang	357.5	1.2%
24	Inner Mongolia	330.8	1.1%
25	Tianjin	238.6	0.8%
26	Xinjiang Uygur Autonomous Region	175.4	0.6%
27	Gansu	161.4	0.5%
28	Jilin	147.3	0.5%
29	Qinghai	72.8	0.2%
30	Ningxia Hui Autonomous Region	63.6	0.2%
	Total	**29,629.9**	**100%**

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources

Talents are the most crucial productive force for enterprises and also the valuable intellectual resources of Evergrande. The Group pushed forward its talents development strategy by introducing various talents and strengthening the establishment of talent pool. Various measures were adopted to safeguard the legitimate rights of employees while constructing a platform for staff development.

As at 31 December 2016, the Group had a total of 89,250 employees and approximately 90% of the employees from property development segment hold a bachelor's degree or above. During 2016, the Group hired a total of 1,275 fresh graduates, among which 159 were from the top 10 domestic universities in terms of comprehensive ranking, including Peking University and Tsinghua University.

The Group commenced various culture building activities from multiple dimensions so as to establish channels for training and enhancement, cross-field development and remodeling of talents. In order to improve the comprehensive quality of employees and strengthen talents pool, the Group continued to organize the postgraduate course for Master of Project Management with Tsinghua University. The Group organized approximately 49,784 training sessions and professional seminars for staff at headquarters, regional companies and industry groups throughout the year and trained approximately 741,305 staff in aggregate. The total training hours amounted to approximately 99,524 hours with approximately 2 hours per session.

The Group provided more competitive remuneration packages for its employees with reference to market conditions, further strengthened the training and assignment of employees and improved the salaries and welfare benefits of its employees.

The Group firmly believes that talents are the most important corporate resources and always adheres to a people-oriented human resources development strategy, creating a sound working environment featuring harmonious development and positive interaction between the Group and its staff. During the period under review, total staff cost (including directors' emoluments) of the Group was approximately RMB13.29 billion (corresponding period in 2015: approximately RMB11.13 billion).

DIRECTORS AND ADMINISTRATIVE STRUCTURE

DIRECTORS AND ADMINISTRATIVE STRUCTURE

Executive Directors

HUI KA YAN
(許家印)

aged 58, Chairman of the Board. Professor Hui is responsible for organizing the overall development strategies of the Group. He has over 30 years of experience in real estate investment, property development and corporate management. Currently, Professor Hui is a member of the 13th National Committee of the Chinese People's Political Consultative Conference and also the vice-chairman of the China Enterprise Confederation, China Enterprise Directors Association and China Real Estate Association. He was accredited as a "National Model Worker" (one of the highest civilian honors in China) by the State Council. He graduated from Wuhan University of Science and Technology in 1982, and was awarded an honorary doctorate degree in commerce by the University of West Alabama in 2008. Professor Hui has been a professor in management in Wuhan University of Science and Technology since 2003 and was appointed as doctoral tutor of that university in 2010.

XIA HAIJUN
(夏海鈞)

aged 52, Vice president of the Board and Chief Executive Officer of the Group. Dr. Xia has over 20 years of experience in property development and corporate management. Dr. Xia takes full charge of our daily operations, including financial and capital operation and management of the Group, comprehensive monitoring and legal affairs management, information construction of the Group and overseas affairs and public affairs management, etc. Dr. Xia graduated from Jinan University with a master's degree in business administration in 1998 and a doctor's degree in industrial economy in 2001.

HE MIAOLING
(何妙玲)

aged 51, our executive Director and vice president. Ms. He is responsible for the Group's marketing management and business administration for all industry businesses. She has more than 18 years of experience in marketing strategies and brand promotion in the property projects. Ms. He joined the Group in August 1997, and has a bachelor's degree in applied mathematics and a master's degree in engineering management.

DIRECTORS AND ADMINISTRATIVE STRUCTURE

PAN DARONG (潘大榮)

aged 44, our executive Director and chief financial officer. Mr. Pan takes full charge of financial management. Mr. Pan has over 20 years of experience in auditing, accounting and finance. Mr. Pan graduated from the investment and economic faculty of Zhongnan University of Economics (中南財經大學). He is an economist as approved in China.

SHI JUNPING (史俊平)

aged 34, our executive Director and vice president. Mr. Shi is responsible for administration, establishment and maintenance of the brand image of the Group. He has over 10 years of experience in marketing management for property development and brand image strategic operations for multiple industries, including real estate and finance. Mr. Shi joined the Group in 2006, and has a bachelor of arts degree and a bachelor of laws degree, and a master's degree in engineering management.

HUANG XIANGUI (黃賢貴)

aged 46, our executive Director, assistant to president and general manager of the Hongkong company. Mr. Huang joined us in 2004. He graduated from Harbin Engineering University and University of Stirling, and obtained a bachelor degree in chemical engineering and a master degree of science in banking and finance respectively. Mr. Huang is currently responsible for the international capital operation and investment management of the Group, and has over 19 years of experience in marketing, human resource management, foreign capital operation and management.

DIRECTORS AND ADMINISTRATIVE STRUCTURE

Independent Non-Executive Directors

Chau Shing Yim, David (周承炎), aged 52, our independent non-executive Director. Mr. Chau has been our independent non-executive Director since 14 October 2009. Mr. Chau has over 20 years of experience in corporate finance, working on projects ranging from initial public offering transactions and restructuring of PRC enterprises to cross-border and domestic takeover transactions. Mr. Chau was formerly a partner of one of the big four accounting firms in Hong Kong, holding the position as their Head of Merger and Acquisition and Corporate Advisory. He is a Director of the Hong Kong Securities and Investment Institute, a member of the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW, and is a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference ("CPPCC") and Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital on 1 April 2017. Mr. Chau currently is an Independent non-executive director of Man Wah Holdings Limited, Lee & Man Paper Manufacturing Limited, Richly Field China Development Limited, Evergrande Health Industry Group Limited, Hengten Networks Group Limited, IDG Energy Investment Group Limited and Asia Grocery Distribution Limited. All the aforesaid companies are listed on the Hong Kong Stock Exchange.

He Qi (何琦), aged 58, our independent non-executive Director. Mr. He has been our independent non-executive Director since 14 October 2009. Mr. He is the Deputy Secretary of the China Real Estate Association, as well as the director of the training center and the intermediary professional committee of the China Real Estate Association. He worked in the State Infrastructure Commission of the State City Construction General Bureau from 1981 to 1994. He was an executive of the Development Center of the China Real Estate Association from 1995 to 1999, and a deputy secretary of Ji'an City of Jiangxi Province from 1999 to 2001. He has been the deputy secretary of the China Real Estate Association from 2006 to now.

Xie Hongxi (謝紅希), aged 57, our independent non-executive Director. Ms. Xie is employed by South China University of Technology. She was the deputy director, senior engineer and supervisor of master's degree candidates of the Engineering Training and National Experiment, Education and Demonstration Center of South China University of Technology. From 1982 to 2002, she worked in the Guangzhou Nonferrous Metal Research Institute and took charge of or participated in numerous significant scientific research projects. She was awarded the "National Science and Technology Progress Prize" once and the "Ministerial Technology Achievement Prize" twice. Since 2002, she has been teaching at South China University of Technology and engaging in theoretical and experimental teaching and scientific research on surface technology of metallic materials. She has received numerous provincial and university education prizes and outstanding education prizes.

Senior Management

Shi Shouming (時守明), aged 42, our executive vice president and president of Real Estate Group (地產集團). Mr. Shi is responsible for operation and management of Real Estate Group including project development, finance and capital. He holds a bachelor's degree in engineering management and is an accountant.

Qiu Huofa (邱火發), aged 56, our executive vice president and chairman of Evergrande Finance Group. Mr. Qiu is responsible for management of the finance group and has over 17 years of experience in financial industry management. He holds a master's degree in finance and is a senior economist.

Xiao En (肖恩), aged 46, our executive vice president and chairman of Evergrande Tourism Group. Mr. Xiao is responsible for management of the tourism group including projects such as Ocean Flower Island Hainan, Evergrande Venice and Fairytale Land. He holds a master's degree in economic law.

Tan Zhaohui (談朝暉), age 49, our executive vice president and chairwoman of Evergrande Health Group. Ms. Tan is responsible for management of the health group. She holds a bachelor's degree in industry and civil construction.

DIRECTORS AND ADMINISTRATIVE STRUCTURE

Zhen Litao (甄立濤), aged 48, our executive vice president. Mr. Zhen is responsible for management of reorganisation and listing. He holds a master's degree in business administration and is a senior engineer and a first-class construction engineer.

Liu Yuzhi (劉玉芝), aged 49, our vice president. Ms. Liu is responsible for internal management and monitoring of the Group. She holds a bachelor's degree in business administration.

Xu Jianhua (許建華), aged 54, our vice president. Mr. Xu is mainly responsible for the Group's overseas financing. He has over 17 years of experience in project development and operation management and holds a doctor's degree in business administration and is accredited as senior economist in China.

Li Guodong (李國東), aged 54, our vice president. Mr. Li is responsible for the management of the capital system planning and financing of the Group. He has more than 19 years of experience in capital operations and management. He holds a professional degree in auditing and is an assistant economist.

Li Zhi (李植), aged 32, our vice president. Mr. Li is responsible for the financing and financing management of the Group in some regions. He has 10 years of experience in project development and operation management.

Yao Dong (姚東), aged 48, our vice president, director of Poverty Alleviation Office (扶貧辦公室) of the Group and chairman of Evergrande Dafang Poverty Alleviation Management Co., Ltd. Mr. Yao is responsible for the management of the works of poverty alleviation of the Group. He holds a master's degree in business administration of Renmin University of China.

Chen Dong Feng (陳東鋒), aged 51, our head of information. Mr. Chen joined us in 2011, and is mainly responsible for the management of the Group's information system. He holds a master's degree in communication and electronic engineering and a doctor's degree in management.

Wen Zhanzhong (溫展中), aged 40, our head of treasury. Mr. Wen is responsible for the financing and financing management of the Group in some regions. He holds a professional degree in drainage and is an assistant engineer.

Liang Weikang (梁偉康) age 47, our executive vice president of Real Estate Group. Mr. Liang is responsible for the management of Real Estate Group (地產集團) with respect to construction and holds a degree in civil engineering structure.

Lin Manjun (林漫俊), aged 46, our vice president of Real Estate Group. Mr. Lin is responsible for system management and monitor of engineering construction, sales management, business management and property management, etc. He has over 20 years of experience in project design and tender and bidding management. He holds a bachelor's degree in architecture and is an engineer.

Xu Zhijian (許智健), aged 32, our vice president of Real Estate Group. Mr. Xu is responsible for the management of property and garden business of the Group. And he has a master's degree in business administration of Tsinghua University.

Liu Xuefei (劉雪飛), aged 41, our vice president of Real Estate Group. Ms. Liu is responsible for the sales management of the property system of the Group. She holds a master's degree in business administration from Sun Yat-sen University.

Zhou Yingqiu (周映秋), aged 42, our vice president of Real Estate Group. Ms. Zhou is responsible for property project investment of the Group and investment management of the Industry Group (產業集團) projects. She holds a professional degree in law.

Pan Hanling (潘翰翎), aged 42, our vice president of Real Estate Group and general manager of financial center. Ms. Pan is responsible for financial management of real estate. She holds a master's degree in business economics and is a certified public accountant.

DIRECTORS AND ADMINISTRATIVE STRUCTURE

Xiao Jianwen (肖鍵文), aged 42, our vice president of Real Estate Group. Mr. Xiao is responsible for management of real estate construction and decoration design. He holds a bachelor's degree in architecture.

Shen Jianying (沈建英), aged 48, our vice president of Real Estate Group. Ms. Shen is responsible for management of auditing of real estate project budgets and final accounts. She holds a MBA degree of Webster University in the U.S. and is a registered capital appraiser, a real estate appraiser and a registered cost engineer.

Wang Zhongming (王忠明), aged 55, our vice president of Real Estate Group and chairman of Shenzhen Company and Shenzhen Construction Group. Mr. Wang is responsible for management of urban renewal projects in Shenzhen. He holds a bachelor's degree and is an engineer.

Wang Chuan (王川), aged 49, our vice president of Real Estate Group and chairman of Hotel Group (酒店集團). Ms. Zhou is responsible for the management of the hotels of the Group. She has over 25 years of research design and management experience and holds a professional degree in construction engineering. She is a Grade-2 registered architect.

Guo Yujun (郭雨君), aged 44, our chief planner of Real Estate Group. Mr. Guo is responsible for management of real estate architectural design. He holds a master's degree in architectural design and theory and is a Grade-1 registered architect.

INVESTOR RELATIONSHIP REPORT

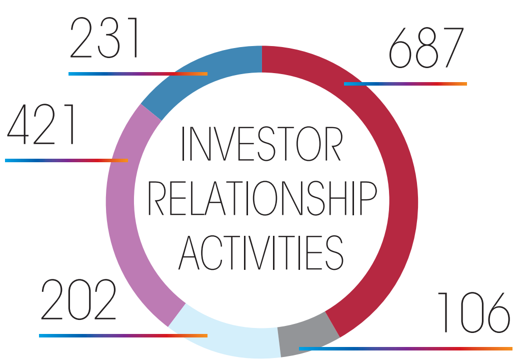
The persevere succeed and the wise rule. In 2016, through different means such as regular publication of results announcements, launching global road shows, participation in annual conferences of investment banks and hosting site visits and meetings for investors, the Group has further strengthened its communication system, enhanced external interactions and maintained a constant interactive exchange with investors in order to keep them informed of the latest performance and progress of the Group in a timely manner. Our relationship with investors has reached a new stage of steady development and interactive communication, deepening the understanding of analysts from local and overseas major financial institutions towards the Company's business development strategy. As a result, mainstream institutions have been bullish on the Company. The Group, through various kinds of channels, has met 2,300 investors of all sorts from 1,547 investment institutions worldwide in aggregate during the year.

The management of the Group places high emphasis on the exchange with investors. During the year, the management organized 2 large-scale results road shows (non-deal), 2 high level investor reverse road shows and an annual general meeting, and made arrangements for approximately 397 people to pay site visits to real estate projects of the Group around the country. Those 2 results road shows (non-deal) were organized by Goldman Sachs, Citibank, JP Morgan, Bank of America Merrill Lynch, DBS Bank, Credit Suisse, Deutsche Bank and Jefferies. The management has visited the world's key financial centers, such as Hong Kong, London, Los Angeles, New York, Boston and Singapore, with frequent interactions with 421 investment institutions on matters such as development strategies, industry prospects and future plans.

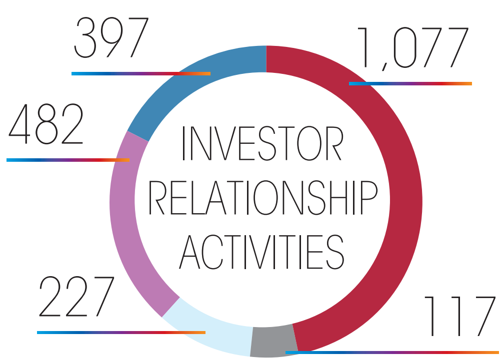
In 2016, the management of the Group also participated in dozens of annual conferences and exchange meetings of all sorts held by securities brokers and investment banks, including Citibank, Golden Sachs, Bank of America Merrill Lynch, Credit Suisse, Macquarie Securities, Standard Chartered Bank, BNP Paribas, Jefferies, CITIC Securities, Guotai Junan, Shenwan Hongyuan in Beijing, Shanghai, Shenzhen, Hong Kong, Macau and Singapore, and met 227 investors of all sorts from 202 investment institutions worldwide in aggregate. For continuous enhancement of the Group's governance standards and structures, the management received comprehensive opinions and recommendations from the investment sector by leveraging exchanges on the latest operating strategies and results.

Through joint efforts, we have overcome the challenges that we have encountered on the long and tedious journey. In 2016, in order to cater for the new development trend, apart from issuing press releases regarding annual sales targets and monthly sales figures, the Group also published the above information regularly on the website of the Stock Exchange, in order to further improve the transparency of its information disclosure. As the supplements to its results publication, the Group also delivered to its investors its latest information regarding development strategies, development process, sales results and market overlook through various kinds of communication channels, such as website and emails. Currently, the Group has more than 1,400 investment institutions and 2,200 investors as its regular receivers of the materials.

Number of institutions



Number of investors



Exchange meetings | Teleconferences | Annual conference | Road shows | Project visits

2016

MAJOR AWARDS AND PRIZES

CORPORATE HONORS

The Fortune Global 500
China Social Responsibility Enterprise
The second place of Top 500 Chinese Real Estate Enterprises (for six consecutive years)
The second place of Top 10 Comprehensive Strength of Chinese Real Estate Companies (for two consecutive years)
Top 10 Chinese Listed Real Estate Companies (for six consecutive years)
The first place of the Brand Values of Chinese Real Estate Companies (for seven consecutive years)
Top 10 Brand Values of Chinese Real Estate Companies (for nine consecutive years)
Top 10 Chinese Listed Real Estate Companies with the Best Investment Value (for six consecutive years)
Leading Real Estate Enterprise in China (for three consecutive years)
China Charity Award (for seven consecutive years)
The Best Corporate Citizen Behavior in China (for two consecutive years)
The second place of Top 100 Chinese Real Estate Firms for 2016
Top 10 of Top 100 Chinese Listed Real Estate Companies in terms of Comprehensive Strength for 2016
Top 100 Chinese Listed Companies with the Most Core Competitiveness
Anti-poverty Effort Contribution Award in China
2016 Award for Outstanding Accomplishments
The Best Strategic Innovation Companies Awards

2016 MILESTONES

JAN

I. On 4 January, Evergrande announced that the sales reached RMB201.3 billion in 2015, representing year-on-year growth of 53%; the GFA of sales was 25.512 million square meters, representing year-on-year growth of 40.2%; and the cash balance amounted to RMB158.0 billion, representing year-on-year growth of 166%, thus maintaining its No. 1 position in the industry.

FEB

II. On 27 February, the first 40 priority projects of Evergrande's one-to-one assistance projects in Dafang County, Bijie with RMB3 billion in three years commenced construction.

MAR

III. On the afternoon of 6 March, Hui Ka Yan, a member of the Standing Committee of the Chinese People's Political Consultative Conference (CPPCC) National Committee, attended the press conference of the CPPCC and answered the question of domestic and foreign reporters on "adaptation to and leading the New Normal and further implementation of the Reform of the Supply Side". He also talked about the targeted poverty alleviation as a private enterprise and the economic development trend.

IV. On 17 March, Evergrande commenced expansion into internet finance with the introduction of hdfax.com. Upon nine months after the introduction, hdfax.com recorded sales over RMB33.9 billion, which reconstituted the market structure of internet finance in one fell swoop.

V. On 22 March, Evergrande held press conferences on the "First Anniversary of No-reason House Return" at its headquarters in Guangzhou and 172 cities in China, announcing the continuous implementation of "no-reason house return". Besides, during the implementation of "no-reason house return" for a year, the rate of returned houses was only 0.91%.

VI. On 29 March, Evergrande published its annual results for 2015 in Hong Kong. A number of indicators, including total assets, net profit and cash balance, were industry-leading, and the total assets of RMB757.0 billion ranked first in the industry.

APR

VII. On 24 April, Evergrande published an announcement in relation to the acquisition of 52.78% equity interest in Calxon at a consideration of more than RMB3.6 billion and became its controlling shareholder thereof.

2016 MILESTONES

JUN

VIII. On 16 June, Evergrande Real Estate published an announcement in relation to the change of company name from "Evergrande Real Estate Group Limited" to "China Evergrande Group", becoming one of a few private enterprises with a name starting with "China".

IX. On 23 June, Hui Ka Yan, the Chairman of the Board of Directors of Evergrande Group and a member of the Standing Committee of the CPPCC National Committee, attended the 16th meeting of the 12th session of the Standing Committee of the CPPCC National Committee and gave a speech — "The Exploration and Suggestion for Private Enterprises' Participation in Poverty Alleviation" on the topic of "implementing targeted poverty alleviation to be out of poverty and improving effectiveness of poverty alleviation".

X. On 26 June, China Evergrande Group celebrated its 20th anniversary. More than 1,800 heavyweight guests around the world attended the celebration ceremony held in Guangzhou International Convention and Exhibition Centre.

JUL

XI. On 20 July, China Evergrande Group became one of the Fortune Global 500 companies with its operating revenue of US$21.184 billion and became the only private enterprise which entered the Fortune Global 500 with only 20 years' efforts in the real estate industry.

AUG

XII. On 9 August, China Evergrande Group raised the annual sales target to RMB300 billion, representing an increase of 50% from the original target.

XIII. On 30 August, China Evergrande Group published its interim results for 2016. A number of core indicators, including total assets, turnover and cash balance, continued to take the lead role in the industry. It became the first real estate enterprise which had total assets more than RMB1 trillion and ranked first in terms of sales attributable to the Group in the first seven months in the industry.

SEP

XIV. On 2 September, China Evergrande entered into a contract with Xiangjiang New Area in Hunan for the construction of Hunan Haihua Valley (湖南海花谷) and Meixi Lake Evergrande International Health City (梅溪湖恒大國際健康城). Du Jiahao, the secretary of Hunan Province Party Committee, and Hui Ka Yan, the Chairman of the Board of Directors of Evergrande Group, both attended the signing ceremony as witnesses.


2016 MILESTONES

XV. On 5 September, China Evergrande announced that it recorded sales of RMB48.3 billion in August, hitting a new record high in terms of sales in a single month among all real estate enterprises in the world as well as exceeding the performance of some of the large real estate enterprises for the whole year of 2015.

XVI. On 21 September, China Real Estate Association announced that the brand value of China Evergrande reached RMB39.3 billion, ranking first among the real estate enterprises in China in terms of brand value for the seventh consecutive year.

XVII. On 27 September, Lang Ping, an inductee into the International Volleyball Hall of Fame and the head coach of the China women's national volleyball team, became the first image ambassador of Evergrande Life Insurance. Evergrande Life Insurance achieved annual standardized premiums amounted to RMB56.5 billion for the year and became one of the top 20 among the life insurance companies in China.

OCT

XVIII. On 3 October, China Evergrande announced that it entered into a major asset reorganisation agreement with Shenzhen Real Estate. China Evergrande will become the controlling shareholder of Shenzhen Real Estate and conduct A share listing upon reorganization.

XIX. On 10 October, China Evergrande announced that its accumulated sales for the first nine months reached RMB280.58 billion, becoming the No. 1 real estate enterprise in the world.

XX. On 16 October, Hui Ka Yan, the Chairman of the Board of Directors, was awarded the first session of Anti-Poverty Effort Contribution Award in China which was set up as approved by the State Council.

XXI. On 23 October, Evergrande Football Club won the sixth consecutive CSL championship. On 27 November, it won the championship of Chinese FA Cup, winning a total of three championships from the China Football Association Super League, Chinese FA Cup and Chinese FA Super Cup in 2016 respectively.

XXII. On 31 October, the Evergrande 2016 World Snooker China Championship, which had the highest prize money and the highest level of players with the most extensive influence in China, was successfully held.

2016 MILESTONES

NOV

XXIII. On 23 November, the second 63 priority projects of Evergrande's one-to-one assistance projects in Dafang County commenced construction. Du Qinglin, the secretary of Secretariat of the Communist Party of China and the vice chairman of the CPPCC, attended the commencement ceremony and announced the commencement of construction. As of 31 December 2016, Evergrande Group helped more than 80,000 people in Dafang County step above the poverty line, reaching 45% of the three-year target.

XXIV. On 28 November, Evergrande Health supported the national strategy of "Healthy China" and introduced strategies on three major industries. On 15 December, Evergrande Health further entered into a collaboration agreement with Brigham and Women's Hospital, one of the affiliated teaching hospitals of Harvard Medical School. Boao Evergrande International Hospital under the cooperation of the two parties will commence operation in the following year and become the first and the only affiliated hospitals of Brigham and Women's Hospital overseas.

DEC

XXV. On 30 December, all of the four projects for tourism and healthcare of Evergrande were settled in Jiangsu. Li Qiang, the secretary of Jiangsu Province Party Committee, and Hui Ka Yan, the Chairman of the Board of Directors of Evergrande Group, both attended the signing ceremony as witnesses.

2017 JAN

XXVI. On 6 January 2017, Evergrande announced that it recorded contracted sales of RMB373.37 billion with sales proceeds of RMB300.89 billion and cash balance of RMB304.3 billion in 2016, becoming the No. 1 real estate enterprise in the world.

XXVII. On 13 January, Changsha Evergrande Fairytale Land held the commencement ceremony and was the first Evergrande Fairytale Land of Evergrande Tourism Group which officially commenced construction.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

The Company recognises the value and importance of achieving high corporate governance standards consistently to the enhancement on corporate performance and accountability. The board (the "Board") of directors (the "Director(s)") of the Company is committed to abide by principles of good corporate governance to meet legal and commercial standards and requirements, focusing on areas such as internal control, risk management, fair disclosure and accountability to the shareholders of the Company, except for the following deviation from the Corporate Governance Code.

According to Code Provision E.1.2 of the Corporate Governance Code, the chairman of the Board should attend the annual general meeting of the Company. Mr. Hui Ka Yan, the chairman of the Board, did not attend the annual general meeting held on 16 June 2016 due to work reasons.

The Company has been conducting its business according to the principles of the Corporate Governance Code ("Corporate Governance Code") set out in Appendix 14 to the Listing Rules, and has complied with all the code provisions of the Corporate Governance Code during the year ended 31 December 2016.

For the year ended 31 December 2016, the Board has reviewed the effectiveness of the risk management and internal control systems of the Company and considers them effective and adequate.

Board of Directors

Composition of the Board

During the year ended 31 December 2016 and up to the date of issue of this annual report, the Board of the Company comprises the following executive Directors and independent non-executive Directors.

Professor Hui Ka Yan *(Chairman)*
Dr. Xia Haijun *(Vice Chairman and Chief Executive Officer)*
Ms. He Miaoling *(Executive Director)*
Mr. Tse Wai Wah
(Executive Director and Chief Financial Officer)
(resigned with effect from 30 August 2016)
Mr. Pan Darong
(Executive Director and Chief Financial Officer)
(appointed with effect from 30 August 2016)
Mr. Xu Wen *(Executive Director)*
(resigned with effect from 25 April 2017)
Mr. Shi Junping *(Executive Director)*
(appointed with effect from 25 April 2017)
Mr. Huang Xiangui *(Executive Director)*
Mr. Chau Shing Yim, David
(Independent Non-executive Director)
Mr. He Qi *(Independent Non-executive Director)*
Ms. Xie Hongxi *(Independent Non-executive Director)*

Biographical details of the current members of the Board are set out on page 30 to page 34 of this annual report. Save for being members of the Board, each of the Directors is independent and not related to one another.

During the year ended 31 December 2016, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

Each of the executive Directors has entered into a service contract with the Company for a period of three years until terminated by not less than three months' notice in writing served by either party on the other. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year. The appointments are subject to the provisions of retirement by rotation of Directors under the articles of association of the Company (the "Articles"). In accordance with the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board was satisfied with the independence of the independent non-executive Directors.

Roles and Duties

The Board is in charge of formulating strategic business development, reviewing and monitoring the business performance of the Group, approving major funds allocation and investment proposals as well as preparing and approving the financial statements of the Group. The Board also gives clear instructions on the authority delegated to the management in relation to the administration and management of the Group.

CORPORATE GOVERNANCE REPORT

Under code provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer ("CEO") of a listed company should be separated and should not be performed by the same individual. The Company was in compliance with code provision A.2.1 during the period under review with Professor Hui Ka Yan being the chairman and Dr. Xia Haijun being the CEO of the Company, respectively.

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. The Company has procedures in place for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or publications and the compliance with applicable laws and regulations. For the year ended 31 December 2016, the Directors reviewed the overall effectiveness of the internal control and risk management systems of the Group. An internal audit department has been established to perform regular financial and operational reviews and conduct audit and risk management assessment on the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls and risk management systems are in place and function properly as planned.

The external auditors will report to the Company on the weakness in the Group's internal control and accounting procedures which have come to their attention during the course of their audit work.

The Board is responsible for performing the following corporate governance duties: (a) to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; (d) to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosures in the Corporate Governance Report in the annual report of the Company.

The Board may delegate the corporate governance duties to a committee of the Board. The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate in the meetings either in person, by proxy, or by means of electronic communications.

9 Board meetings were convened by the Company during the year ended 31 December 2016. At least 14 days' notice before the date of the meeting is given for a regular Board meeting to allow all Directors to make arrangements to attend. For all other Board meetings, reasonable notices were also given.

The attendance of individual Directors at the Board meetings and general meetings held during the year ended 31 December 2016 is set out below:

Director	Number of meetings attended/ Number of meetings held Annual General Meeting	Board Meeting
Professor Hui Ka Yan	0/1	4/9
Dr. Xia Haijun	0/1	4/9
Ms. He Miaoling	0/1	4/9
Mr. Tse Wai Wah	1/1	9/9
Mr. Pan Darong	—	1/1
Mr. Xu Wen	0/1	9/9
Mr. Huang Xiangui	1/1	9/9
Mr. Chau Shing Yim, David	1/1	9/9
Mr. He Qi	1/1	9/9
Ms. Xie Hongxi	1/1	9/9

Committees of the Board

The Company has set up the audit committee, remuneration committee and nomination committee in respect of the Board.

Directors' Training

During the year under review, all of the Directors of the Company have attended continuous professional development training sessions in compliance with Code Provision A.6.5 of the Corporate Governance Code.

The company secretary of the Company has also complied with the 15 hours training requirements under Rule 3.29 of the Listing Rules.

Audit Committee

The audit committee comprised three members, namely Mr. Chau Shing Yim, David, chairman of the committee, Mr. He Qi and Ms. Xie Hongxi, who were all independent non-executive Directors. The audit committee adopted the written terms of reference which were basically the same as those set forth in the code provision C.3.3 of the Corporate Governance Code. The audit committee is principally responsible for the following duties, *inter alia*:

- to provide recommendations on the appointment, reappointment and removal of external auditors to the Board, approve the remuneration and terms of engagement of the external auditors and handle any issues related to the resignation or dismissal of the auditors;

- to review and monitor whether the external auditors are independent and objective and whether the audit procedures are effective in accordance with applicable standards;

- to formulate and implement policies for the engagement of external auditors for the provision of non-audit services;

- to monitor the integrity of the financial statements, the annual reports and accounts and the interim reports of the Company, and review the material financial reporting judgements therein;

- to review the financial control, internal control and risk management systems of the Company;

- to discuss the internal control and risk management systems with the management and to ensure that the management has discharged its duties of setting up an effective internal control and risk management system;

- to review the financial and accounting policies and practices of the Group; and

- to review the external auditors' letter to the management, any material queries that the auditors made to the management in respect of the accounting records, financial accounts or systems of control as well as the management's response.

Two meetings of the audit committee were held on 24 March 2016 and 26 August 2016, respectively, to review the Group's 2015 annual results and 2016 interim results and all the committee members attended those two meetings. The audit committee has recommended the Board in relation to the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2017 at the forthcoming annual general meeting of the Company.

For the year ended 31 December 2016, the emolument of the external auditor of the Company for the annual audit and review of interim financial statements amounted to RMB23 million. For the year ended 31 December 2016, the emolument of the external auditor of the company for non-audit services amounted to RMB3 million.

Pursuant to the Articles, the tenure of the auditor of the Company will expire upon the conclusion of the 2016 annual general meeting. The audit committee recommended the Board to propose the re-appointment of PricewaterhouseCoopers as the auditor of the Company at the 2016 annual general meeting.

Remuneration Committee

The remuneration committee's terms of reference were basically the same as those set forth in code provision B.1.2 of the Corporate Governance Code. The majority of the members of the remuneration committee were independent non-executive Directors. For the year ended 31 December 2016, the members of the remuneration committee included Professor Hui Ka Yan, Mr. He Qi (chairman of the remuneration committee) and Ms. Xie Hongxi.

The remuneration committee is principally responsible for the following duties:

- to make recommendations and suggestions to the Board in respect of the remuneration policy and structure of the Directors and senior management of the Company and the establishment of formal and transparent procedures for developing such remuneration policy;

- to determine the specific remuneration packages of all executive Directors and senior management;

- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

- to review and approve payments to the executive Directors regarding compensation for their loss or termination of office or appointment, to ensure relevant terms of the contracts, and that the compensation is fair and not excessive for the Company;

- to review and approve the compensation arrangements involved in the termination or dismissal of Directors due to misconduct, to ensure that those arrangements are determined according to the relevant terms of the contracts, and that the compensation is reasonable and appropriate; and

- to ensure that no Director or any of his associates is involved in deciding his/her own remuneration.

No meeting was convened by the remuneration committee for the year ended 31 December 2016 as the Board did not put forward any material change in the prevailing remuneration package or amendment to the terms of employment of the Directors and senior management.

Risk Management and Internal Control

Duties of the Board and the Management

The Board is responsible for the risk management and internal monitoring system and has the responsibility to review the effectiveness of the system. The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to take in achieving strategic objectives, and supervising the management to establish and maintain appropriate and effective risk management and internal control systems. The management is responsible for establishing and maintaining an effective risk management and internal control systems. The management should also provide assurance to the Board on the effectiveness of the system.

Such risk management and internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management

During the year, the Group has established a risk management system structure at the group level to guide the risk assessment activities and ongoing risk monitoring activities for various departments by the following ways:

- **Established a risk management organizational structure** – An organizational structure with the Audit Committee of the Group as the decision-maker and the management of various segments as the implementation unit and led by the senior management of business segments, has been established to divide risk management responsibilities and set out clear responsibilities for risk management and the risk information reporting line.

The main roles and responsibilities of the risk management system are as follows:

Roles	Primary Duties
Board (Decision-maker)	• Assess and determine the nature of the risk and the degree of acceptance to ensure the achievement of strategic objectives; • Ensure the establishment and maintenance of an effective risk management and internal control system; • Supervise management for the design, implementation and monitoring of the risk management and internal monitoring system;
Audit Committee (Decision-maker)	• Review the structure and responsibilities of risk management and continuously monitor its effectiveness, review the basic risk management system; • Supervise management for the design, implementation and monitoring of the risk management and internal monitoring system; • Monitor the amount of significant control failings or weaknesses that have been identified, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition;
Senior Management of the Group (Leadership)	• Be responsible for the development of risk management system, regularly review the Company's risk management policies and system; • Design, implement and supervise the risk management work of the Group, report on risk management to the Audit Committee on a regular basis, and report and disclose significant risk information to the Audit Committee; • Provide the Audit Committee with the confirmation of the effectiveness of the risk management system;

CORPORATE GOVERNANCE REPORT

Roles	Primary Duties
Management of functional centres of the Group, management of subordinate segments, regional and project companies' functional departments (Implementer)	• Regularly update the list of risks involved in the relevant activities, and carry out risk identification and evaluation and other related work; • Develop and implement a risk response program for the relevant activities; • Responsible for the performance and implementation of specific risk management measures; • Monitor all kinds of risks involved in the relevant activities, timely report to the risk management coordinator and risk management leadership on risk information; • Conduct other relevant work on risk management;
Risk management coordinators	• Coordinate risk identification and assessment work; • Organize the preparation of regular risk assessment reports, summarize and submit the results to the risk management leadership; • Organize and coordinate risk management training and guidance;
Internal audit function	• Risk management supervision department, responsible for supervising and assessing risk management work of the Group and various business segments;

- **Established risk assessment criteria** — risk assessment criteria applicable to each business segment has been established based on the nature, business characteristics and strategic objectives of the Group and various activities and the risk appetite of the management, and the risks that are most likely to affect the achievement of the objectives have been assessed using commonly recognized assessment methods and assessment criteria.

- **Risk management workflow** — A risk management workflow covering major steps including identification, analysis, response, monitoring and reporting (please refer to chart 1 "Risk management workflow" below for details) has been established to systematically organize, mitigate and monitor risks. The main elements include, for the purposes of business objectives of the Group and various business segments, identifying the risk factors that affect the achievement of business objectives, assessing the likelihood and potential impacts of each specific risk; adopting measures to deal with the risks identified; and continuously monitoring the changes in risks and timely adjusting countermeasures.

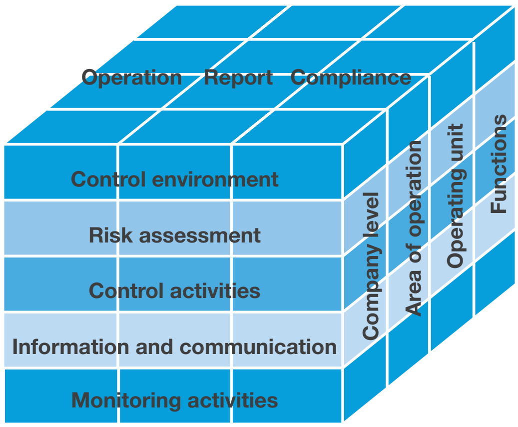
- **Determined the risk management review frequency** — The frequency of risk management assessment and reporting of the Group was determined (to be at least once a year), and the aforesaid key elements have been incorporated in the Risk Management Manual of China Evergrande Group to standardize the forms and frequency of reporting.

(Chart 1: Risk management workflow)

During the year, the Board, through the Audit Committee, conducted a comprehensive review of the risk management system, identified the top 10 risks facing the Group and adopted the relevant countermeasures with the help of external consultants, set out the main department responsible for risk management and countermeasures and objectives for improvement, and reported the assessment results to the Audit Committee.

Internal Control

The Group has established its own internal control system by making reference to the internal control and management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (please refer to chart 2: COSO internal control management framework). The Group's risk management system consists of five interdependent elements, which coordinate and operate to ensure the effectiveness of internal control functions of the Group. The five elements are: control environment, risk assessment, control activities, information and communication and monitoring activities.



(Chart 2: COSO internal control management framework)

The internal control system of the Group, as an important part of its risk management, is established based on the risks facing the Group. The management at the headquarters of the Group, its subordinate segments and departments has designed and implemented a series of policies and procedures in view of the process relating to finance, operation and compliance, and monitors the implementation of these policies and procedures and their effectiveness.

Internal Audit

The Group has established an Internal Audit Department to be responsible for independent supervision. Management has developed measures for improvement in view of the vulnerabilities and weaknesses identified during the internal audit, which are followed up on by the Internal Audit Department on a regular basis to ensure the timely implementation of the relevant measures for improvement.

Review of Risk Management and Internal Control System

During the year, the Board, through the Audit Committee, conducted a review of the risk management and internal control systems of the Group for the financial year of 2016, covering the Group and its business segments. All important aspects of control, including financial, operation and compliance areas, were reviewed, and the changes in natures and severity of major risks as well as the Group's ability to cope with the changes in its business and external environment, were taken into account, and these systems were considered effective and sufficient.

The Audit Committee has reviewed the resources, staff qualifications and experience of the Company on accounting, internal audit and financial reporting functions as well its staff training programs and budget and confirmed the adequacy of the same.

CORPORATE GOVERNANCE REPORT

Framework for Disclosure of Inside Information

The Company has put in place a framework for the handling and disclosure of inside information in compliance with the SFO. The framework sets out the procedures and internal controls, including but not limited to establishing controls for monitoring business and corporate developments and events so that any potential inside information is promptly identified and escalated, restricting access to inside information to a limited number of employees on a need-to-know basis, and ensuring employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality, for the handling and dissemination of inside information in a timely manner so as to allow all the shareholders and stakeholders to assess the latest position of the Group.

Nomination Committee

The nomination committee's terms of reference were basically the same as those set forth in code provision A.5.2 of the Corporate Governance Code. The majority of the members of the nomination committee were independent non-executive Directors. For the year ended 31 December 2016, the members of the nomination committee included Professor Hui Ka Yan, chairman of the committee, Mr. He Qi and Mr. Chau Shing Yim, David.

The nomination committee is principally responsible for the following duties:

- to review the structure, size and composition (including skills, knowledge and experience) of the Board on a regular basis, and make recommendations and suggestions to the Board on any proposed changes;
- to identify individuals with suitable qualifications to serve as members of the Board, and select and nominate the relevant persons to serve as Directors or make recommendations and suggestions to the Board in this regard;
- to appraise the independence of the independent non-executive Directors in accordance with the provisions of applicable laws, regulations and rules; and
- to make recommendations and suggestions to the Board regarding the appointment and re-appointment of Directors by the Company and succession plan for Directors (especially the chairman and CEO, if any, of the Company).

During the year ended 31 December 2016, one meeting was convened by the nomination committee to consider candidates to fill vacancies left by the resignation of the executive Director Mr. Tse Wai Wah.

Securities Transactions by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the Directors. The Company, having made detailed and cautious enquiries, confirmed that all Directors have abided by the Model Code for the year ended 31 December 2016.

Directors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner.

Relationship with our Controlling Shareholders

The Company has received, from each of Xin Xin (BVI) Limited and Professor Hui Ka Yan, an annual declaration on the compliance with the deed of non-competition (the "Deed") entered into by each of them in favour of the Company pursuant to which each of Xin Xin (BVI) Limited and Professor Hui Ka Yan has unconditionally undertaken to the Company that it/he will not directly or indirectly participate in, hold any right or interest, or otherwise be involved in any business which may compete with that of the Group. The independent non-executive Directors have reviewed and were satisfied that each of Xin Xin (BVI) Limited and Professor Hui Ka Yan has complied with the Deed for the year ended 31 December 2016.

Amendments to the Company's Constitutional Documents

During the year ended 31 December 2016, the Company has not amended its memorandum of association or its articles of association.

Shareholders' Rights

Right to convene an extraordinary general meeting ("EGM") (including the right of making proposals/moving resolutions at the EGM).

Any two or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of the Company carrying the right of voting at the general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving resolutions at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving resolutions at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong, for the attention of the Company Secretary.

If within 21 days of the deposit of the Requisition the Board has not notified the Eligible Shareholders and fails to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the memorandum and articles of association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board to convene such meeting shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Right to Nominate Directors for Election at General Meetings

If a shareholder wishes to propose a person other than a Director of the Company for election as a Director, the shareholder must deposit a written notice (the "Notice") to the principal place of business of the Company in Hong Kong at Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong, or the branch share registrar of the Company, Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for the attention of the Company Secretary. The Notice must state clearly the name of the shareholder(s) and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned (not the person to be nominated).

The Notice must also be accompanied by a letter of consent signed by the person nominated to be elected on his/her willingness to be elected as a Director. The period for lodgment of the Notice will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for the election of Directors of the Company and end no later than seven (7) days prior to the date of such general meeting.

The Notice will be verified by the Company's branch share registrar and upon their confirmation that the request is proper and in compliance with the rules of procedures, the Company Secretary will ask the nomination committee of the Company (the "Nomination Committee") and the Board of the Company to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

Disclaimers

The contents of the section headed "Shareholders' Rights" in this report are for reference only and in compliance with disclosure requirements, which do not represent and shall not be regarded as legal or other professional advice to the shareholders. Shareholders should seek their independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims any liability for all liabilities and losses incurred by the shareholders in reliance upon any contents of the section headed "Shareholders' Rights".

Investor Relationship

The Company emphasises communication with institutional investors so as to enhance the transparency of the Company, and stresses the importance of channels to collect and respond to the opinions of institutional investors.

During the year under review, the Directors and senior management of the Company participated in several roadshows and investment meetings. Additionally, the Company released information and responded to questions from the media through press conferences and the Company's website, and communicated with the media on a regular basis.

Shareholders, investors and the media can make enquiries with us by the following methods:

By telephone:	(852) 2287 9208/2287 9226/ 2287 9225
By post:	Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong
By email:	evergrandeir@evergrande.com

REPORT OF THE BOARD OF DIRECTORS

The Directors of the Company are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2016 of the Group.

Major Business

The Group is a developer of large scale quality residential property projects and a leader adopting a standardised operational model in China to manage various projects in different cities across China. The Group is also engaged in other businesses including property construction, hotel operations, finance business, tourism and real estate business, healthcare business. The analysis of the revenue of the Group during the year is set out in Note 5 to the financial statements.

Business Review

A review of the business of the Group during the year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2016 are provided in the section headed "Chairman's Statement" on pages 5 to 15 and the section headed "Management Discussion and Analysis" on pages 17 to 28 of this annual report.

A analysis of the Group's performance during the year ended 31 December 2016 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 17 to 28 of this annual report.

Financial Statements

The results of the Group during the year are set out in the consolidated statement of comprehensive income. The financial position of the Group as at 31 December 2016 is set out in the consolidated balance sheet. The cash flow position of the Group during the year is set out in the consolidated statement of cash flows.

Capital

The changes in the capital of the Group during the year are set out in Note 19 to the financial statements.

Final Dividend

As the Group is undergoing a spin-off reorganisation, in accordance with Question 10 of the "Revised Frequently Asked Questions and Answers for Laws and Regulations for the Regulation of Listed Issuers" (《上市公司監管法律法規常見問題與解答修訂彙編》) of China Securities Regulatory Commission, no final dividend for 2016 has been declared at this time. Upon completion of the spin-off reorganisation, the Company will declare a special dividend in respect of 50% of the distributable profits of the Company for the whole year of 2016 and the first half year of 2017 to the shareholders of the Company.

Closure of Register of Members

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 9 June 2017 to 15 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 8 June 2017.

Reserve

Details of the changes in reserve of the Group during the year are set out in Note 20 to the financial statements.

Property and Equipment

The changes in property and equipment during the year are set out in Note 6 to the financial statements.

REPORT OF THE BOARD OF DIRECTORS

Major Customers and Suppliers

During the year, purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

The percentage of turnover attributable to the Group's five largest customers in aggregate was less than 30% of the Group's total turnover. The Company was not aware of any of the Directors or their connected persons and shareholders holding over 5% of the interest in the share capital of the Company having any interest in the above suppliers and customers.

Relationship with Stakeholders

The Group recognizes that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business. We reinforce business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner so as to ensure quality and timely delivery.

Donation

During the year, the charitable contributions and other donations made in Hong Kong and China by the Group totalled RMB1,608 million.

Directors

The Directors in office during the year and as of the date of this report are as follows:

Executive Directors

Professor Hui Ka Yan
Dr. Xia Haijun
Mr. Tse Wai Wah (resigned with effect from 30 August 2016)
Mr. Pan Darong (appointed with effect from 30 August 2016)
Ms. He Miaoling
Mr. Xu Wen (resigned with effect from 25 April 2017)
Mr. Huang Xiangui
Mr. Shi Junping (appointed with effect from 25 April 2017)

Independent Non-Executive Directors

Mr. Chau Shing Yim, David
Mr. He Qi
Ms. Xie Hongxi

Biographical details of the Directors and senior management are set forth in the section headed "Directors and Administrative Structure" of this report.

Pursuant to Article 16.2 of the Articles, Mr. Pan Darong and Mr. Shi Junping, being Directors appointed to fill a casual vacancy, will retire at the forthcoming AGM, and being eligible, will offer themselves for re-election.

Pursuant to Article 16.18 of the Articles, Ms. He Miaoling, Mr. Huang Xianghui, Mr. He Qi and Ms. Xie Hongxi will retire in the forthcoming AGM, and being eligible, will offer themselves for re-election.

Service Contracts of Directors

There was no service contract that cannot be terminated by the Company without compensation (other than statutory compensation) within one year, entered into by the Company with any Directors proposed to be re-elected in the forthcoming AGM of the Company.

Directors' Interests in Contracts

There was no significant contract with any member of the Group being a party therein and in which the Directors of the Company had direct or indirect substantial interests, and which was still valid on the year end date or any time during the year and related to the business of the Group.

Directors' Interests in Competitive Business

None of the Directors or their respective associates has an interest in any business which competes or may compete with the business of the Group. Xin Xin (BVI) Limited is beneficially owned by our chairman, Professor Hui Ka Yan, who is the controlling shareholder of the Company. The controlling shareholders have provided annual confirmation of their compliance with the deed of non-competition undertaken by them. The independent non-executive Directors have reviewed whether the controlling shareholders abided by the non-competition undertaking and confirmed that no controlling shareholder had violated the non-competition undertaking given by them.

Share Option Scheme

On 14 October 2009, the Company adopted a share option scheme ("Share Option Scheme") whereby the Board can grant options for the subscription of the shares of the Company to the employees, executives and officers of the Group and such other persons that the Board considers to contribute or having contributed to the Group (the "Participants") as described in the Share Option Scheme for the purposes of providing incentives and rewards for their contributions to the Group.

On 14 April 2010, the maximum number of shares that can be issued under the Share Option Scheme was 1,500,000,000 Shares, representing 10% of the issued share capital of the Company. The number of Shares in respect of these options that may be granted according to the Share Option Scheme shall not exceed 10% of the issued Shares of the Company immediately after the completion of the Global Offering (as defined in the prospectus) of the Company. Unless otherwise approved by the shareholders of the Company in a general meeting, the number of Shares that may be granted to each of the Participants under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders, as defined in the Listing Rules), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time.

There is no minimum period for which the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, provided that no options shall be exercised 10 years after they have been granted.

The exercise price of the options shall not be lower than the highest of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the Shares.

Each grantee shall pay a consideration of HK$1.00 at the time the option is granted.

The Share Option Scheme has taken effect and will remain effective within a period of 10 years from the date of adoption. Other details of the Share Option Scheme are set out in the prospectus.

REPORT OF THE BOARD OF DIRECTORS

On 18 May 2010, the Company granted an aggregate of 713,000,000 options to 137 Participants to subscribe for an aggregate of 713,000,000 Shares in the Company, representing approximately 4.75% of the number of Shares in issue as at the date of grant. On 9 October 2014, the Company granted in aggregate 530,000,000 options to 8 Directors and 93 employees to subscribe for 530,000,000 Shares, representing approximately 3.63% of the number of Shares in issue as at the date of grant. The details of the options granted are as follows:

Grantees	Date of grant of options	Exercise period	Exercise price (HK$)	Number of options granted	Number of options outstanding as at 1 January 2016	Number of options exercised/ lapsed/ cancelled during the year	Number of options outstanding as at 31 December 2016
5 Directors	18 May 2010	Note 1	2.40 (Note 2)	113,000,000	3,335,000	(1,000,000)	2,335,000
130 other employees	18 May 2010	Note 1	2.40	600,000,000	56,027,000	(8,272,000)	47,755,000
8 Directors	9 October 2014	Note 3	3.05	138,000,000	136,000,000	(10,000,000)	126,000,000
93 employees	9 October 2014	Note 3	3.05	392,000,000	331,211,000	(22,651,000)	308,560,000
				1,243,000,000	526,573,000	(41,923,000)	484,650,000

Notes:

1. The options granted on 18 May 2010 with respect to a Participant will be exercisable in 5 tranches in the following manners:

   (i) the first tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 31 December 2010 to 31 December 2015;

   (ii) the second tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 31 December 2011 to 31 December 2016;

   (iii) the third tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 31 December 2012 to 31 December 2017;

   (iv) the fourth tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 31 December 2013 to 31 December 2018; and

   (v) the fifth tranche of remaining Shares that are subject of the options granted will be exercisable at any time during the period from 31 December 2014 to 13 October 2019.

2. The closing price of the Shares on the date of grant of the options on 18 May 2010 was HK$2.27 per share.

3. The options granted on 9 October 2014 with respect to a Participant will be exercisable in 5 tranches in the following manners:

   (i) the first tranche of 20% of the Shares that are the subject to the Option granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2015 and ending on 8 October 2020;

   (ii) the second tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2016 and ending on 8 October 2021;

   (iii) the third tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2017 and ending on 8 October 2022;

(iv) the fourth tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2018 and ending on 8 October 2023;

(v) the fifth tranche comprising the remaining number of Shares that are subject to the Option granted will be exercisable at any time during the period commencing from 9 October 2019 and ending on the expiry date of the Option Period.

4. The expiry date of the Share Option Scheme is 13 October 2019, being the date of not more than 10 years pursuant to Rule 17.03(11) of the Listing Rules.

5. Valuation of the options granted

The valuation of options granted for the year ended 31 December 2014 was determined based on the binomial lattice model with the following assumptions:

Date of grant	9 October 2014
Closing share price on the date of grant	HK$3.05
Exercise price per share	HK$3.05
Annual risk free rate	0.75% p.a. for 3-year option 1.22% p.a. for 4-year option 1.27% p.a. for 5-year option 1.81% p.a. for 10-year option
Expected volatility	39% p.a. for the 2-year options and 49% for the 3-year, 4-year, 5-year and 10-year options
Term of the option	2–10 years
Expected dividend yield	5.70% p.a.

The fair value of each option:

Vesting period	Directors	Other employees
1 year after grant date	HK$0.4848	HK$0.4965
2 years after grant date	HK$0.7429	HK$0.7559
3 years after grant date	HK$0.8076	HK$0.8191
4 years after grant date	HK$0.8447	HK$0.8548
5 years after grant date	HK$1.0325	HK$0.9959

Debenture

At any time during the year, neither the Company nor its holding company or its subsidiaries was a party to any arrangements to enable the Directors acquire benefits by means of acquisition of the shares or debentures of the Company or any other body corporate.

Interest and Short Positions of Directors in Shares, Underlying Shares or Debentures

As at 31 December 2016, the interest and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(i) Interest in the Shares of the Company

Names of Director	Nature of interest	Number of Shares	Approximate Percentage of shareholding
Hui Kai Yan (Note 1)	Interest of controlled corporation	10,162,119,735(L)	74.20%

Note:

(1) Of the 10,162,119,735 Shares held, 9,370,871,497 Shares were held by Xin Xin (BVI) Limited, a company wholly owned by Professor Hui Ka Yan, and 791,248,238 Shares were held by Even Honour Holdings Limited, a company indirectly wholly owned by Professor Hui Ka Yan's spouse, Ms. Ding Yumei ("Mrs Hui"). The interest of Even Honour Holdings Limited in the Company is also deemed to be held by Professor Hui Ka Yan pursuant to the SFO.

(ii) Interest in the underlying shares of the Company

(a) Share Option Scheme (Granted on 18 May 2010)

Name of Director	Nature of interest	Number of Shares outstanding involved in the options granted under the Share Option Scheme	Approximate percentage of shareholding of those options granted and exercised under the Share Option Scheme based on the existing issued share capital of the Company
Xia Haijun	Beneficial owner	100,000,000	0.73%
He Miaoling	Beneficial owner	12,335,000	0.09%
Xu Wen	Beneficial owner	8,000,000	0.06%
Huang Xiangui	Beneficial owner	5,000,000	0.04%
Chau Shing Yim, David	Beneficial owner	1,000,000	0.01%
He Qi	Beneficial owner	1,000,000	0.01%
Xie Hungxi	Beneficial owner	1,000,000	0.01%

Note: The exercise price of the share options granted on 18 May 2010 was HK$2.40 per Share.

(iii) Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Number of securities	Approximate percentage of shareholding
Hui Kai Yan	Xin Xin (BVI) Limited	100 shares	100%
	Even Honour Holdings Limited (Note)	1 share	100%

Note: Pursuant to the SFO, Even Honour Holdings Limited is indirectly wholly owned by the spouse of Professor Hui Ka Yan and is deemed to be an associated corporation of the Company.

(iv) Interest in debentures of the Company

Name of Director	Currency of debentures	Amount of debenture bought	Amount of debentures in same class in issue
Xia Haijun	US$	3,500,000	1,500,000,000

Save as disclosed above, as at 31 December 2016, none of the Directors, executives of the Company or their respective associates had any other interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE BOARD OF DIRECTORS

Substantial Shareholders' Interests and Short Positions

As far as the Directors or executives of the Company are aware, as at 31 December 2016, other than the Directors or chief executives of the Company as disclosed above, the following persons had interest or short positions in the Shares or underlying shares which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required pursuant to Section 336 of the SFO to be entered in the register to be kept therein or to be notified to the Company and the Stock Exchange:

Name of shareholder	Nature of interest held	Interest in the shares	Approximate percentage of shareholding
Mrs. Hui	Interest of controlled corporation	10,162,119,735(L) (Note 1)	74.20%
Xin Xin (BVI) Limited	Beneficial owner	9,370,871,497(L) (Note 2)	68.43%
Even Honour Holdings Limited	Beneficial owner	791,248,238(L) (Note 3)	5.78%
Yaohua Limited	Interest of controlled corporation	791,248,238(L) (Note 3)	5.78%

Notes:

1. Of the 10,162,119,735 Shares held, 791,248,238 Shares were held by a company wholly owned by Mrs Hui, and 9,370,871,497 Shares were held by Xin Xin (BVI) Limited, a company indirectly wholly owned by Dr Hui Ka Yan, the spouse of Mrs. Hui. The interest of Xin Xin (BVI) Limited in the Company is also deemed to be held by Mrs Hui pursuant to the SFO.

2. Xin Xin (BVI) Limited is beneficially owned by Professor Hui Ka Yan.

3. Even Honour Holdings Limited is wholly owned by Yaohua Limited, and Yaohua Limited is wholly owned by Mrs. Hui.

Subsidiaries

Details of the major subsidiaries of the Company as at 31 December 2016 are set out in Note 44 to the financial statements.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the year.

Employee and Remuneration Policies

As at 31 December 2016, the Group had an aggregate of 89,250 employees. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to individual performance and current market rate.

Environmental, Social and Governance

Environmental Protection

Environmental protection is a key focus for the Group. The conscientious use of resources and adoption of related best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection by promoting awareness of the issue amongst its employees. It also complies with relevant environmental legislation.

An ever-improving management system, enhanced monitoring of activities and procedures, energy conservation and environmental protection are strongly promoted.

Compliance with Laws and Regulations

The Group has established procedures in place to ensure that its operations comply with applicable laws, rules and regulations. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices for achieving compliance with legal and other regulatory requirements, and such policies and practices are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operating units whenever necessary.

As far as the Company is aware, the Group has complied in all material respects with laws and regulations that have a significant impact on the Group's business and operations.

Workplace Quality

The Group is an equal opportunity employer and does not discriminate on the basis of any personal characteristics. It has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behaviour, and employees' rights and benefits. The Group also establishes and implements policies that promote a harmonious and respectful workplace.

The Group believes that employees are the most valuable assets of an enterprise and regards human resources as its corporate wealth. The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different types of training, staff's knowledge of corporate operations as well as their occupational and management skills are enhanced. The Group also organises staff-friendly activities for employees, such as outings, to promote staff relationships and physical fitness.

Health and Safety

The Group prides itself on providing a safe, effective and congenial work environment and it values the health and well-being of its staff. Adequate arrangements, training and guidelines have been implemented to ensure its working environment is healthy and safe. The Group provides communications on health and safety matters and other programmes to employees in order to raise their awareness of such issues and enhance their related behavior.

Training and Development

The Group is committed to the professional and personal development and growth of all employees and considers training and development a critical continuous process. Many on the-job and other training courses and programmes are provided to help employees maintain and develop their skills and professionalism. Structured training programmes including seminars are offered to staff with the objective of grooming and unleashing their full potential, supporting, organisational development and facilitating team synergies. Employees are encouraged to take advantage of these programmes in order to equip themselves with the skills and knowledge for expanded career opportunities within the Group.

Commitment to Quality

The Group has made relentless efforts in providing property development and management services. Looking forward to 2017, the Company will continue with its research and investment to enrich the Group's services.

The Company will also ensure the quality of its services and place customers' demands at its priority in order to maintain its competitive advantage and to increase shareholders' value further.

Management of Supply Chain

The Group adheres to open, fair and transparent criteria in selecting suppliers and service providers, and has established a supplier evaluation system in which suppliers' price, quality, cost, delivery and after-sales service are assessed. The Group will carry out long-term monitoring of suppliers' quality and conduct regular reviews of all suppliers as well as casual examinations of different suppliers to ensure the sustainable quality of material supplies and services it receives.

Community Investment

The Group upholds the corporate philosophy of "Put people first, serve the country through industry development" with integration of its business features and advantages in resources, to actively commit to social responsibility and philanthropy and assist to solve the social problems. Since the establishment of the Group, it has focused its key concern on various charity events in respect of people's livelihood, poverty alleviation, environmental protection, education, sports, and culture. The Group does its utmost to shoulder its social responsibility and create social value in an effort to achieve harmonious development between the Company and society.

The Company has complied with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. The Environmental, Social and Governance Report of the Company will be separately disclosed to the public after the publication of this annual report.

Corporate Governance

The Company strives to maintain a high corporate governance standard and has complied with the Corporate Governance Code set out in Appendix 14 of the Listing Rules. Further information of the corporate governance practices of the Company is set out in the Corporate Governance Report section of this annual report.

Foreign Exchange Risks

Details of the foreign exchange risks are set out in Note 3(A)(i) to the financial statements.

Purchase, Sale and Repurchase of Shares

During 2016, the Company had repurchased from the market a total of 127,665,000 shares. All the repurchased shares have been cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Details of the repurchases of the shares of the Company are as follows:

Month of repurchase	Number of shares repurchased	Highest price per share (HK$)	Lowest price per share (HK$)	Aggregate purchase price (HK$)
January 2016	127,665,000	6.70	5.91	821,992,990

On 12 January 2016, the Company issued 8% senior notes due 2019 with a principal amount of US$300 million. The senior notes are listed and traded on the Singapore Stock Exchange. The Company also issued on the same date 7.8% senior notes due 2019 with a principal amount of US$400 million.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

Disclosure Under Rule 13.20 of the Listing Rules

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

Subsequent Events

The Company announced on 3 October 2016 that 廣州市凱隆置業有限公司 (Guangzhou Kailong Real Estate Company Limited) ("Kailong Real Estate") and 恒大地產集團有限公司 (Hengda Real Estate Group Company Limited) ("Hengda Real Estate"), both being subsidiaries of the Company, entered into a cooperation agreement with 深圳經濟特區房地產(集團)股份有限公司 (Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd.) ("Shenzhen Real Estate") and 深圳市投資控股有限公司 (Shenzhen Investment Holding Co. Ltd.) ("Shenzhen Investment") pursuant to which the parties agreed to work towards the entering into a reorganisation agreement under which Shenzhen Real Estate will by way of issue of Renminbi ordinary shares (A shares) and/or the payment of cash consideration, acquire 100% of the equity interest in Hengda Real Estate from Kailong Real Estate, which will result in Kailong Real Estate becoming the controlling shareholder of Shenzhen Real Estate thereby enabling the Company to effectively list the real estate related assets of the Group on the Shenzhen Stock Exchange A-share market (the "Proposed Reorganisation"). The Proposed Reorganisation constitutes a spin-off under Practice Note 15 of the Listing Rules and would require the approval of the Stock Exchange. On 24 January 2017, the Company received the in-principle approval from the Stock Exchange in respect of the proposed spin-off.

REPORT OF THE BOARD OF DIRECTORS

On 17 March 2017, the Company announced the issue of (i) 7% senior notes due 2020 with a principal amount of US$500 million, and (ii) 8.25% senior notes due 2022 with a principal amount of US$1,000 million.

On 24 March 2017, the Company announced the issue of 9.5% senior notes due 2024 with a principal amount of US$1,000 million.

Five Years Financial Summary

The summary of the results, assets and liabilities of the Group in the past five years is set out on pages 175 to 176.

Pre-Emptive Rights

There is no provision regarding pre-emptive rights in the articles of association of the Company or the law of the Cayman Islands which stipulates that the Company is required to offer Shares to the existing shareholders of the Company any new shares according to their respective shareholding for any fresh issue of shares.

Adequate Public Float

At the time of listing of the Company in 2009, the Company has applied to the Stock Exchange for a waiver in respect of the public float requirement under Rule 8.08(1)(d) of the Listing Rules. The Stock Exchange has accepted a lower level of public float for the Company at the time of the listing subject to the minimum public float should be the higher of (a) 15%, or (b) such a percentage of shares held by the public immediately after completion of the global offering of the Company, as increased by the shares issued upon the exercise of the over-allotment option under the global offering. As announced by the Company on 27 November 2009 with regard to the exercise of the over-allotment option and the end of the stabilization period for the global offering, the percentage of shares that was held by the public then was 22.04%. As such, the minimum public float requirement that the Company should maintain at all times should be 22.04%.

The Company has maintained adequate public float during the year.

Auditor

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December 2016. The audit and reporting responsibilities of the Company 's auditor on the financial statements of the Group are set out in the "Independent Auditor's Report" in this annual report. The Company will propose a resolution at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

For and on behalf of the Board
Hui Ka Yan
Chairman
Hong Kong, 28 March 2017

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of China Evergrande Group
(formerly known as "Evergrande Real Estate Group Limited")
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Evergrande Group (the "Company") and its subsidiaries (the "Group") set out on pages 71 to 174, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

Independence

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

Key Audit Matters

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

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

- Estimated fair value of investment properties
- Assessment of net realisable value of properties under development and completed properties held for sale
- Classification of the investment in China Vanke Co. Ltd. as an available-for-sale financial asset

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimated fair value of investment properties	
Refer to note 2(h) of accounting policy of investment properties and note 4 of critical accounting estimates and judgements to the consolidated financial statements. The Group's investment properties were measured at fair value of RMB132,045 million as at 31 December 2016, with a revaluation gain of RMB5,124 million recorded in the consolidated statement of comprehensive income for the year then ended. Independent external valuations were obtained for the full property portfolio in order to support management's estimates. The valuations of completed investment properties prepared under income capitalisation approach were dependent on certain key assumptions that required significant management judgement, including capitalisation rate, fair market rent and fair market price. The valuations of investment properties under construction prepared under residual approach were also dependent upon the estimated costs to completion and expected developer's profit margin.	We have performed the following procedures to address this key audit matter: (i) We evaluated the independent external valuers' competence, capabilities and objectivity; (ii) We involved our in-house valuation experts to assess the income capitalisation approach and residual approach used by the external valuers based on our knowledge of the property industry; and (iii) We checked, on a sample basis, the accuracy and relevance of the input data used, including the capitalisation rate, fair market rent and fair market price, to the recent renewal of lease or sale transactions of the Group and of the market. For the estimated costs to completion and expected developer's profit margin, we also checked to the construction budget and historical information of similar properties of the Group. We found that the key assumptions used in the valuations were supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter

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

Refer to note 4 of critical accounting estimates and judgements, note 9 of properties under development and note 10 of completed properties held for sale to the consolidated financial statements.

Properties under development ("PUD") and completed properties held for sale ("PHS") totalled RMB658,627 million as at 31 December 2016 and accounted for approximately 49% of the Group's total assets. At the year end, management assessed the carrying amounts of PUD and PHS at the lower of cost or net realisable value and made related provision as appropriate.

We focused on this net realisable value assessment because the determination of net realisable values of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD.

We have performed the following procedures to address this key audit matter:

(i) We understood, evaluated and validated the internal control over the Group's process in determining the costs to completion of PUD and net realisable values of PUD and PHS based on prevailing market conditions; and

(ii) As part of our risk assessment in this area, we compared the relevant PUD and PHS balances against the result of management's net realisable value assessment made in the prior years to consider, with hindsight, whether management's net realisable value assessment estimation process had been subject to management bias;

(iii) We then challenged the reasonableness of management's key estimates for:

- Estimated selling price which is based on the prevailing market conditions. We compared the estimated selling price to the recent market transactions, such as the Group's selling price of the same project's pre-sale units or the prevailing market price of the comparable properties with similar size, usage and location;

- Estimated variable selling expenses as a percentage of the related estimated selling price of the properties. We compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in the current year; and

- Estimated costs to completion for PUD. We reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the signed construction contracts or compared to the actual costs of similar completed properties of the Group.

We found that management's estimates on the net realisable value of the Group's properties were supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter

Classification of the investment in China Vanke Co. Ltd. as an available-for-sale financial asset

Refer to note 14 to the consolidated financial statements.

During the year ended 31 December 2016, the Group invested in 1,553,210,974 A shares of China Vanke Co. Ltd. ("Vanke"), representing approximately 14.07% of the issued share capital of Vanke. The aggregate consideration paid by the Group for this investment was approximately RMB36,273 million.

Management intended to hold the investment in Vanke for long-term investment purpose and therefore it was accounted for as an available-for-sale financial asset. The Group had no right to nominate any director of Vanke as at 31 December 2016 pursuant to the time requirement set out in the articles of association of Vanke and the Group had no other means to exercise any significant influence over Vanke as an associate.

Classification of the investment in Vanke involved application of management's judgement through the analysis of various factors, including the percentage of equity interest held by the Group, representation on the investee's board of directors and also the Group's intention in this transaction. Therefore, this matter is considered as a key audit matter.

We have performed the following procedures to address this key audit matter:

(i) We discussed with management to understand the Group's intention of the investment in Vanke, inspected the relevant board of directors' meeting minutes, and confirmed that the purpose of this transaction was for long-term investment.

(ii) We examined the custodian statements to check the Group's shareholding in Vanke and management's representation that there was no frequent trading of these securities during the year.

(iii) We checked the board composition of Vanke during the year ended 31 December 2016 and noted that none of the directors was appointed by the Group.

(iv) In addition, we inspected the articles of association of Vanke to evaluate management's assessment that the Group had no right to nominate any director of Vanke as at 31 December 2016.

Based on the procedures performed, we noted that management's judgement applied in accounting for the investment in Vanke was supported by the available evidence.

Other Information

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

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2017

CONSOLIDATED BALANCE SHEET

	Note	31 December 2016 RMB million	31 December 2015 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	6	20,833	16,720
Land use rights	7	5,401	3,625
Investment properties	8	132,045	97,146
Properties under development	9	—	248
Trade and other receivables	11	9,342	10,730
Prepayments	12	2,754	1,038
Intangible assets		241	372
Investments accounted for using equity method	13	24,374	8,580
Available-for-sale financial assets	14	36,805	2,595
Deferred income tax assets	23	4,036	2,752
Goodwill		1,402	885
		237,233	144,691
Current assets			
Inventories		230	1,311
Properties under development	9	577,851	329,610
Completed properties held for sale	10	80,776	54,118
Trade and other receivables	11	76,434	21,708
Prepayments	12	62,747	37,137
Income tax recoverable		7,665	4,131
Financial assets at fair value through profit or loss	15	3,603	307
Restricted cash	17	105,909	60,932
Cash and cash equivalents	18	198,420	103,090
		1,113,635	612,344
Total assets		1,350,868	757,035
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	19	1,006	971
Other reserves	20	4,739	7,637
Retained earnings		38,495	42,398
		44,240	51,006
Perpetual capital instruments	21	112,944	75,737
Non-controlling interests	38	35,348	15,399
Total equity		192,532	142,142

CONSOLIDATED BALANCE SHEET

	Note	**31 December 2016 RMB million**	31 December 2015 RMB million
LIABILITIES			
Non-current liabilities			
Borrowings	22	**332,164**	138,162
Other payables	24	**54,354**	2,481
Deferred income tax liabilities	23	**38,424**	17,569
		424,942	158,212
Current liabilities			
Borrowings	22	**202,906**	158,744
Trade and other payables	24	**299,905**	191,309
Receipt in advance from customers		**194,961**	83,061
Current income tax liabilities	25	**35,622**	23,567
		733,394	456,681
Total liabilities		**1,158,336**	614,893
Total equity and liabilities		**1,350,868**	757,035

The notes on pages 79 to 174 are an integral part of these consolidated financial statements.

Hui Ka Yan
Director

Pan Darong
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2016 RMB million	2015 RMB million
Revenue	5	**211,444**	133,130
Cost of sales	28	**(152,022)**	(95,717)
Gross profit		**59,422**	37,413
Fair value gains on investment properties	8	**5,124**	12,859
Other gains	26	**6,986**	323
Other income	27	**4,937**	2,262
Selling and marketing costs	28	**(15,983)**	(13,325)
Administrative expenses	28	**(9,598)**	(6,139)
Other operating expenses	28	**(2,663)**	(1,077)
Operating profit		**48,225**	32,316
Fair value gain on financial assets at fair value through profit or loss	15	**141**	2,515
Finance costs	30	**(11,301)**	(2,994)
Share of loss of investments accounted for using equity method	13	**(203)**	(392)
Profit before income tax		**36,862**	31,445
Income tax expenses	31	**(19,245)**	(14,105)
Profit for the year		**17,617**	17,340
Other comprehensive income			
(Item that may be reclassified to profit or loss)			
Change in value of available-for-sale financial assets, net of tax		**(3,039)**	30
Share of other comprehensive income of investments accounted for using the equity method		**(2,688)**	—
Currency translation differences		**835**	—
		(4,892)	30
Total comprehensive income for the year		**12,725**	17,370
Profit attributable to:			
Shareholders of the Company		**5,091**	10,460
Holders of perpetual capital instruments		**10,646**	5,088
Non-controlling interests		**1,880**	1,792
		17,617	17,340

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2016	2015
	Note	**RMB million**	RMB million
Total comprehensive income attributable to:			
Shareholders of the Company		**199**	10,490
Holders of perpetual capital instruments		**10,646**	5,088
Non-controlling interests		**1,880**	1,792
		12,725	17,370
Earnings per share for profit attributable to shareholders of the Company for the year (expressed in RMB per share)			
— Basic earnings per share	32	**0.372**	0.713
— Diluted earnings per share	32	**0.366**	0.703

The notes on pages 79 to 174 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company							
	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained earnings RMB million	Total RMB million	Perpetual capital instruments RMB million	Non-controlling interests RMB million	Total RMB million
Balance as at 1 January 2015	1,021	–	5,849	44,250	51,120	52,852	8,406	112,378
Comprehensive income								
Profit for the year	–	–	–	10,460	10,460	5,088	1,792	17,340
Other comprehensive income								
Available-for-sale financial assets	–	–	30	–	30	–	–	30
Total comprehensive income	–	–	30	10,460	10,490	5,088	1,792	17,370
Transactions with owners								
Transfer to statutory reserves	–	–	1,851	(1,851)	–	–	–	–
Issuance of shares pursuant to the option scheme (note 19, note 20)	19	957	(268)	–	708	–	–	708
Employee share option schemes	–	–	112	–	112	–	–	112
Proceeds from share placement (note 19)	50	3,580	–	–	3,630	–	–	3,630
Repurchase of shares (note 19)	(119)	(4,537)	119	(3,729)	(8,266)	–	–	(8,266)
Dividends (note 33, note 38)	–	–	–	(6,732)	(6,732)	–	(220)	(6,952)
Issuance of perpetual capital instruments (note 21)	–	–	–	–	–	44,322	–	44,322
Redemption of perpetual capital instruments (note 21)	–	–	–	–	–	(20,902)	–	(20,902)
Distribution to holders of perpetual capital instruments (note 21)	–	–	–	–	–	(5,623)	–	(5,623)
Changes in ownership interests in subsidiaries without change of control (note 38)	–	–	(56)	–	(56)	–	(85)	(141)
Capital injection from non-controlling interests (note 38)	–	–	–	–	–	–	624	624
Non-controlling interests arising from business combination (note 38)	–	–	–	–	–	–	3,233	3,233
Acquisition of subsidiaries (note 38)	–	–	–	–	–	–	1,649	1,649
Total transactions with owners	(50)	–	1,758	(12,312)	(10,604)	17,797	5,201	12,394
Balance as at 31 December 2015	971	–	7,637	42,398	51,006	75,737	15,399	142,142

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company							
	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained earnings RMB million	Total RMB million	Perpetual capital instruments RMB million	Non-controlling interests RMB million	Total RMB million
Balance as at 1 January 2016	971	–	7,637	42,398	51,006	75,737	15,399	142,142
Comprehensive income								
Profit for the year	–	–	–	5,091	5,091	10,646	1,880	17,617
Other comprehensive income								
Change in value of available-for-sale financial assets	–	–	(3,039)	–	(3,039)	–	–	(3,039)
Share of other comprehensive income of investments accounted for using the equity method	–	–	(2,688)	–	(2,688)	–	–	(2,688)
Currency translation differences	–	–	835	–	835	–	–	835
Total comprehensive income	–	–	(4,892)	5,091	199	10,646	1,880	12,725
Transactions with owners								
Transfer to statutory reserves	–	–	3,073	(3,073)	–	–	–	–
Issuance of shares pursuant to the option scheme (note 19, note 20)	2	73	(17)	–	58	–	–	58
Employee share option schemes	–	–	79	–	79	–	–	79
Issuance of shares pursuant to the Bonus Warrants	–	–	90	–	90	–	78	168
Repurchase of shares (note 19)	(9)	(31)	9	(659)	(690)	–	–	(690)
Dividends (note 33, note 38)	–	–	–	(5,262)	(5,262)	–	(219)	(5,481)
Issuance of perpetual capital instruments (note 21)	–	–	–	–	–	59,754	–	59,754
Redemption of perpetual capital instruments (note 21)	–	–	–	–	–	(25,789)	–	(25,789)
Distribution to holders of perpetual capital instruments (note 21)	–	–	–	–	–	(5,728)	–	(5,728)
Changes in ownership interests in subsidiaries without change of control (note 38)	–	–	(1,194)	–	(1,194)	–	(6,297)	(7,491)
Capital injection from non-controlling interests (note 38)	–	–	–	–	–	–	16,882	16,882
Non-controlling interests arising from business combination (note 38)	–	–	–	–	–	–	6,707	6,707
Acquisition of subsidiaries (note 38)	–	–	–	–	–	–	1,172	1,172
Disposal of subsidiaries (note 38)	–	–	(46)	–	(46)	(1,676)	(254)	(1,976)
Total transactions with owners	(7)	42	1,994	(8,994)	(6,965)	26,561	18,069	37,665
Balance as at 31 December 2016	964	42	4,739	38,495	44,240	112,944	35,348	192,532

The notes on pages 79 to 174 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2016 RMB million	2015 RMB million
Cash flows of operating activities			
Net cash (used in)/generated from operations	34	**(14,628)**	1,891
Income tax paid		**(13,106)**	(6,065)
Interest paid		**(30,876)**	(19,575)
Net cash used in operating activities		**(58,610)**	(23,749)
Cash flows of investing activities			
Acquisition of subsidiaries, net of cash acquired	39	**(44,120)**	(3,885)
Purchases of property, plant and equipment and investment properties		**(15,927)**	(15,518)
Proceeds from disposal of property, plant and equipment, land use rights and intangible asset		**808**	612
Proceeds from disposal of investment properties		**2,378**	780
Purchase of land use rights		**(344)**	(182)
Purchase of intangible assets		**(58)**	(86)
Investment in associates		**(10,038)**	(136)
Investment in joint ventures		**(11,384)**	(5,802)
Proceeds from disposal of joint ventures and associates		**111**	—
Purchase of financial assets purchased under resale agreements		**(1,672)**	—
Net cash received from disposal of subsidiaries		**2,507**	—
Purchase of available-for-sale financial assets	14	**(47,060)**	(4,824)
Proceeds from disposal of available-for-sale financial assets		**8,824**	3,006
Dividend received	27	**139**	43
Purchase of financial assets at fair value through profit or loss	15	**(4,679)**	(2,367)
Proceeds from disposal of financial assets at fair value through profit or loss	15	**1,524**	15,571
Repayment from associates		**965**	1,199
Repayment from joint ventures		**1,686**	—
Cash advance to associates		**(823)**	—
Cash advance to joint ventures		**(1,608)**	(1,686)
Cash advance to non-controlling interests		**(2,951)**	(285)
Prepayments for acquisition of subsidiaries		**(565)**	—
Interest received	27	**2,728**	1,007
Net cash used in investing activities		**(119,559)**	(12,553)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2016 RMB million	2015 RMB million
Cash flows of financing activities			
Proceeds from bank and other borrowings		424,511	189,572
Repayments of bank and other borrowings		(237,892)	(105,102)
Proceeds from PRC corporate bonds		14,112	39,522
Proceeds from senior notes		4,564	6,115
Repayments of senior notes		(3,700)	—
Proceeds from unit holders of consolidated investment entities		3,333	1,760
Repayment to unit holders of consolidated investment entities		—	(5,500)
Interest paid to unit holders of consolidated investment entities		(179)	(357)
Proceeds from perpetual capital instruments	21	59,754	44,322
Redemption of perpetual capital instruments	21	(25,789)	(20,902)
Distribution to holders of perpetual capital instruments	21	(5,728)	(5,623)
Proceeds from shares issued		—	3,630
Repurchase of shares		(690)	(8,266)
Issuance of ordinary shares pursuant to share option scheme		58	708
Dividends paid		(5,481)	(6,952)
Acquisitions of non-controlling interests in subsidiaries		(3,877)	(141)
Capital injection from non-controlling interests	38	16,882	624
Cash advance from associates		83	—
Repayment to associates		(334)	(401)
Cash advance from joint ventures		274	598
Repayment to joint ventures		(547)	—
Cash advance from non-controlling interests		4,747	—
Repayment made to non-controlling interests		(3,974)	(758)
Advances from investors of subsidiaries	24(b)	44,250	—
Restricted cash pledged for bank borrowings		(11,298)	(23,403)
Net cash generated from financing activities		273,079	109,446
Net increase in cash and cash equivalents		94,910	73,144
Cash and cash equivalents at beginning of year		103,090	29,847
Exchange gain on cash and cash equivalents		420	99
Cash and cash equivalents at end of year		198,420	103,090

The notes on pages 79 to 174 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

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

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

These consolidated financial statements are presented in Renminbi Yuan ("RMB") millions, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "Board") of the Company on 28 March 2017.

2 Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

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

(i) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2016. The adoption of these amended standards does not have any significant impact to the results and financial position of the Group.

HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception
HKAS 27 (Amendment)	Equity method in separate financial statements
Annual improvements 2014	Annual Improvements 2012–2014 cycle
HKAS 1 (Amendment)	Disclosure initiative
HKFRS 14	Regulatory Deferral Accounts
HKAS 16 and HKAS 41 (Amendments)	Agriculture: bearer plants

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group:

HKAS 7 (Amendments)	Changes in liabilities arising from financial activities[1]
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture[4]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective date is to be determined by the International Accounting Standard Board.

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations.

The amendments to HKAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments to HKAS 12 on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment, the Group's financial assets currently classified as available-for-sale (AFS) would appear to satisfy the conditions for classification as fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. And the Group expects that its financial assets currently measured at amortised cost and fair value through profit or loss will continue with their respective classification and measurements.

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

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied.

At this stage, the Group is not able to estimate the impact of HKFRS 15 on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

The amendments to HKFRS 10 and HKAS 28 address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

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

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. Management expects there will be no significant impact on the Group's financial statements when it becomes effective as the Group does not have material lease arrangements as lessee.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

(b) Consolidation

(i) Subsidiaries

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

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

(ii) Business combinations

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

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

2 Summary of Significant Accounting Policies (Continued)

(b) Consolidation (Continued)

(ii) Business combinations (Continued)

Acquisition-related costs are expensed off as incurred.

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

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

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

(iii) Changes in ownership interests in subsidiaries without change of control

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

(iv) Disposal of subsidiaries

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

(v) Investments in subsidiaries

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2 Summary of Significant Accounting Policies (Continued)

(c) Associates

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

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

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

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

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

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2 Summary of Significant Accounting Policies (Continued)

(d) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

(e) Segment reporting

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

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each group entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The consolidated financial statements are presented in RMB, which is the functional and presentation currency of the Company.

(ii) Transactions and balances

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

2 Summary of Significant Accounting Policies (Continued)

(f) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

Foreign exchange gain and losses that relate to borrowings denominated in foreign currencies are presented in the consolidated statement of comprehensive income within “finance income/(costs), net”. All other foreign exchange gain and losses are presented in the consolidated statement of comprehensive income within “Administrative expenses”.

(iii) Group entities

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

- assets and liabilities of each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses of each income statement of the group entities are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into equity holders’ equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

(g) Property, plant and equipment

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

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

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

Buildings	20–30 years
Machinery	5–10 years
Transportation equipment	5–10 years
Furniture, fitting and equipment	5–10 years

The assets’ residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

2 Summary of Significant Accounting Policies (Continued)

(g) Property, plant and equipment (Continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains, in the statement of comprehensive income.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(h) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Properties and land use right that are currently being constructed or developed for future use as investment property is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

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

Changes in fair values of investment property are recognised in profit or loss.

If an investment property becomes owner-occupied or commences to be further developed for sale, it is reclassified as property, plant and equipment and land use right or properties under development, and its fair value at the date of change in use becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss to the extent the impairment provision previous made.

2 Summary of Significant Accounting Policies (Continued)

(i) Intangible assets

(i) Water resource license

Water resource license acquired in a business combination are recognised at fair value at the acquisition date. Water resource license have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of water resource license over their estimated useful lives of 20 years.

(ii) Brand name

Brand name acquired in a business combination are recognised at fair value at the acquisition date. Brand name have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brand name over its estimated useful lives less than 10 years.

(iii) Copy rights

Copy rights are acquired and are recognised at historical cost. Copy rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of copy rights over its estimated useful lives less than 10 years.

(iv) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from three to five years over the expected life of the customer relationship.

(v) Computer softwares

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to ten years.

(vi) Goodwill

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

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

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

2 Summary of Significant Accounting Policies (Continued)

(j) Impairment of non-financial assets

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

(k) Financial assets

(i) Classification

The Group classifies its financial assets as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 Summary of Significant Accounting Policies (Continued)

(k) Financial assets (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "fair value gain on financial assets at fair value through profit or loss" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss.

Dividends on available-for-sale equity instruments are recognised in the profit or loss when the Group's right to receive payments is established.

(iii) Offsetting financial instruments

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

(l) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 Summary of Significant Accounting Policies (Continued)

(l) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

(m) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

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

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

(n) Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

2 Summary of Significant Accounting Policies (Continued)

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(p) Trade and other receivables

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

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

(q) Cash and cash equivalents

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term high liquidity investment with original maturities of three months or less.

Bank deposits which are restricted to use are classified as “restricted cash”. Restricted cash are excluded from cash and cash equivalents in the cash flow statements.

(r) Share capital

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

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

(s) Perpetual capital instruments

Perpetual capital instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

(t) Trade and other payables

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

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

2 Summary of Significant Accounting Policies (Continued)

(u) Borrowings

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

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

(v) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are recognised as an expense in the period in which they are incurred.

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

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

2 Summary of Significant Accounting Policies (Continued)

(w) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associate and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for its associate, only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

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

(iii) Offsetting

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

2 Summary of Significant Accounting Policies (Continued)

(x) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2 Summary of Significant Accounting Policies (Continued)

(y) Share-based payments

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

(i) including any market performance conditions (for example, an entity's share price);

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

(iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The options granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group are treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(z) Provisions and contingent liabilities

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

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

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

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

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

2 Summary of Significant Accounting Policies (Continued)

(aa) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminated sales with the group entities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. To the extent that the Group has to perform further work on the properties already delivered to the purchasers, the relevant expenses shall be recognised simultaneously. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the balance sheets under current liabilities.

(ii) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered, using a straight-line basis over the term of the contract.

(iii) Construction and decoration services

Revenue arising from construction and decoration service is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iv) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the goods are delivered or services are rendered.

(v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(vi) Rental income

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

(vii) Sales of goods

The Group manufactures and sells a range of consumer products, including bottled water product, food product and diary product in wholesale and retail market. Revenue from sales of goods are recognised when the products have been delivered to the customers.

2 Summary of Significant Accounting Policies (Continued)

(aa) Revenue recognition (Continued)

(viii) Advertising income

Advertising income is recognised upon the publication of the edition in which the advertisement is placed.

(ix) Income from medical cosmetology and health management

Income from medical cosmetology and health management are recognised when the services have been rendered to customers. The period of these services rendered is usually within a day.

(ab) Leases

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

(i) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

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

Land use rights under operating lease, which mainly comprised land use rights to be developed for hotel properties and self-use buildings, are stated at cost and subsequently amortised in the consolidated statement of comprehensive income on a straight-line basis over the operating lease periods, less accumulated impairment provision.

(iii) The Group is the lessor

Assets leased out under operating leases are included in investment properties in the balance sheets.

(ac) Dividend distribution

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

(ad) Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks for property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such liabilities are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation of fees recognised.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

3 Financial Risk Management

(a) Financial risk factor

The Group's major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in other currencies. As at 31 December 2016, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	31 December	
	2016	2015
	RMB million	RMB million
Monetary assets		
— HK$	**1,150**	5,199
— US$	**9,431**	10,865
— Others	**1**	20
	10,582	16,084
Monetary liabilities		
— HK$	**13,878**	20,497
— US$	**74,452**	48,349
— Others	**6,104**	44
	94,434	68,890

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	31 December	
	2016	2015
	RMB million	RMB million
5% appreciation in RMB against HK$	**477**	547
5% depreciation in RMB against HK$	**(477)**	(547)
5% appreciation in RMB against US$	**2,329**	1,449
5% depreciation in RMB against US$	**(2,329)**	(1,449)

3 Financial Risk Management (Continued)

(a) Financial risk factor (Continued)

(ii) Price risk

The Group is exposed to equity securities price risk in connection with the available-for-sale financial assets and financial assets at fair value through profit or loss held by the Group, which are publicly traded in stock exchange. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested had been 5% higher/lower, post-tax profit for the year ended 31 December 2016 would increase/decrease by approximately RMB135 million (2015: increase/decrease by approximately RMB12 million), as a result of more/less fair value gain on financial assets at fair value through profit or loss. Other comprehensive income would have been approximately RMB1,380 million higher/lower (2015: RMB97 million higher/lower).

(iii) Interest rate risk

The Group's interest-bearing assets and liabilities are mainly restricted cash, cash and cash equivalents and borrowings. The Group's exposure to changes in interest rates is mainly attributable to its long term borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

As at 31 December 2016, if interest rate on borrowings had been 100 basis point higher/lower with all variables held constant, post-tax profit for the year ended 31 December 2016 would decrease/increase by approximately RMB637 million (2015: decrease/increase by approximately RMB210 million), mainly as a result of more/less interest expenses on borrowings at variable rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iv) Credit risk

Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank, trade and other receivables. Deposits are only placed with reputable banks.

For credit exposures to customers, credit terms are granted to customers upon obtaining approval from the Company's senior management after assessing the credit history of those customers. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default; it also has monitoring procedures to ensure that follow-up actions are taken to recover overdue balances. In addition, the Group regularly reviews the recoverable amount of each individual trade and other receivables to ensure that adequate impairment provisions are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers.

3 Financial Risk Management (Continued)

(a) Financial risk factor (Continued)

(iv) Credit risk (Continued)

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. Detailed disclosure of these guarantees is made in note 35. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(v) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the years ended 31 December 2016. As at 31 December 2016, the Group's total borrowings stood at RMB535,070 million. During the year ended 31 December 2016 and the period up to the date of these consolidated financial statements, in order to properly manage the Group's liquidity risk and capital structure, the Group has conducted the following major financing activities:

— During the year ended 2016, the Group issued subordinated perpetual capital instruments with the aggregate net proceeds of RMB59,754 million;

— During the year ended 2016, the Group has issued senior notes to raise net funds totaling RMB4,539 million with tenures of 3 years and corporate bonds in the PRC ("PRC bonds") to raise net funds totaling RMB9,940 million with tenures of 4 years to optimise the structure of short-term borrowings and long-term borrowings;

— On 17 March 2017, the Group has issued 7.0%, three-year senior notes with an aggregated principal amount of US$500 million at the face value and 8.25%, five-year senior notes with an aggregated principal amount of US$1,000 million at the face value;

— On 24 March 2017, the Group has issued 9.5%, seven-year senior notes with an aggregated principal amount of US$1,000 million.

Except for the aforementioned recent developments, the Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land reserve, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options based on its assessment of relevant future costs and benefits.

3 Financial Risk Management (Continued)

(a) Financial risk factor (Continued)

(v) Liquidity risk (Continued)

With the aforementioned activities and plans, the directors of the Company considered the Group's liquidity risk has been controlled. The directors of the Company has reviewed the working capital forecast of the Group for the 12 months from 31 December 2016 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the date of the consolidated balance sheet.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscount cash flows.

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
At 31 December 2016					
Borrowings	**237,568**	**190,744**	**174,100**	**4,980**	**607,392**
Trade and other payables*	**297,722**	**36,916**	**4,167**	**13,730**	**352,535**
	535,290	**227,660**	**178,267**	**18,710**	**959,927**
At 31 December 2015					
Borrowings	175,823	64,116	83,047	10,453	333,439
Trade and other payables*	188,051	1,466	1,529	—	191,046
	363,874	65,582	84,576	10,453	524,485

* Excluding staff welfare benefit payable and other taxes payable.

The amounts have not included financial guarantee contracts:

— which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (note 35). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties;

— which the Group make for its cooperation parties' bank borrowings (note 35). Such guarantees terminate upon the repayment of relevant bank borrowings.

Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

3 Financial Risk Management (Continued)

(b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets, as shown in the consolidated balance sheets.

The gearing ratios as at 31 December 2016 and 2015 were as follows:

	31 December	
	2016	2015
	RMB million	RMB million
Total borrowings (Note 22)	**535,070**	296,906
Total assets	**1,350,868**	757,035
Gearing ratio	**39.6%**	39.2%

3 Financial Risk Management (Continued)

(c) Fair value estimation

The different levels of the financial instruments carried at fair value, by valuation method, have been defined as follows:

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

	Level 1 RMB million	**Level 2** RMB million	**Level 3** RMB million	**Total** RMB million
At 31 December 2016				
Assets				
Available-for-sale financial assets	34,823	938	1,044	36,805
Financial assets at fair value through profit or loss	3,603	—	—	3,603
Total	38,426	938	1,044	40,408
At 31 December 2015				
Assets				
Available-for-sale financial assets	287	928	1,380	2,595
Financial assets at fair value through profit or loss	307	—	—	307
Total	594	928	1,380	2,902

There were no transfers among different categories during the year.

The nominal value less impairment provisions of trade and other receivables and the nominal value of trade and other payables approximate their fair value due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical Accounting Estimates and Assumptions

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

(a) Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

(iv) estimated costs to completion and expected developer's profit margin, derived from the construction budget and historical information of similar properties.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuers.

(b) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

The Group estimates property construction cost upon recognition of respective costs of sales. Such estimates are substantiated by detailed budgetary information as developed by the management, and will be assessed periodically, as the constructions progress. Should these estimates depart from their actual finalised costs, such differences would affect the accuracy of costs of sales recognised.

4 Critical Accounting Estimates and Assumptions (Continued)

(c) PRC corporate income taxes and deferred taxation

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Judgement is required in determining the provision for income tax and withholding tax on unremitted earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters (including the effect of change in the dividend policies of PRC subsidiaries) is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

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

(d) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with local tax authorities in the PRC for most of its properties projects. Accordingly, judgement is required in determining the amount of the land appreciation taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

5 Segment Information

The chief operating decision-maker ("CODM") of the Group has been identified as the executive directors of the Company who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management and other businesses. Other businesses mainly include property construction, hotel operations, finance business, internet business, health industry business and fast consuming products business (including production and sales of spring water, grain and edible oil, and dairy). The fast consuming products business has been disposed of at an aggregate consideration of RMB2,700 million in 2016. As the CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Fair value gain on financial assets at fair value through profit or loss, dividend income of available-for-sale financial assets, gain or loss on disposal of available-for-sale financial assets and finance cost and income are not included in the result for each operating segment.

Revenue for the year ended 31 December 2016 consists of sales of properties, rental income of investment properties, income from property management services and income from other businesses, which are set out below:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Sales of properties	**203,890**	126,449
Rental income of investment properties	**647**	241
Property management services	**1,948**	1,318
Other businesses	**4,959**	5,122
	211,444	133,130

5 Segment Information (Continued)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2016 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Gross segment revenue	203,890	762	3,698	19,625	227,975
Inter-segment revenue	–	(115)	(1,750)	(14,666)	(16,531)
Revenue	203,890	647	1,948	4,959	211,444
Share of post-tax profit of associates	(9)	–	–	639	630
Share of post-tax loss of joint ventures	(31)	–	–	(802)	(833)
Gain on disposal of subsidiaries	289	–	–	6,323	6,612
Segment results	38,849	5,406	362	3,240	47,857
Fair value gain on financial assets at fair value through profit or loss					141
Dividend income of financial assets at fair value through profit or loss					139
Gain on disposal of available-for-sale financial assets					26
Finance costs					(11,301)
Profit before income tax					36,862
Income tax expenses					(19,245)
Profit for the year					17,617
Depreciation and amortisation	1,048	–	6	910	1,964
Fair value gains on investment properties	–	5,124	–	–	5,124

5 Segment Information (Continued)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2015 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Gross segment revenue	126,449	325	3,255	18,186	148,215
Inter-segment revenue	—	(84)	(1,937)	(13,064)	(15,085)
Revenue	126,449	241	1,318	5,122	133,130
Share of post-tax profit of associates	174	—	—	—	174
Share of post-tax loss of joint ventures	14	—	—	(580)	(566)
Segment results	22,928	13,072	39	(4,481)	31,558
Fair value gain on financial assets at fair value through profit or loss					2,515
Dividend income of available-for-sale financial assets					43
Gain on disposal of available-for-sale financial assets					323
Finance costs					(2,994)
Profit before income tax					31,445
Income tax expenses					(14,105)
Profit for the year					17,340
Depreciation and amortisation	757	—	8	689	1,454
Fair value gains on investment properties	—	12,859	—	—	12,859

5 Segment Information (Continued)

Segment assets and liabilities as at 31 December 2016 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Segment assets	1,096,147	132,045	2,135	68,432	1,298,759
Unallocated assets					52,109
Total assets					1,350,868
Segment assets include:					
Interest in associates	196	—	—	10,524	10,720
Interest in joint ventures	259	—	—	13,395	13,654
Segment liabilities	506,297	—	2,006	40,917	549,220
Unallocated liabilities					609,116
Total liabilities					1,158,336
Capital expenditure	2,064	32,430	16	5,246	39,756

Segment assets and liabilities as at 31 December 2015 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Segment assets	622,060	97,146	1,193	26,851	747,250
Unallocated assets					9,785
Total assets					757,035
Segment assets include:					
Interest in associates	154	—	—	—	154
Interest in joint ventures	634	—	—	7,792	8,426
Segment liabilities	265,110	—	969	10,772	276,851
Unallocated liabilities					338,042
Total liabilities					614,893
Capital expenditure	1,995	23,025	8	1,531	26,559

5 Segment Information (Continued)

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

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables, prepayments and cash balances. They exclude deferred tax assets, income tax recoverable, available-for-sale financial assets and financial assets at fair value through profit or loss.

Segment liabilities consist of operating liabilities. Unallocated liabilities comprise taxation and borrowings.

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

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

	31 December	
	2016	2015
	RMB million	RMB million
Segment assets	**1,298,759**	747,250
Unallocated:		
Income tax recoverable	**7,665**	4,131
Deferred income tax assets	**4,036**	2,752
Available-for-sale financial assets	**36,805**	2,595
Financial assets at fair value through profit or loss	**3,603**	307
Total assets per consolidated balance sheet	**1,350,868**	757,035

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

	31 December	
	2016	2015
	RMB million	RMB million
Segment liabilities	**549,220**	276,851
Unallocated:		
Current income tax liabilities	**35,622**	23,567
Deferred income tax liabilities	**38,424**	17,569
Borrowings	**535,070**	296,906
Total liabilities per consolidated balance sheet	**1,158,336**	614,893

No material revenues are derived from any single external customer (2015: none).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Property, Plant and Equipment

	Buildings RMB million	Machinery RMB million	Transportation equipment RMB million	Furniture, fitting and equipment RMB million	Construction in progress RMB million	Total RMB million
Year ended 31 December 2015						
Opening net book amount	6,051	305	744	2,693	5,711	15,504
Additions	69	153	103	779	1,168	2,272
Acquisition of subsidiaries	701	21	11	127	—	860
Transfers	1,984	457	—	204	(2,645)	—
Disposals	(244)	(21)	(17)	(356)	—	(638)
Depreciation	(553)	(69)	(163)	(493)	—	(1,278)
Closing net book amount	8,008	846	678	2,954	4,234	16,720
At 31 December 2015						
Cost	9,395	1,015	1,400	4,598	4,234	20,642
Accumulated depreciation	(1,387)	(169)	(722)	(1,644)	—	(3,922)
Net book amount	8,008	846	678	2,954	4,234	16,720
Year ended 31 December 2016						
Opening net book amount	**8,008**	**846**	**678**	**2,954**	**4,234**	**16,720**
Additions	**784**	**516**	**484**	**651**	**2,741**	**5,176**
Acquisition of subsidiaries (note 39)	**1,443**	**26**	**24**	**47**	**33**	**1,573**
Transfers	**1,470**	**25**	**—**	**513**	**(2,008)**	**—**
Transfer from investment properties	**1,310**	**—**	**—**	**—**	**—**	**1,310**
Disposal of subsidiaries	**(661)**	**(682)**	**(19)**	**(94)**	**(340)**	**(1,796)**
Disposals	**(323)**	**(3)**	**(5)**	**(185)**	**—**	**(516)**
Depreciation	**(703)**	**(150)**	**(205)**	**(576)**	**—**	**(1,634)**
Closing net book amount	**11,328**	**578**	**957**	**3,310**	**4,660**	**20,833**
At 31 December 2016						
Cost	**13,123**	**710**	**1,832**	**5,464**	**4,660**	**25,789**
Accumulated depreciation	**(1,795)**	**(132)**	**(875)**	**(2,154)**	**—**	**(4,956)**
Net book amount	**11,328**	**578**	**957**	**3,310**	**4,660**	**20,833**

6 Property, Plant and Equipment (Continued)

Depreciation charge of the Group was included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Cost of sales	**617**	436
Selling and marketing costs	**296**	166
Administrative expenses	**721**	676
	1,634	1,278

During the year ended 31 December 2016, the Group capitalised borrowing costs amounting to RMB280 million (2015: RMB609 million) on the construction in progress. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 8.27% (2015: 9.59%).

As at 31 December 2016, property, plant and equipment of RMB7,633 million (2015: RMB8,350 million) were pledged as collateral for the Group's bank borrowings (note 22).

7 Land Use Rights

Land use rights are related to properties outside Hong Kong, held on leases of over 40 years:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Opening net book amount	**3,625**	3,388
Additions	**2,094**	182
Acquisition of subsidiaries (note 39)	**59**	132
Disposal	**(38)**	—
Disposal of subsidiaries	**(193)**	—
Amortisation	**(146)**	(77)
Closing net book amount	**5,401**	3,625

Land use rights comprise cost of acquiring rights to use certain land, which are principally located in the PRC, for hotel buildings and self-use buildings over fixed periods.

As at 31 December 2016, land use rights of RMB698 million (2015: RMB2,408 million) were pledged as collateral for the Group's bank borrowings (note 22).

8 Investment Properties

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Opening net book amount	**97,146**	61,857
Additions	**15,696**	22,103
Acquisition of subsidiaries (note 39)	**16,734**	922
Disposals	**(2,007)**	(595)
Disposal of a subsidiary	**(185)**	—
Transfer to property, plant and equipment	**(1,310)**	—
Fair value gains on investment properties	**5,124**	12,859
Currency translation differences	**847**	—
Closing net book amount	**132,045**	97,146
Comprise of:		
Completed	**108,145**	64,400
Under construction	**23,900**	32,746

As at 31 December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: nil).

As at 31 December 2016, investment properties of RMB13,052 million (2015: RMB4,711 million) were pledged as collateral for the Group's borrowings (note 22).

Borrowing costs of RMB2,235 million (2015: RMB1,652 million) have been capitalised in investment properties under construction for the year ended 31 December 2016. The capitalisation rate of borrowing costs for the year ended 31 December 2016 was 8.27% (2015: 9.59%).

(a) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties has been determined on the basis of valuation carried out by CB Richard Ellis Limited ("CBRE"), an independent and professionally qualified valuer.

Discussions of valuation processes and results are held between the management and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

(b) Valuation techniques

Valuations were based on either:

(i) direct comparison approach is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

(ii) income approach takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.

8 Investment Properties (Continued)

(b) Valuation techniques (Continued)

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

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

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

	Property Category	Fair value as at 31 December 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Commercial properties	9,905	Income capitalisation	Terminal yield	4.00%–6.50%
				Reversionary yield	4.00%–6.50%
				Capitalisation rate	4.00%–7.00%
				Expected vacancy rate	0.00%–15.00%
				Monthly rental (RMB/square meter/ month)	21–660
		52,865	Direct comparison	Market price (RMB/square meter)	3,356–144,633
	Car park	45,375	Direct comparison	Market price (RMB/per car park)	65,000–530,000
Investment properties under construction	Commercial properties	14,887	Residual method	Market price (RMB/square meter)	5,500–40,500
				Budgeted cost (RMB/square meter)	1,233–7,610
				Anticipated developer's profit margin	5.00%–25.00%
	Car park	9,013	Residual method	Market price (RMB/per car park)	99,000–363,100
				Budgeted cost (RMB/square meter)	510–2,562
				Anticipated developer's profit margin	2.00%–15.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment Properties (Continued)

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

	Property Category	Fair value as at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Commercial properties	6,831	Income capitalisation	Terminal yield	4.00%–5.50%
				Reversionary yield	4.00%–5.50%
				Capitalisation rate	4.00%–7.00%
				Expected vacancy rate	0–10.00%
				Monthly rental (RMB/square meter/ month)	42–660
		25,335	Direct comparison	Market price (RMB/square meter)	6,970–77,500
	Car park	32,234	Direct comparison	Market price (RMB/per car park)	84,300–391,000
Investment properties under construction	Commercial properties	18,002	Residual method	Market price (RMB/square meter)	5,360–26,532
				Budgeted cost (RMB/square meter)	100–6,038
				Anticipated developer's profit margin	2.00%–30.00%
	Car park	14,744	Residual method	Market price (RMB/per car park)	91,230–288,000
				Budgeted cost (RMB/square meter)	100–2,754
				Anticipated developer's profit margin	2.00%–20.00%

8 Investment Properties (Continued)

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

Relationship of unobservable inputs to fair value:

- The higher terminal and reversionary yield, the lower fair value;
- The higher capitalisation rate, the lower fair value;
- The higher expected vacancy, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher the anticipated developer's profit margin, the lower fair value.

(d) The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Rental income	**647**	241
Direct operating expenses arising from investment properties that generate rental income	**(130)**	(28)

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	31 December	
	2016	2015
	RMB million	RMB million
Not later than one year	**383**	236
Later than one year and not later than five years	**842**	632
Later than five years	**597**	525
	1,822	1,393

During the years ended 31 December 2016 and 2015, the investment properties are mainly located in the PRC and have lease periods less than 20 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Properties Under Development

	31 December 2016 RMB million	2015 RMB million
Properties under development expected to be completed:		
— Within one operating cycle included under current assets	**577,851**	329,610
— Beyond one operating cycle included under non-current assets	**—**	248
	577,851	329,858
Properties under development comprise:		
— Construction costs and capitalised expenditures	**210,437**	118,649
— Interests capitalised	**47,651**	26,889
— Land use rights	**319,763**	184,320
	577,851	329,858

The properties under development include costs of acquiring rights to use certain lands, which are located in the PRC, for property development over fixed periods. Land use rights are held on leases of between 40 to 70 years.

As at 31 December 2016, properties under development of approximately RMB226,804 million (2015: RMB119,005 million) were pledged as collateral for the Group's borrowings (note 22).

The capitalisation rate of borrowing costs for the year ended 31 December 2016 is 8.27% (2015: 9.59%).

10 Completed Properties Held for Sale

All completed properties held for sale are located in the PRC.

As at 31 December 2016, completed properties held for sale of approximately RMB26,992 million (2015: RMB12,187 million) were pledged as collateral for the Group's borrowings (note 22).

11 Trade and Other Receivables

	31 December 2016 RMB million	2015 RMB million
Trade receivables — third parties (note (a))	24,986	19,659
Other receivables:	60,790	12,779
— associates (note (b), note 37)	433	575
— joint ventures (note (b), note 37)	1,609	1,687
— non-controlling interests (note (b))	4,235	1,284
— loans to third parties facilitated through internet finance platform (note (c))	26,704	—
— other amounts due from third parties (note (d))	27,809	9,233
	85,776	32,438
Less: non-current portion	(9,342)	(10,730)
Trade receivables — third parties (note (a))	(9,342)	(10,327)
Other receivables — third parties	—	(403)
Current portion	76,434	21,708

As at 31 December 2016 and 2015, the fair value of trade and other receivables approximated their carrying amounts.

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

The ageing analysis of trade receivables as at the respective balance sheet dates is as follows:

	31 December 2016 RMB million	2015 RMB million
Within 90 days	4,344	9,242
Over 90 days and within 180 days	3,573	122
Over 180 days and within 365 days	6,236	5,662
Over 365 days	10,833	4,633
	24,986	19,659

11 Trade and Other Receivables (Continued)

As at 31 December 2016, trade receivables of RMB601 million (31 December 2015: RMB663 million) were past due but not impaired. These accounts are mainly related to a number of customers who did not have a recent history of default, and the Group normally holds collateral of the properties before collection of the outstanding balances. The directors of the Company consider that the past due trade receivables would be recovered and no provision was made against past due receivables as at 31 December 2016 (31 December 2015: nil). The ageing analysis of these trade receivables is as follows:

	31 December 2016 RMB million	2015 RMB million
Within 90 days	199	306
Over 90 days and within 180 days	118	132
Over 180 days and within 365 days	57	142
Over 365 days	227	83
	601	663

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

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

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

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

(d) Amounts mainly represented the deposits for construction projects and receivables of disposal of subsidiaries.

12 Prepayments

	31 December 2016 RMB million	2015 RMB million
Prepaid business taxes and other taxes	5,816	3,647
Prepayments and advances to third parties:	59,685	34,528
— for acquisition of land use rights	51,988	28,689
— for acquisition of subsidiaries	2,535	2,820
— others	5,162	3,019
	65,501	38,175
Less: non-current portion		
— prepayment for acquisition of property, plant and equipment	(2,754)	(1,038)
	62,747	37,137

13 Investments Accounted for Using Equity Method

	31 December	
	2016	2015
	RMB million	RMB million
Associates	**10,684**	154
Joint ventures	**13,690**	8,426
	24,374	8,580

The amounts recognised in the income statement are as follows:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Share of profit of associates	**630**	174
Share of loss of joint ventures	**(833)**	(566)
	(203)	(392)

Investments in associates

The movements of the investments in associates is as follows:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Balance as at 1 January	**154**	29
Additions (note a)	**10,038**	136
Disposals	**(75)**	(185)
Share of post-tax profit of associates	**630**	174
Other comprehensive income	**(63)**	—
Balance as at 31 December	**10,684**	154

13 Investments Accounted for Using Equity Method (Continued)

Investments in associates (Continued)

Note (a): During the year ended 31 December 2016, the Group acquired 1,001,680,000 domestic shares of Shengjing Bank Co., Ltd ("Shengjing Bank"), a Hong Kong listed company, which represented approximately 17.28% of the issued shares of Shengjing Bank, at an aggregate consideration of RMB9,938 million.

Shengjing Bank is principally engaged in banking services in the PRC including provision of corporate and personal deposits, loans and advances, settlement, treasury businesses and etc.

Set out below is the summarised financial information of Shengjing Bank as at 31 December 2016, which, in the opinion of the directors of the Company, is material to the Group.

Summarised balance sheet

	31 December 2016 RMB million
Assets	
Financial assets	71,376
Other assets	841,552
Total assets	912,928
Financial liabilities	843,955
Other liabilities	15,153
Total liabilities	859,108
Net assets	53,820

Summarised statement of comprehensive income

	For the period from acquisition day to 31 December 2016 RMB million
Interest income	18,642
Interest expenses	(11,910)
Profit before tax	4,665
Income tax credit	(966)
Profit for the period	3,699
Other comprehensive loss	(384)
Total comprehensive income	3,315

13 Investments Accounted for Using Equity Method (Continued)

Investments in associates (Continued)

Reconciliation of summarised financial information

	31 December 2016 RMB million
Net assets as at 1 July 2016	50,505
Profit for the period	3,699
Other comprehensive loss	(384)
Net assets as at 31 December 2016	53,820
Interest in the associate	9,300
Goodwill	1,210
Carrying value	10,510

There are no contingent liabilities or commitment relating to the Group's interest in the associates.

Investments in joint ventures

The movements of the interests in joint ventures are as follows:

	Year ended 31 December	
	2016 RMB million	2015 RMB million
Balance as at 1 January	8,426	1,033
Additions (note a)	9,227	7,959
Disposals	(505)	—
Share of post-tax loss of joint ventures	(833)	(566)
Other comprehensive loss	(2,625)	—
Balance as at 31 December	13,690	8,426

Note (a): The Group acquired 50% equity interest of Great Eastern Life Assurance (China) Co., Ltd. on 1 November 2015, which subsequently changed its name as Evergrande Life Insurance Co., Ltd. ("Evergrande Life Insurance"), at a consideration of RMB3,939 million. Evergrande Life Insurance is engaged in insurance business, including life insurance, health insurance and etc.

The Group made additional capital injections of RMB3,000 million and RMB9,000 million to Evergrande Life Insurance in 2015 and 2016, respectively. Pursuant to the resolutions of shareholders' meeting of Evergrande Life Insurance, all shareholders agreed that the additional capital injections by the Group are only attributable to the Group and other shareholders will not share the capital surplus.

Set out below is the summarised financial information for Evergrande Life Insurance as at 31 December 2016, which, in the opinion of the directors of the Company, is material to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Investments Accounted for Using Equity Method (Continued)

Investments in joint ventures (Continued)

Summarised balance sheet

	31 December 2016 RMB million	2015 RMB million
Cash and cash equivalents	5,075	3,442
Other assets	74,186	22,348
Total assets	79,261	25,790
Financial liabilities (excluding insurance liabilities)	250	294
Other liabilities (including insurance liabilities)	64,102	16,543
Total liabilities	64,352	16,837
Net assets	14,909	8,953

Summarised statement of comprehensive income

	Year ended 31 December 2016 RMB million	For the period from acquisition day to 31 December 2015 RMB million
Revenue	9,201	340
Depreciation and amortisation	(12)	(10)
Interest expenses	(2,023)	(5)
Loss before tax	(405)	(234)
Income tax credit	–	59
Loss for the year/period	(405)	(175)
Other comprehensive (loss)/income	(2,639)	8
Total comprehensive loss	(3,044)	(167)

13 Investments Accounted for Using Equity Method (Continued)

Investment in joint ventures (Continued)

Reconciliation of summarised financial information

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Net assets as at 1 January 2016/1 November 2015	**8,953**	6,120
Loss for the year/period (note b)	**(405)**	(175)
Other comprehensive (loss)/income (note b)	**(2,639)**	8
Capital injected by and attributable to the Group	**9,000**	3,000
Net assets as at 31 December	**14,909**	8,953
Interest in the Joint Venture	**12,053**	5,977
Goodwill	**879**	879
Carrying value	**12,932**	6,856

Note (b): For the year ended 31 December 2016, the accumulated losses of Evergrande Life Insurance have exceeded its share capital, all the excess losses have been picked up by the Group because Evergrande Life Insurance's capital surplus is all attributable to the Group.

14 Available-For-Sale Financial Assets

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
At 1 January	**2,595**	123
Acquisition of subsidiaries	**—**	282
Additions	**47,060**	4,824
Disposals	**(8,798)**	(2,683)
Net (losses)/gains recognised in equity	**(4,052)**	49
At 31 December	**36,805**	2,595

14 Available-For-Sale Financial Assets (Continued)

Available-for-sale financial assets include the following:

	31 December 2016 RMB million	2015 RMB million
Listed equity securities	**34,823**	287
— China Vanke Co., Ltd. ("Vanke") (note a)	**31,918**	—
— Other listed equity securities	**2,905**	287
Unlisted fund investments	**969**	928
Unlisted equity securities	**1,013**	1,230
Unlisted debt securities	**—**	150
	36,805	2,595

Note (a): The Group invested in 1,553,210,974 A shares of Vanke, representing approximately 14.07% of the issued share capital of Vanke.

The Group intended to hold the investment in Vanke for long-term investment purpose. The Group had no right to nominate any director of Vanke as at 31 December 2016 pursuant to the time requirement of nomination of new directors set out in the articles of association of Vanke, and the Group had no other means to exercise any significant influence over Vanke as an associate. Therefore it was accounted for as an available-for-sale financial asset.

On 16 March 2017, the Group entered into a strategic cooperation framework agreement with Shenzhen Metro Group, pursuant to which the Group has irrevocably entrusted the voting rights of 14.07% of the share capital of Vanke to Shenzhen Metro Group for a period of one year.

As at 31 December 2016, available-for-sale financial assets are denominated in RMB and USD.

There were no impairment provisions on available-for-sale financial assets made during the year ended 31 December 2016 (2015: nil).

15 Financial Assets at Fair Value Through Profit or Loss

	Year ended 31 December 2016 RMB million	2015 RMB million
As at 1 January	**307**	10,950
Acquisition of subsidiaries	**—**	46
Additions	**4,679**	2,367
Disposals	**(1,524)**	(15,571)
Fair value gains	**141**	2,515
As at 31 December	**3,603**	307

15 Financial Assets at Fair Value Through Profit or Loss (Continued)

As at 31 December 2016, financial assets at fair value through profit or loss represented the Group's equity investments in certain companies listed on the China A-share and the Main Board of the Stock Exchange (2015: in certain companies listed on the Main Board of the Stock Exchange), which are quoted in an active market.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Fair value gain on financial assets at fair value through profit or loss" in the consolidated statement of comprehensive income.

The fair value of all equity securities is based on their quoted prices as of 31 December 2016 and 2015 in active markets.

16 Financial Instruments by Category

Assets as per consolidated balance sheet

	31 December	
	2016	2015
	RMB million	RMB million
Loans and receivables		
Trade and other receivables	**85,776**	32,438
Restricted cash	**105,909**	60,932
Cash and cash equivalents	**198,420**	103,090
	390,105	196,460
Financial assets at fair value through profit or loss	**3,603**	307
Available-for-sale financial assets	**36,805**	2,595
	430,513	199,362

Liabilities as per consolidated balance sheet

	31 December	
	2016	2015
	RMB million	RMB million
Other financial liabilities at amortised cost		
Borrowings	**535,070**	296,906
Trade and other payables excluding other taxes and payroll payable	**351,572**	190,470
	886,642	487,376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Restricted Cash

The restricted cash is denominated in the following currencies:

	31 December 2016 RMB million	2015 RMB million
— Denominated in RMB	**105,908**	60,627
— Denominated in other currencies	**1**	305
	105,909	60,932

The conversion of the RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 31 December 2016 and 2015, the Group's restricted cash mainly comprised of guarantee deposits for construction of projects, guarantee deposits for bank acceptance notes and loans, and guarantee deposits for land acquisitions.

18 Cash and Cash Equivalents

	31 December 2016 RMB million	2015 RMB million
Cash at bank and in hand:		
— Denominated in RMB	**189,918**	88,428
— Denominated in other currencies	**8,502**	14,662
	198,420	103,090

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating daily bank deposit rates.

19 Share Capital and Premium

	Number of ordinary shares	Nominal value of ordinary shares US$	Equivalent nominal value of ordinary share RMB million	Share premium RMB million	Total RMB million
As at 1 January 2015	14,589,060,900	145,890,609	1,021	–	1,021
Issuance of shares pursuant to the option scheme	312,682,000	3,126,820	19	957	976
Proceeds from shares placement	820,000,000	8,200,000	50	3,580	3,630
Repurchase of shares	(1,923,313,000)	(19,233,130)	(119)	(4,537)	(4,656)
As at 31 December 2015	13,798,429,900	137,984,299	971	–	971
As at 1 January 2016	**13,798,429,900**	**137,984,299**	**971**	**–**	**971**
Issuance of shares pursuant to the option scheme	**24,123,000**	**241,230**	**2**	**73**	**75**
Repurchase of shares (note a)	**(127,665,000)**	**(1,276,650)**	**(9)**	**(31)**	**(40)**
As at 31 December 2016	**13,694,887,900**	**136,948,879**	**964**	**42**	**1,006**

(a) During the year ended 31 December 2016, the Company repurchased an aggregate of 127,665,000 shares of its own shares through the Stock Exchange, at a consideration of HK$822 million (equivalent to approximately RMB690 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Reserves

	Merger reserve RMB million (note (a))	Other reserves RMB million	Statutory reserves RMB million (note (b))	Employee share option reserve RMB million (note (c))	Capital redemption reserve RMB million	Translation reserves RMB million	Total RMB million
Balance at 1 January 2015	(986)	952	5,436	332	115	—	5,849
Revaluation of available-for-sale financial assets, net of tax	—	30	—	—	—	—	30
Retained earnings appropriated to statutory reserves	—	—	1,851	—	—	—	1,851
Issuance of shares pursuant to the option scheme	—	—	—	(268)	—	—	(268)
Employee share option scheme (note (c))	—	—	—	112	—	—	112
Repurchase of shares	—	—	—	—	119	—	119
Changes in ownership interests in subsidiaries without change of control	—	(56)	—	—	—	—	(56)
Balance at 31 December 2015	(986)	926	7,287	176	234	—	7,637
Revaluation of available-for-sale financial assets, net of tax	—	(3,039)	—	—	—	—	(3,039)
Retained earnings appropriated to statutory reserves	—	—	3,073	—	—	—	3,073
Changes in ownership interests in subsidiaries without change of control	—	(1,194)	—	—	—	—	(1,194)
Issuance of shares pursuant to the option scheme	—	—	—	(17)	—	—	(17)
Employee share option scheme (note (c))	—	—	—	79	—	—	79
Issuance of shares pursuant to the Bonus Warrants	—	—	—	90	—	—	90
Repurchase of shares	—		—	—	9	—	9
Share of other comprehensive income of investments accounted for using the equity method	—	(2,688)	—	—	—	—	(2,688)
Currency translation differences	—	—	—	—	—	835	835
Disposal of subsidiaries	—	(46)	—	—	—	—	(46)
Balance at 31 December 2016	(986)	(6,041)	10,360	328	243	835	4,739

20 Reserves (Continued)

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company less considerations paid and payable to the then shareholders of the Group during the reorganisation undertaken in 2006 for preparing listing of the Company on the Stock Exchange.

(b) Statutory reserves

Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

(c) Employee share option reserve

Share options are granted to directors and other selected employees. Options are conditional on the employee have served the Group for certain periods (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 18 May 2010, 713,000,000 share options (the "2010 Options") were granted to directors and employees with an exercise price of HK$2.4 per share. All the options granted will be exercisable within 5 years after vesting.

On 9 October 2014, 530,000,000 share options (the "2014 Options") were granted to directors and employees with an exercise price of HK$3.05 per share. All the options granted will be exercisable within 5 years after vesting.

Movements of share options are as follows:

	Number of share options
Year ended 31 December 2015	
Balance at 1 January 2015	896,685,000
Exercised during the year	(312,682,000)
Lapsed during the year	(57,430,000)
Balance at 31 December 2015	526,573,000
Year ended 31 December 2016	
Balance at 1 January 2016	**526,573,000**
Exercised during the year	**(24,123,000)**
Lapsed during the year	**(17,800,000)**
Balance at 31 December 2016	**484,650,000**

20 Reserves (Continued)

Particulars of share options as at 31 December 2016 and 2015 are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Number of outstanding shares as at 31 December 2016	2015
2010 Options:					
18 May 2010	55 Months	31 December 2014–13 December 2019	HK$2.4	**50,090,000**	59,362,000
2014 Options:					
9 October 2014	1 year	9 October 2015—8 October 2020	HK$3.05	**69,160,000**	77,451,000
9 October 2014	2 year	9 October 2016—8 October 2021	HK$3.05	**90,000,000**	97,440,000
9 October 2014	3 year	9 October 2017—8 October 2022	HK$3.05	**91,800,000**	97,440,000
9 October 2014	4 year	9 October 2018—8 October 2023	HK$3.05	**91,800,000**	97,440,000
9 October 2014	5 year	9 October 2019—8 October 2024	HK$3.05	**91,800,000**	97,440,000
				484,650,000	526,573,000

The weighted average fair value of all options granted was determined by reference to valuation prepared by an independent valuer, Real Actuarial Consulting Limited, using the Binomial Model.

21 Perpetual Capital Instruments

During the year ended 31 December 2016, the Company and certain wholly owned subsidiaries of the Company (the "issuers") issued subordinated perpetual capital instruments with the aggregate net proceeds of RMB59,754 million (2015: RMB44,322 million).

The perpetual capital instruments issued by the Company are unsecured, the perpetual capital instruments issued by subsidiaries are jointly guaranteed by the Company and holding companies of these subsidiaries and secured by pledges of the shares of these subsidiaries. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Company, and there is no limit as to the number of times of deferral of distribution. The perpetual capital instruments are callable. When the issuers or the Company elects to declare dividends to their ordinary shareholders, the issuers shall make distribution to the holders of perpetual capital instruments at the distribution rate as defined in the subscription agreement.

The average annual distribution rate is about 10% for the years ended 31 December 2016 and 2015.

Movement of the perpetual capital instruments is as follows:

	Principal	Distribution	Total
Balance as at 1 January 2015	49,754	3,098	52,852
Issuance of perpetual capital instruments by the Company	9,643	—	9,643
Issuance of perpetual capital instruments by subsidiaries	34,679	—	34,679
Redemption of perpetual capital instruments	(20,902)	—	(20,902)
Profit attributable to holders of perpetual capital instruments	—	5,088	5,088
Distribution to holders of perpetual capital instruments	—	(5,623)	(5,623)
Balance as at 31 December 2015	73,174	2,563	75,737
Issuance of perpetual capital instruments by subsidiaries	59,754	—	59,754
Redemption of perpetual capital instruments	(25,789)	—	(25,789)
Profit attributable to holders of perpetual capital instruments	—	10,646	10,646
Distribution to holders of perpetual capital instruments	—	(5,728)	(5,728)
Disposal of a subsidiary	(1,548)	(128)	(1,676)
Balance as at 31 December 2016	105,591	7,353	112,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Borrowings

	31 December 2016 RMB million	2015 RMB million
Borrowings included in non-current liabilities:		
Bank borrowings (note (g))	**166,389**	96,760
Senior notes	**22,112**	19,854
— Senior notes issued in 2011 ("2011 Senior Notes") (note (a))	**—**	3,699
— Senior notes issued in 2013 ("2013 Senior Notes") (note (b))	**10,363**	9,677
— Senior notes issued in 2015 ("2015 Senior Notes") (note (c))	**6,923**	6,478
— Senior notes issued in 2016 ("2016 Senior Notes") (note (d))	**4,826**	—
PRC corporate bonds (note (e))	**53,761**	39,549
Other borrowings (note (f))	**168,066**	78,535
	410,328	234,698
Less: current portion of non-current borrowings	**(78,164)**	(96,536)
	332,164	138,162
Borrowings included in current liabilities:		
Bank borrowings	**88,757**	29,939
Current portion of non-current borrowings	**78,164**	96,536
Other borrowings	**35,985**	32,269
	202,906	158,744
Total borrowings	**535,070**	296,906
The total borrowings are denominated in the following currencies:		
RMB	**450,433**	241,876
US dollar	**74,452**	47,798
HK dollar	**4,081**	7,187
EUR dollar	**6,104**	—
Others	**—**	45
	535,070	296,906

22 Borrowings (Continued)

(a) 2011 Senior Notes

On 13 January 2011, the Company issued 9.25%, five-year senior notes with an aggregated principal amount of RMB3,700 million at 100% of the face value. The Company has repaid the 2011 Senior Notes in 2016.

(b) 2013 Senior Notes

On 31 October 2013, the Company issued 8.75%, five-year senior notes with an aggregated principal amount of US$1,000 million (equivalent to approximately RMB6,141 million) at 100% of the face value. On 13 November 2013, the Company further issued additional senior notes in the same terms with an aggregated principal amount of US$500 million (equivalent to approximately RMB3,071 million) at 100% of the face value.

(c) 2015 Senior Notes

On 17 February 2015, the Company issued 12.00%, five-year senior notes with an aggregated principal amount of US$1,000 million (equivalent to approximately RMB6,133 million) at 100% of the face value.

(d) 2016 Senior Notes

On 11 January 2016, the Company issued 7.80%, three-year senior notes with an aggregated principal amount of US$400 million (equivalent to approximately RMB2,625 million) at 100% of the face value, and issued 8.00%, three-year senior notes with an aggregated principal amount of US$300 million (equivalent to approximately RMB1,969 million) at 100% of the face value.

The above senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of these subsidiaries. The net assets of these subsidiaries as at 31 December 2016 were approximately RMB23,465 million (2015: RMB35,990 million).

(e) PRC corporate bonds

On 19 June 2015, a subsidiary of the Company issued 5.38%, five-year PRC corporate bonds ("PRC bonds") with an aggregated principal amount of RMB5,000 million at 100% of the face value.

On 7 July 2015, a subsidiary of the Company issued 5.30%, four-year PRC bonds with an aggregated principal amount of RMB6,800 million and 6.98%, seven-year PRC bonds with an aggregated principal amount of RMB8,200 million at 100% of the face value.

On 16 October 2015, a subsidiary of the Company issued 7.38%, five-year PRC bonds with an aggregated principal amount of RMB17,500 million and 7.88%, five-year PRC bonds with an aggregated principal amount of RMB2,500 million at 100% of the face value.

On 12 January 2016, a subsidiary of the Company issued 6.98%, four-year non-public PRC bonds with an aggregated principal amount of RMB10,000 million at 100% of the face value.

On 29 July 2016, a subsidiary of the Company issued 6.80%, there-year non-public PRC bonds with an aggregated principal amount of RMB4,200 million at 100% of the face value.

22 Borrowings (Continued)

(f) Other borrowings

Certain group companies in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), respectively, pursuant to which Trustees raised trust funds and injected the funds to the group companies. All the funds bear fixed interest rates and have fixed repayment terms.

As at 31 December 2016, the Group's other borrowings of RMB148,459 million (2015: RMB68,858 million) were secured by pledge of the Group's property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash in bank, intangible assets, account receivables and equity interest of certain subsidiaries, totalling RMB150,431 million (2015: RMB71,799 million).

(g) Bank borrowings

As at 31 December 2016, the Group's bank borrowings of RMB209,310 million (2015: RMB 109,064 million) were secured by pledge of the Group's property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash in bank intangible asset, account receivables and equity interests of certain subsidiaries, totalling RMB241,976 million (2015: RMB152,614 million).

The exposure of the bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB million	6–12 months RMB million	1–5 years RMB million	Total RMB million
At 31 December 2016	140,378	112,653	206,166	459,197
At 31 December 2015	112,563	58,066	66,874	237,503

The maturity of the borrowings is as follows:

	31 December 2016 RMB million	31 December 2015 RMB million
Bank borrowings, other borrowings, senior notes and PRC bonds:		
Within 1 year	**202,906**	158,744
1–2 years	**161,247**	54,844
2–5 years	**158,720**	73,957
Over 5 years	**12,197**	9,361
	535,070	296,906

22 Borrowings (Continued)

The effective interest rates were as follows:

	31 December 2016		31 December 2015	
	RMB million	**Effective interest rate**	RMB million	Effective interest rate
Bank and other borrowings	**459,197**	**7.74%**	237,503	7.98%
Senior notes	**22,112**	**9.81%**	19,854	10.18%
PRC bonds	**53,761**	**7.04%**	39,549	7.01%

The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2016		31 December 2015	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Bank and other borrowings	**256,291**	**256,291**	82,458	82,458
Senior notes	**22,112**	**23,590**	16,155	16,396
PRC bonds — public	**19,852**	**20,310**	19,549	21,038
PRC bonds — non-public	**33,909**	**33,909**	20,000	20,000

The fair value of the Group's bank borrowings, other borrowings and non-public PRC bonds approximates their carrying amounts at each of the balance sheet date for the reason that the impact of discounting is not significant or the borrowings carry floating rate of interests.

The fair values of senior notes as at 31 December 2016 are determined directly by references to the price quotations published by the Singapore Exchange Limited and The Hong Kong Exchanges and Clearing Limited on 31 December 2016, the last dealing date of 2016.

The fair value of the public PRC bonds at 31 December 2016 are determined directly by references to the price quotations published by The Shanghai Stock Exchange Limited and Shenzhen Stock Exchange Limited on 31 December 2016, the last dealing date of 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Deferred Income Tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group are as follows:

	31 December	
	2016	2015
	RMB million	RMB million
Deferred income tax assets to be recovered within 12 months	**(3,190)**	(1,502)
Deferred income tax assets to be recovered after more than 12 months	**(846)**	(1,250)
Deferred income tax assets	**(4,036)**	(2,752)
Deferred income tax liabilities to be settled within 12 months	**3,326**	1,850
Deferred income tax liabilities to be settled after more than 12 months	**35,098**	15,719
Deferred income tax liabilities	**38,424**	17,569
	34,388	14,817

The net movements on the deferred taxation are as follows:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
At 1 January	**14,817**	7,824
Acquisition of subsidiaries (note 39)	**20,965**	3,134
Tax charged relating to components of other comprehensive income	**(1,013)**	19
Disposal of subsidiaries	**(187)**	—
Recognised in income tax expenses (note 31)	**(194)**	3,840
At 31 December	**34,388**	14,817

23 Deferred Income Tax (Continued)

Movements in gross deferred tax assets and liabilities are as follows:

Deferred income tax assets

	Temporary difference on unrealised profit of intercompany transactions RMB million	Tax losses RMB million	Temporary difference on recognition of cost of sales and expenses RMB million	Revaluation of available-for-sale financial assets RMB million	Carrying amount of land use right smaller than the tax bases RMB million	Total RMB million
As at 1 January 2015	(348)	(1,878)	(221)	—	—	(2,447)
Acquisition of subsidiaries	—	—	—	—	(45)	(45)
(Credited)/charged to the income tax expenses	(255)	174	(179)	—	—	(260)
As at 31 December 2015	(603)	(1,704)	(400)	—	(45)	(2,752)
Acquisition of subsidiaries	—	—	—	—	(35)	(35)
Disposal of subsidiaries	—	584	—	—	—	584
Charged to other comprehensive income	—	—	—	(1,255)	—	(1,255)
Credited to the income tax expenses	(64)	(905)	(209)	—	—	(1,178)
As at 31 December 2016	(667)	(2,025)	(609)	(1,255)	(80)	(4,636)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of RMB1,347 million (2015: RMB1,396 million) in respect of tax losses amounting to RMB5,388 million (2015: RMB5,582 million) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. These tax losses will expire in the following years:

Year	RMB million
2017	906
2018	1,057
2019	691
2020	622
2021	2,112
	5,388

23 Deferred Income Tax (Continued)

Deferred income tax liabilities

	Excess of carrying amount of land use right and intangible asset over the tax bases RMB million	Temporary difference on recognition of fair value gain of investment properties RMB million	Withholding tax on profit to be distributed in future RMB million	Revaluation of available-for-sale financial assets RMB million	Total RMB million
As at 1 January 2015	329	9,530	412	—	10,271
Acquisition of subsidiaries	3,179	—	—	—	3,179
Charged to other comprehensive income	—	—	—	19	19
Charged to the income tax expenses	(347)	4,227	220	—	4,100
As at 31 December 2015	3,161	13,757	632	19	17,569
Acquisition of subsidiaries	21,000	—	—	—	21,000
Disposal of subsidiaries	(771)	—	—	—	(771)
Charged to other comprehensive income	—	—	—	242	242
Credited/(charged) to the income tax expenses	(774)	1,777	—	(19)	984
As at 31 December 2016	22,616	15,534	632	242	39,024

24 Trade and Other Payables

	31 December 2016 RMB million	2015 RMB million
Trade payables		
— third parties	182,994	132,517
Other payables:	163,809	54,465
— associates (note 37(c))	450	701
— joint ventures (note 37(c))	325	598
— non-controlling interests (note (a))	6,052	5,279
— advance from investors of subsidiaries (note (b))	44,250	—
— unit holders of consolidated investment entities (note (c))	5,093	1,760
— holders of internet finance business products	27,990	—
— acquisition of land use rights	36,291	13,674
— acquisition of subsidiaries	28,691	16,267
— acquisition of a joint venture	—	2,157
— third parties (note (d))	14,667	14,029
Accrued expenses	4,769	3,488
Payroll payable	1,555	1,498
Other taxes payable	1,132	1,822
	354,259	193,790
Less: non-current portion		
Other payables:	(54,354)	(2,481)
— non-controlling interests (note (a))	(871)	(594)
— advance from investors of subsidiaries (note (b))	(44,250)	—
— unit holders of consolidated investment entities (note (c))	(4,643)	(1,760)
— acquisition of subsidiaries	(4,579)	—
— third parties	(11)	(127)
Current portion	299,905	191,309

24 Trade and Other Payables (Continued)

(a) Amounts included certain cash advances from non-controlling interests of approximately RMB339 million (2015: RMB527 million) which bear average interest at 12% per annum (2015: 12%) and are repayable according to respective agreements.

(b) On 30 December 2016, Guangzhou Kailong Real Estate Company Limited ("Kailong Real Estate", a wholly-owned subsidiary of the Group) and Hengda Real Estate Group Company Limited ("Hengda Real Estate", the wholly-owned subsidiary of Kailong Real Estate) entered into investment agreement with certain investors, pursuant to which the investors have agreed to subscribe the new capital of Hengda Real Estate at an aggregate consideration of RMB30,000 million with a put option that the investors can request Kailong Real Estate to repurchase the equity interest held by the investors at their original investment costs if the Proposed Reorganisation (note 41) cannot be completed by 31 January 2020. Up to 31 December 2016, part of the consideration of RMB13,000 million has been received by the Group and was classified as other payables — non-current portion.

During the year, the Group received cash advances totalling RMB31,250 million from an investor for cooperation in certain property development projects of the Group. As at 31 December 2016, the cooperation arrangements in the projects were yet to be finalised, the cash advanced by the investor was classified as other payables — non-current portion.

(c) Amounts represented cash advances from the unit holders of consolidated investment entities of approximately RMB5,093 million (2015: RMB1,760 million) which bear average interest rate at 7.8% per annum (2015: 9.6%) and are repayable in 2019.

(d) Amounts mainly represented deposits and temporary receipts.

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

	31 December	
	2016	2015
	RMB million	RMB million
Within one year	**162,756**	119,488
Over one year	**20,238**	13,029
	182,994	132,517

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

	31 December	
	2016	2015
	RMB million	RMB million
— Denominated in RMB	**345,390**	180,409
— Denominated in other currencies	**8,869**	13,381
	354,259	193,790

25 Current Income Tax Liabilities

The current income tax liabilities are analysed as follows:

	31 December 2016 RMB million	2015 RMB million
Income tax payables		
— PRC corporate income tax	**16,292**	10,037
— PRC land appreciation tax	**19,330**	13,530
	35,622	23,567

26 Other Gains — Net

	Year ended 31 December 2016 RMB million	2015 RMB million
Gain on disposal of subsidiaries (note a)	**6,612**	—
Gain on disposal of joint ventures and associates	**348**	—
Gain on disposal of available-for-sale financial assets	**26**	323
	6,986	323

(a) During the year ended 31 December 2016, the Group disposed of the fast consuming products business at an aggregate consideration of RMB2,700 millions to independent third parties, and a disposal gain of approximately RMB6,319 million has been recognised in the consolidated comprehensive income statement.

27 Other Income

	Year ended 31 December 2016 RMB million	2015 RMB million
Interest income from bank deposits	**2,728**	1,007
Forfeited customer deposits	**380**	202
Gain on disposal of investment properties	**371**	185
Dividend income of financial assets at fair value through profit or loss	**139**	43
Others	**1,319**	825
	4,937	2,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Expenses by Nature

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

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Cost of properties sold — including construction cost, land cost and interest cost	**139,228**	83,203
Business tax and other levies	**7,682**	7,518
Employee benefit expenditure — including directors' emoluments	**13,292**	11,127
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(4,596)**	(3,450)
Employee benefit expenses (note 29)	**8,696**	7,677
Advertising expenses	**9,065**	7,952
Sales commissions	**1,107**	795
Depreciation	**1,634**	1,278
Amortisation	**330**	176
Auditors' remuneration	**26**	20
— Audit services	**23**	20
— Non-audit services	**3**	—
Operating lease expenses	**481**	250
Write-down of properties under development and completed properties held for sale	**210**	99
Donations	**1,608**	249

29 Employee Benefit Expenses

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Wages, salaries and bonus	**10,767**	8,796
Pension costs — statutory pension (note (a))	**915**	842
Staff welfare	**1,123**	1,023
Medical benefits	**408**	354
Employee share option schemes	**79**	112
	13,292	11,127
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(4,596)**	(3,450)
	8,696	7,677

29 Employee Benefit Expenses (Continued)

(a) Pensions — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive incomes of the Group, are as follows:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Gross scheme contributions	**915**	842

(b) Five highest paid individuals

During the year ended 31 December 2016, the five highest paid individuals include 1 directors (2015: 5), whose emoluments are reflected in the analysis presented in note 42. The aggregate amounts of emoluments of the other four highest paid individuals for the year ended 31 December 2016 (2015: nil) are set out below:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Salaries and other benefits	**97**	—

The emoluments fell within the following bands:

	Year ended 31 December	
	2016	2015
HK$20,000,000 to HK$50,000,000	**4**	—

(c) During the year ended 31 December 2016, no emolument was paid by the group entities to any of the above directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2015: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Finance Costs

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Interest expenses		
— Bank and other borrowings	**(26,099)**	(17,831)
— Senior notes	**(1,974)**	(1,539)
— PRC bonds	**(3,595)**	(925)
— Less: interest capitalised	**26,339**	20,295
	(5,329)	—
Exchange losses from borrowings	**(4,909)**	(2,842)
Less: exchange losses capitalised	**—**	655
	(4,909)	(2,187)
Other finance costs	**(1,063)**	(807)
	(11,301)	(2,994)

31 Income Tax Expenses

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Current income tax		
— Hong Kong profit tax	**15**	1
— PRC corporate income tax	**11,065**	5,811
— PRC land appreciation tax	**8,359**	4,453
	19,439	10,265
Deferred income tax (note 23)		
— PRC corporate income tax	**(659)**	2,377
— PRC land appreciation tax	**465**	1,463
	19,245	14,105

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Profit before income tax	**36,862**	31,445
Add: Share of loss of investments in joint ventures and associates, net	**203**	392
	37,065	31,837
Calculated at PRC corporate income tax rate	**9,266**	7,959
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(2,206)**	(1,479)
Income not subject to tax (note (a))	**(50)**	(587)
Expenses not deductible for tax purposes (note (b))	**3,494**	1,486
Utilisation of previously unrecognised tax losses	**(1,143)**	—
Tax losses for which no deferred income tax asset was recognised	**528**	590
Effect of different tax rates of subsidiaries	**110**	—
PRC corporate income tax	**9,999**	7,969
PRC withholding income tax	**422**	220
PRC land appreciation tax	**8,824**	5,916
	19,245	14,105

31 Income Tax Expenses (Continued)

(a) Income not subject to tax for the year ended 31 December 2016 mainly comprised fair value gain on financial assets at fair value through profit or loss.

(b) Expenses not deductible for tax purpose for the year ended 31 December 2016 mainly comprised: (i) the cost of land premium without official invoices resulted from the land acquisitions through acquisitions of companies; and (ii) exchange losses and expenses incurred by offshore group companies.

Overseas income tax

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

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the current period in respect of operations in Hong Kong.

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate of 25% (2015: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

PRC withholding income tax

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

PRC land appreciation tax

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

32 Earnings Per Share

(a) Basic

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

	Year ended 31 December	
	2016	2015
Profit attributable to shareholders of the Company (RMB million)	**5,091**	10,460
Weighted average number of ordinary shares in issue (millions)	**13,683**	14,667
Basic earnings per share (RMB)	**0.372**	0.713

(b) Diluted

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

	Year ended 31 December	
	2016	2015
Profit attributable to equity holders of the Company (RMB million)	**5,091**	10,460
Weighted average number of ordinary shares in issue (millions)	**13,683**	14,667
Adjustments for share options (millions)	**210**	217
Weighted average number of ordinary shares for diluted earnings per share (millions)	**13,893**	14,884
Diluted earnings per share (RMB)	**0.366**	0.703

33 Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

A final dividend in respect of the year ended 31 December 2015 of RMB0.38 per share totaling RMB5,262 million was paid on 2 July 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Net Cash Generated from Operations

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Profit for the year	**17,617**	17,340
Adjustments for:		
Income tax expenses	**19,245**	14,105
Interest income from bank deposits (note 27)	**(2,728)**	(1,007)
Finance costs (note 30)	**6,392**	807
Exchange losses (note 30)	**4,909**	2,187
Depreciation (note 6)	**1,634**	1,278
Amortisation	**330**	176
Employee share option schemes (note 20)	**79**	112
Fair value gains on investment properties (note 8)	**(5,124)**	(12,859)
Fair value gains on financial assets at fair value through profit or loss (note 15)	**(141)**	(2,515)
Gain on disposal of investment properties (note 27)	**(371)**	(185)
(Gain)/loss on disposal of property, plant and equipment, and intangible assets	**(18)**	26
Gain on disposal of subsidiaries (note 26)	**(6,612)**	—
Share of loss of investments accounted for using equity method (note 13)	**203**	392
Gain on disposal of joint ventures and associates (note 26)	**(348)**	—
Gain on disposal of available-for-sales financial assets (note 26)	**(26)**	(323)
Dividend income on available-for-sale financial assets (note 27)	**(139)**	(43)
Changes in working capital:		
Properties under development and completed properties held for sale	**(107,801)**	(79,676)
Inventories	**(158)**	(733)
Restricted cash as guarantee for construction of projects and other operating activities	**(33,679)**	(7,877)
Trade and other receivables and prepayments	**(61,310)**	4,163
Trade and other payables and receipt in advance from customers	**153,418**	66,523
Net cash (used in)/generated from operations	**(14,628)**	1,891

35 Financial Guarantees

	31 December 2016 RMB million	2015 RMB million
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units (note (a))	252,128	141,591
Guarantees for borrowings of cooperation parties (note (b))	6,056	3,448
	258,184	145,039

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and the financial guarantees measured at fair value is immaterial.

(b) It represents guarantees provided to certain cooperation parties (mainly construction subcontractors) of the Group, who are independent third parties, to obtain borrowings after assessing the credit history of these cooperation parties. The Group closely monitors the repayment progress of the relevant borrowings by these cooperation parties. The directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

36 Commitments

(a) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2016 RMB million	2015 RMB million
Property, plant and equipment:		
Not later than one year	442	117
Later than one year and not later than five years	971	349
Later than five years	110	12
	1,523	478

36 Commitments (Continued)

(b) Commitments for property development and acquisition of subsidiaries

	31 December 2016 RMB million	2015 RMB million
Contracted but not provided for		
— Property development activities	163,244	79,519
— Acquisition of land use rights	60,535	20,899
— Acquisition of subsidiaries	—	41,525
	223,779	141,943

37 Related Party Transactions

(a) Name and relationship with related parties

Name	Relationship
許家印博士 Dr. Hui Ka Yan ("Dr. Hui")	The ultimate controlling shareholder and also the director of the Company
Shengjing Bank Co., Ltd. 盛京銀行股份有限公司	Associate of the Group
Jinan Xichuang Property Co., Ltd. 濟南西創置業有限公司	Associate of the Group
Jinan Xishi Property Co., Ltd. 濟南西實置業有限公司	Associate of the Group
Shanghai Shencheng Culture Investment Co., Ltd. 上海申城影視傳媒有限公司	Associate of the Group
Hunan Repulse Bay Xiangya Hot Spring Garden Co., Ltd. 湖南淺水灣湘雅溫泉花園有限公司	Associate of the Group
Guangzhou Evergrande Taobao Football Club Corp., Ltd. 廣州恒大淘寶足球俱樂部股份有限公司	Joint venture of the Group
Inner Mongolia Luqiao Property Co., Ltd. 內蒙古魯橋置業有限公司	Joint venture of the Group
Evergrande Life Insurance Co., Ltd. 恒大人壽保險有限公司	Joint venture of the Group
Jinan Evergrande Chengxi Property Co., Ltd. 濟南恒大城西置業有限公司	Joint venture of the Group

37 Related Party Transactions (Continued)

(b) Transactions with related parties

Save as disclosed in note 11, 13, 24 and 38 (i), during the years ended 31 December 2016 and 2015, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Nature of transactions		
Associates		
Sales of goods to associates	**101**	77
Provision of services to associates	**16**	—
Loan interest charged by an associate	**10**	—
	127	77
Joint ventures		
Sales of goods to joint ventures	**39**	—
Provision of services to a joint venture	**36**	23
Rental income from joint ventures	**6**	4
Advertisement service fees charged by joint ventures	**267**	39
Purchase of goods from a joint venture	**10**	77
Loan interest charged by a joint venture	**222**	—
	580	143

Aforementioned related party transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors of the Company, were determined with reference to the market price of the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

37 Related Party Transactions (Continued)

(c) Balances with related parties

As at 31 December 2016 and 2015, the Group had the following significant non-trade balances with related parties:

	31 December 2016 RMB million	2015 RMB million
Due from related parties (Note i)		
Included in trade and other receivables:		
— Associates	433	575
— Joint ventures	1,609	1,687
	2,042	2,262
Due to related parties (Note i)		
Included in trade and other payables (note (i))		
— Associates	450	701
— Joint ventures	325	598
	775	1,299
Included in borrowings (note (ii))		
— A joint venture	2,700	—
— An associate	799	—
	3,499	—
Included in receipt in advance from customers		
— An associate	84	—

Note (i): The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

Note (ii): The balances are borrowings in nature, which are secured, carry interest at 10.02% per annum and repayable according to respective loan agreements.

During the year ended 31 December 2016, a subsidiary of the Group issued perpetual capital instruments with a principal amount of RMB300 million to a joint venture of the Group, the instruments carry annual distribution rate at 12.5%, the profit attributable to holder of perpetual capital instruments for the year is approximately RMB8 million.

37 Related Party Transactions (Continued)

(d) Key management compensation

Key management includes directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2016	2015
	RMB million	RMB million
Salaries and other employee benefits	**654**	318
Retirement scheme contributions	**2**	1
	656	319

38 Non-controlling Interests

	31 December	
	2016	2015
	RMB million	RMB million
At 1 January	**15,399**	8,406
Profit for the year	**1,880**	1,792
Capital injection (note (i))	**16,882**	624
Acquisition of subsidiaries — acquisition of asset (note (ii))	**1,172**	1,649
Acquisition of subsidiaries — acquisition of business	**6,707**	3,233
Changes in ownership interests in subsidiaries without change of control (note (iii))	**(6,297)**	(85)
Dividends	**(219)**	(220)
Disposal of subsidiaries	**(254)**	—
Issuance of shares pursuant to the Bonus Warrants	**78**	—
	35,348	15,399

(i) During the year ended 31 December 2016, the Group and a joint venture of the Group entered into certain cooperation agreements in relation to the establishment of property development companies. These newly set-up property development companies are accounted for as subsidiaries of the Group as at 31 December 2016, and capital contribution from the joint venture of the Group was approximately RMB14,248 million.

(ii) During the year ended 31 December 2016, the Group acquired controlling interests of certain property development companies in the PRC at consideration totaling approximately RMB6,324 million. These companies only held parcels of land and did not conduct any substantial operation before they were acquired by the Group. Thus, the directors are of the view that the acquisitions do not constitute acquisition of businesses, and should be treated as acquisition of land use rights. These acquisitions resulted in an increase in the non-controlling interests of the Group totaling RMB1,172 million.

(iii) During the year ended 31 December 2016, the Group acquired certain equity interests of certain subsidiaries from non-controlling shareholders, and the difference between consideration paid and the carrying amount of equity interest acquired, which amounted to RMB1,194 million, was recognised as a decrease in reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Business Combinations

During the year ended 31 December 2016, the Group acquired controlling interests of certain property development companies and other companies in the PRC and Hong Kong to increase its land reserve, optimize its regional layout and diversify its business.

(i) Acquisition of subsidiaries from New World Development (China) Limited

During the year ended 31 December 2016, the Group acquired certain project development companies from New World Development (China) Limited at total considerations of RMB20,210 million.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB million
Cash consideration	20,210
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,117
Property, plant and equipment	1,049
Land use rights	24
Investment properties	1,731
Deferred income tax assets	6
Inventories	4
Properties under development	29,891
Completed properties held for sale	872
Trade and other receivables	2,120
Prepayments	683
Borrowings	(1,264)
Trade and other payables	(4,877)
Receipt in advance from customers	(3,605)
Deferred income tax liabilities	(4,309)
Total identifiable net assets	23,442
Non-controlling interest	(3,232)
Identifiable net assets acquired	20,210
Goodwill	—

39 Business Combinations (Continued)

(ii) Acquisition of subsidiaries from Chow Tai Fook Enterprises Limited

During the year ended 31 December 2016, the Group acquired certain project development companies from Chow Tai Fook Enterprises Limited at total considerations of RMB12,500 million.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB million
Cash consideration	12,500
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	517
Property, plant and equipment	3
Deferred income tax assets	19
Properties under development	19,758
Trade and other receivables	1,533
Prepayments	88
Trade and other payables	(1,748)
Receipt in advance from customers	(883)
Deferred income tax liabilities	(6,641)
Total identifiable net assets	12,646
Non-controlling interest	(146)
Identifiable net assets acquired	12,500
Goodwill	—

39 Business Combinations (Continued)

(iii) Acquisition of Pioneer Time Investment Limited

In January 2016, the Group acquired 100% equity interest of Pioneer Time Investment Limited, which is engaged in property investment in Hong Kong, at a consideration of RMB8,700 million.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB million
Cash consideration	8,700
Recognised amounts of identifiable assets acquired and liabilities assumed	
Investment properties	9,651
Prepayments	5
Trade and other payables	(886)
Receipt in advance from customers	(54)
Current income tax liabilities	(2)
Deferred income tax liabilities	(14)
Total identifiable net assets	8,700
Non-controlling interest	—
Identifiable net assets acquired	8,700
Goodwill	—

(iv) Other acquisitions

During the year ended 31 December 2016, except for the aforementioned companies, the Group also acquired certain property development companies at a total consideration of RMB22,029 million.

39 Business Combinations (Continued)

(iv) Other acquisitions (Continued)

The following table summarises the consideration paid for acquisition of these subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB million
Cash consideration	21,212
Fair value of investment in an associate held before business combination	817
Total consideration	22,029
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	3,397
Property, plant and equipment	521
Land use rights	35
Intangible assets	102
Properties under development	90,630
Completed properties held for sale	3,884
Trade and other receivables	7,031
Prepayments	1,382
Investment properties	5,352
Deferred income tax assets	10
Other assets	811
Borrowings	(33,098)
Trade and other payables	(25,613)
Receipt in advance from customers	(18,527)
Current income tax liabilities	(1,526)
Deferred income tax liabilities	(10,036)
Total identifiable net assets	24,355
Non-controlling interest	(3,329)
Identifiable net assets acquired	21,026
Goodwill	1,003

39 Business Combinations (Continued)

Reconciliation of total cash considerations of business combinations and cash outflow on acquisitions is as follows:

	RMB million
Cash considerations	62,622
Prepaid in last year	(1,047)
Considerations deferred	(20,879)
Cash and cash equivalents acquired	(5,031)
Payment for business combinations conducted in the year	35,665
Payment for business combinations conducted in prior year	8,455
Cash outflow on acquisitions	44,120

Acquisition-related costs of RMB13.5 million have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2016.

No contingent liability has been recognised for the business combination.

The acquired businesses contributed revenues of RMB10,328 million and net losses of RMB735 million to the Group for the period from the respective acquisition dates to 31 December 2016. If the acquisitions had occurred on 1 January 2016, consolidated revenue and consolidated profit for the year ended 31 December 2016 would have been RMB227,374 million and RMB16,491 million respectively.

40 Balance Sheet and Reserve Movements of the Company

Balance sheet of the Company

	31 December 2016 RMB million	31 December 2015 RMB million
ASSETS		
Non-current assets		
Investments in subsidiaries	1,432	15,412
Property, plant and equipment	11	16
	1,443	15,428
Current assets		
Amounts due from subsidiaries	87,552	68,969
Other receivables	505	790
Restricted cash	—	304
Cash and cash equivalents	6,625	326
	94,682	70,389
Total assets	96,125	85,817
EQUITY		
Capital and reserves attributable to shareholders of the Company		
Share capital and premium	1,006	971
Other reserves	1,495	1,424
(Accumulated losses)/retained earnings	(108)	5,404
	2,393	7,799
Perpetual capital instruments	7,298	9,643
Total equity	9,691	17,442
LIABILITIES		
Non-current liabilities		
Borrowings	25,612	16,155
Current liabilities		
Borrowings	34,794	35,094
Amounts due to subsidiaries	24,570	16,304
Other payables	1,458	822
	60,822	52,220
Total liabilities	86,434	68,375
Total equity and liabilities	96,125	85,817

The balance sheet of the Company was approved by the Board on 28 March 2017 and was signed on its behalf.

Hui Ka Yan
Director

Pan Darong
Director

40 Balance Sheet and Reserve Movements of the Company (Continued)

Reserve movement of the Company

	Other reserves RMB million	Retained earnings RMB million
At 1 January 2015	1,461	12,232
Profit for the year	—	3,633
Dividends	—	(6,732)
Issuance of shares pursuant to the option scheme	(268)	—
Employee share option schemes	112	—
Repurchase of shares	119	(3,729)
At 31 December 2015	1,424	5,404
At 1 January 2016	**1,424**	**5,404**
Profit for the year	**—**	**1,369**
Dividends	**—**	**(5,262)**
Issuance of shares pursuant to the option scheme	**(17)**	**—**
Employee share option schemes	**79**	**—**
Repurchase of shares	**9**	**(659)**
Distribution to holders of perpetual capital instruments	**—**	**(960)**
At 31 December 2016	**1,495**	**(108)**

41 Subsequent Events

On 3 October 2016, Guangzhou Kailong Real Estate and Hengda Real Estate, both are wholly-owned subsidiaries of the Group, entered into a cooperation agreement with Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd. ("Shenzhen Real Estate", a company listed on the Shenzhen Stock Exchange) and Shenzhen Investment Holding Co. Ltd. Pursuant to the agreement, the four parties agreed to work towards entering into a reorganisation agreement under which Shenzhen Real Estate will acquire 100% of the equity interest in Hengda Real Estate from Kailong Real Estate by way of issue of Renminbi ordinary shares (A shares) and/or the payment of cash consideration to Kailong Real Estate, which will result in Kailong Real Estate becoming the controlling shareholder of Shenzhen Real Estate thereby enabling the Company to effectively list the real estate related business of the Group on the Shenzhen Stock Exchange (the "Proposed Reorganisation"). The Proposed Reorganisation constitutes a spin-off under Practice Note 15 of the Listing Rules and would require the approval of the Stock Exchange. On 24 January 2017, the Company received the in-principle approval from the Stock Exchange in respect of the proposed spin-off.

On 17 March 2017, the Company issued 7.0%, three-year senior notes with an aggregated principal amount of US$500 million at the face value and 8.25%, five-year senior notes with an aggregated principal amount of US$1,000 million at the face value.

On 24 March 2017, the Company issued 9.5%, seven-year senior notes with an aggregated principal amount of US$1,000 million at the face value.

42 Benefits and Interests of Directors

(a) Directors' and chief executives' emoluments

The remuneration of directors of the Company for the year ended 31 December 2016 is set out below:

	Fees RMB'000	Salary RMB'000	Contribution to pension scheme RMB'000	Employees share option scheme RMB'000	Total RMB'000
Dr. Hui	251	—	—	—	251
Mr. Xia Haijun *(Chief executive)*	251	252,476	16	17,456	270,199
Mr. Tse Wai Wah (note (a))	311	6,348	12	1,047	7,718
Mr. Pan Da Rong (note (b))	142	8,831	40	—	9,013
Mr. Xu Wen	240	8,596	49	1,396	10,281
Ms. He Miaoling	240	13,628	—	1,746	15,614
Mr. Andrew Huang	251	4,817	16	873	5,957
Mr. Chau Shing Yim David	690	—	—	175	865
Mr. He Qi	360	—	—	175	535
Ms. Xie Hongxi	360	—	—	175	535
	3,096	294,696	133	23,043	320,968

(a): Resigned 30 August on 2016.

(b): Appointed 30 August on 2016.

The remuneration of directors of the Company for the year ended 31 December 2015 is set out below:

	Fees RMB'000	Salary RMB'000	Contribution to pension scheme RMB'000	Employees share option scheme RMB'000	Total RMB'000
Dr. Hui	251	—	—	—	251
Mr. Xia Haijun *(Chief executive)*	251	146,359	15	21,379	168,004
Mr. Tse Wai Wah	393	8,988	15	2,352	11,748
Mr. Xu Wen	240	6,857	43	1,710	8,850
Ms. He Miaoling	240	5,196	35	2,637	8,108
Mr. Andrew Huang	251	7,427	15	1,069	8,762
Mr. Chau Shing Yim David	614	—	—	214	828
Mr. He Qi	360	—	—	214	574
Ms. Xie Hongxi	360	—	—	214	574
	2,960	174,827	123	29,789	207,699

42 Benefits and Interests of Directors (Continued)

(b) Directors' retirement benefits

During the year ended 31 December 2016, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note (a) above (2015: same).

(c) Directors' termination benefits

During the year ended 31 December 2016, there was no termination benefits received by the directors (2015: same).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2016, no consideration was paid for making available the services of the directors of the Company (2015: same).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During year ended 31 December 2016, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

43 Particulars of Principal Subsidiaries

The following is a list of the particulars of principal subsidiaries at 31 December 2016:

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
Incorporated in the BVI with limited liability and operating in the PRC					
ANJI (BVI) Limited	26 June 2006	US$100	100%	–	Investment holding
ShengJian (BVI) Limited	29 January 2007	US$100	–	100%	Investment holding
Ever Grace Group Limited	18 September 2008	US$100	–	100%	Investment holding
Incorporated in Hong Kong with limited liability and operating in the PRC					
Success Will Group Limited	5 July 2007	HK$1,000	–	100%	Investment holding
Shui Wah Investment Limited	18 June 1992	HK$4	–	100%	Property development
Wisdom Gain Group Limited	13 June 2003	US$10,000	–	100%	Property development
Full Hill Limited	3 January 2002	US$1	–	100%	Investment holding
Grandday Group Limited	16 January 2008	US$100	–	100%	Investment holding
Incorporated in the PRC with limited liability and operating in the PRC					
恒大地產集團有限公司 Hengda Real Estate Group Company Limited	24 June 1996	RMB2,500,000,000	–	100%	Property development
恒大地產集團重慶有限公司 Hengda Real Estate Group (Chongqing) Company Limited	17 July 2006	RMB482,000,000	–	100%	Property development
金碧物業有限公司 Jinbi Property Management Company Limited	10 September 1997	RMB177,600,000	–	100%	Property management
恒大地產集團洛陽有限公司 Hengda (Luoyang) Real Estate Group Property Company Limited	5 September 2007	RMB457,000,000	–	100%	Property development

43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest Directly	Indirectly	Principal activities
南寧銀象房地產開發有限責任公司 Nanning Yinxiang Real Estate Development Company Limited	6 May 2010	RMB20,000,000	–	100%	Property development
佛山市南海俊誠房地產發展有限公司 Foshan Nanhai Juncheng Real Estate Development Company Limited	23 November 2007	RMB1,220,000,000	–	100%	Property development
恒大地產集團包頭有限公司 Hengda (Baotou) Real Estate Group Company Limited	9 August 2008	RMB525,000,000	–	100%	Property development
長沙寶瑞房地產開發有限公司 Baorui (Changsha) Property Company Limited	5 March 2010	RMB470,000,000	–	100%	Property development
海南東方明珠房地產有限公司 Hainan Oriental Pearl Real Estate Company Limited	16 December 2009	RMB70,000,000	–	100%	Property development
天津市津麗湖投資有限公司 Jinli Lake (Tianjin) Investment Company Limited	13 November 2009	RMB690,000,000	–	100%	Property development
濟南恒大綠洲置業有限公司 Jinan Hengdalvzhou Property Corporation Limited	18 January 2010	RMB870,000,000	–	100%	Property development
太原俊景房地產開發有限公司 Taiyuan Junjing Real Estate Development Corporation Limited	2 April 2010	RMB782,200,000	–	66%	Property development
石家莊地益嘉房地產開發有限公司 Shijiazhuang Diyijia Real Estate Company Limited	5 April 2010	RMB5,000,000	–	100%	Property development
榆中俊興房地產開發有限公司 Yuzhong Junxing Real Estate Company Limited	28 July 2010	RMB130,000,000	–	100%	Property development

43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest Directly	Indirectly	Principal activities
安陽通瑞達房地產開發有限公司 Tongruida (Anyang) Property Company Limited	8 October 2010	RMB500,000,000	–	100%	Property development
天津濱僑投資有限公司 Binqiao (Tianjin) Investment Company Limited	28 November 2007	RMB1,000,000,000	–	100%	Property development
哈爾濱市恒大偉業房地產開發有限公司 Harbin Hengda Weiye Real Estate Development Company Limited	26 January 2011	RMB780,000,000	–	100%	Property development
清遠市銀湖城投資有限公司 Yinhucheng (Qingyuan) Investment Company Limited	28 September 2009	RMB800,000,000	–	100%	Property development
深圳市建設集團有限公司 Shenzhen Construction Group Corporation Limited	21 January 2011	RMB620,000,000	–	100%	Construction
合肥粵通置業有限公司 Hefei Yuetong Property Corporation Limited	25 August 2011	RMB200,000,000	–	100%	Property development
南昌中電投高新置業有限公司 Nanchang State Power Investment New high Property Corporation Limited	10 May 2011	RMB383,000,000	–	100%	Property development
六安粵通置業有限公司 Luan Yuetong Property Corporation Limited	13 July 2011	RMB290,000,000	–	100%	Property development
新鄉御景置業有限公司 Xinxiang Yujing Property Corporation Limited	23 May 2012	RMB100,000,000	–	100%	Property development
城博(寧波)置業有限公司 Chengbo (Ningbo) Property Company Limited	18 January 2011	USD328,000,000	–	51%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest Directly	Percentage of attributable equity interest Indirectly	Principal activities
潮州市恒大置業有限公司 Chaozhou Hengda Property Company Limited	10 July 2012	RMB280,000,000	–	100%	Property development
無錫盛東房產開發有限公司 Wuxi Shengdong Real Estate Development Company Limited	6 May 2010	RMB200,000,000	–	100%	Property development
長沙鑫芙置業有限公司 Changsha Xinfu Property Company Limited	23 April 2013	RMB663,265,300	–	100%	Property development
廣州市鑫誠置業有限公司 Guangzhou Xincheng Property Company Limited	22 May 2013	RMB720,000,000	–	100%	Property development
重慶恒大鑫泉置業有限公司 Hengda Xinquan (Chongqing) Property Company Limited	6 June 2013	RMB1,200,000,000	–	100%	Property development
恒大地產集團河源有限公司 Hengda (Heyuan) Real Estate Group Company Limited	17 June 2013	RMB20,000,000	–	100%	Property development
北京沙河恒大置業有限公司 Shahe Hengda (Beijing) Property Company Limited	12 July 2013	RMB1,330,000,000	–	100%	Property development
合肥粵誠置業有限公司 Yuecheng (Hefei) Property Company Limited	9 September 2013	RMB1,920,000,000	–	100%	Property development
宜昌楚天恒大房地產開發有限公司 Chutian Hengda (Yichang) Real Estate Company Limited	10 September 2013	RMB150,000,000	–	60%	Property development
常德鑫澤置業有限公司 Xinze (Changde) Property Company Limited	26 August 2013	RMB110,000,000	–	60%	Property development

43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
恒大地產集團北京有限公司 Hengda (Beijing) Real Estate Group Company Limited	11 September 2013	RMB1,830,000,000	–	100%	Property development
杭州穗華置業有限公司 Hangzhou Suihua Property Company Limited	25 September 2013	RMB1,500,000,000	–	100%	Property development
南京旭泰房地產開發有限公司 Nanjing Xutai Real Estate Company Limited	20 November 2013	RMB970,000,000	–	100%	Property development
南京美旭房地產開發有限公司 Nanjing Meixu Real Estate Development Company Limited	20 November 2013	RMB1,503,000,000	–	100%	Property development
北京恒興盛房地產開發有限公司 Hengxingsheng (Beijing) Real Estate Company Limited	8 November 2013	RMB3,520,000,000	–	100%	Property development
上海金碧置業有限公司 Shanghai Jinbi Property Company Limited	25 December 2013	RMB865,000,000	–	100%	Property development
上海松裕置業有限公司 Shanghai Songyu Property Company Limited	24 December 2013	RMB655,000,000	–	100%	Property development
上海茸善置業有限公司 Shanghai Rongshan Property Company Limited	23 December 2013	RMB418,000,000	–	100%	Property development
天津帝景房地產開發有限公司 Tianjin Dijing Real Estate Development Company Limited	23 December 2013	RMB30,000,000	–	100%	Property development
太原市俊恒房地產開發有限公司 Taiyuan Junheng Real Estate Company Limited	16 January 2014	RMB430,000,000	–	100%	Property development

43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest Directly	Percentage of attributable equity interest Indirectly	Principal activities
北京正浩置業有限公司 Zhenghao (Beijing) Property Company Limited	4 March 2014	RMB1,750,000,000	–	100%	Property development
北京恒龍置業有限公司 Henglong (Beijing) Property Company Limited	12 March 2014	RMB1,200,000,000	–	100%	Property development
成都市恒大新西城置業有限公司 Hengda New West City Property Company Limited	29 April 2014	RMB710,000,000	–	51%	Property development
長沙金霞開發建設有限公司 Changsha Jinxia Development and Construction Company Limited	5 September 2014	RMB122,450,000	–	51%	Property development
太原金世恒房地產開發有限公司 Jinshiheng (Taiyuan) Real Estate Company Limited	27 November 2014	RMB1,096,530,000	–	100%	Property development
鄭州恒林置業有限公司 Henglin (Zhengzhou) Property Company Limited	6 September 2013	RMB458,135,500	–	51%	Property development
濟南東進龍鼎置業有限公司 Jinan Dongjin Longding Property Company Limited	3 November 2014	RMB820,000,000	–	100%	Property development
岳陽金瑞置業有限公司 Yueyang Jinrui Property Company Limited	15 January 2015	RMB20,000,000	–	64%	Property development
成都恒大新東城置業有限公司 Hengda New East City Property Company Limited	15 January 2015	RMB1,620,000,000	–	100%	Property development
武漢恒大都市地產開發有限公司 Wuhan Hengda City Real Estate Development Company Limited	17 March 2015	RMB50,000,000	–	60%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest Directly	Percentage of attributable equity interest Indirectly	Principal activities
莆田金碧置業有限公司 Putian Jinbi Property Company Limited	2 April 2015	RMB20,000,000	–	100%	Property development
廈門恒大置業有限公司 Xiamen Hengda Property Company Limited	4 June 2015	RMB20,000,000	–	100%	Property development
重慶恒大鑫溉置業有限公司 Chongqing Hengda Xingai Property Company Limited	21 August 2014	RMB1,000,000,000	–	100%	Property development
汕頭市恒悦置業有限公司 Shantou Hengyue Property Company Limited	27 May 2015	RMB300,000,000	–	100%	Property development
雲南恒雲置業有限公司 Yunnan Hengyun Property Company Limited	26 May 2015	RMB214,000,000	–	51%	Property development
武漢三江航天投資發展有限公司 Sanjiang Spaceflight (Wuhan) Investment Development Company Limited	28 October 2015	RMB10,000,000	–	67%	Property development
重慶中渝物業發展有限公司 Zhongyu (Chongqing) Property Management Company Limited	10 July 2015	USD131,000,000	–	60%	Property development
愛美高實業(成都)有限公司 Avergo (Chengdu) Industrial Company Limited	14 July 2015	USD449,400,000	–	100%	Property development
儋州中潤旅遊開發有限公司 Zhongrun (Danzhou) Tourism Development Company Limited	19 August 2015	RMB20,000,000	–	100%	Property development
儋州信恒旅遊開發有限公司 Xinheng (Danzhou) Tourism Development Company Limited	19 August 2015	RMB800,000,000	–	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
漳州信成房地產開發有限公司 Xincheng (Zhangzhou) Real Estate Development Company Limited	20 January 2015	RMB80,000,000	–	100%	Property development
柳州市兆福地產置業有限公司 Liuzhou Zhaofu Real Estate Property Company Limited	18 September 2015	RMB163,265,300	–	100%	Property development
江陰雅盛恒泰置業有限公司 Jiangyin Yasheng Hengtai Property Company Limited	19 July 2013	RMB400,000,000	–	100%	Property development
懷來恒天房地產開發有限公司 Hengtian (Huailai) Real Estate Development Company Limited	18 September 2015	RMB750,000,000	–	100%	Property development
重慶尖置房地產有限公司 Jianzhi (Chongqing) Real Estate Company Limited	10 July 2015	HKD5,880,000,000	–	100%	Property development
阜陽粵通置業有限公司 Fuyang Yuetong Property Company Limited	4 May 2016	RMB650,000,000	–	70%	Property development
南寧耀世龍庭房地產開發有限公司 Yaoshi Dragon Court (Nanning) Real Estate Development Company Limited	25 November 2015	RMB20,000,000	–	100%	Property development
南京臨江御景房地產開發有限公司 Linjiang Yujing (Nanjing) Real Estate Development Company Limited	11 December 2015	RMB1,471,650,000	–	100%	Property development
杭州晶立置業有限公司 Hangzhou Jingli Property Company Limited	2 February 2016	USD370,000,000	–	100%	Property development
貴陽新世界房地產有限公司 New World (Guiyang) Real Estate Company Limited	18 February 2016	USD301,350,000	–	100%	Property development

43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest Directly	Percentage of attributable equity interest Indirectly	Principal activities
新世界中國地產(海口)有限公司 New World China Real Estate (Haikou) Company Limited	14 January 2016	USD750,000,000	–	100%	Property development
武漢新世界康居發展有限公司 New World Peaceful Living (Wuhan) Development Company Limited	5 January 2016	RMB96,000,000	–	60%	Property development
哈爾濱市佳業地產開發有限公司 Jiaye (Harbin) Real Estate Development Company Limited	18 January 2016	RMB20,000,000	–	100%	Property development
青島金灣置業有限公司 Qingdao Jinwan Property Company Limited	25 January 2016	RMB1,000,000,000	–	100%	Property development
北京富華房地產開發有限公司 Fuhua (Beijing) Real Estate Development Company Limited	11 January 2016	USD29,900,000	–	100%	Property development
恒大地產集團鹽城城南置業有限公司 Hengda Real Estate Group (Yancheng) Chengnan Property Company Limited	27 January 2016	RMB620,000,000	–	100%	Property development
天津御景灣投資有限公司 Yujingwan (Tianjin) Investment Company Limited	29 February 2016	RMB740,000,000	–	100%	Property development
南京恒裕房地產開發有限公司 Hengyu (Nanjing) Real Estate Development Company Limited	29 January 2016	RMB685,000,000	–	100%	Property development
河南恒龍置業有限公司 Henan Henglong Property Company Limited	14 April 2016	RMB500,000,000	–	100%	Property development
哈爾濱高登置業有限公司 Harbin Gaodeng Property Company Limited	31 March 2016	RMB941,200,000	–	100%	Property development

43 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest Directly	Indirectly	Principal activities
成都心怡房地產開發有限公司 Xinyi (Chengdu) Real Estate Development Company Limited	3 May 2016	USD99,500,000	–	60%	Property development
貴陽中渝置地房地產開發有限公司 Zhongyu (Guiyang) Property Real Estate Development Company Limited	10 July 2015	USD130,000,000	–	100%	Property development
梅州大百匯品牌產業園有限公司 Big Parkway (Meizhou) Brand Industrial Park Company Limited	8 June 2016	RMB1,000,000,000	–	100%	Property development
濟南源浩置業有限公司 Jinan Yuanhao Property Company Limited	18 July 2016	RMB9,000,000,000	–	100%	Property development
濟南西開置業有限公司 Jinan Xikai Property Company Limited	16 August 2016	RMB18,000,000	–	100%	Property development
濟南西業置業有限公司 Jinan Xiye Property Company Limited	16 August 2016	RMB18,000,000	–	100%	Property development
唐山市福家房地產開發有限公司 Fujia (Tangshan) Real Estate Development Company Limited	11 December 2008	RMB200,000,000	–	100%	Property development
西安遠聲實業有限公司 Yuansheng (Xian) Industrial Company Limited	26 December 2016	RMB120,000,000	–	100%	Property development
重慶同景宏航置地有限公司 Tongjing Honghang (Chongqing) Land Limited	22 December 2016	RMB220,000,000	–	100%	Property development

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

FIVE YEARS FINANCIAL SUMMARY

Consolidated Assets, Equity and Liabilities

(as at 31 December)

	2012 RMB Million	2013 RMB Million	2014 RMB Million	2015 RMB Million	**2016** **RMB Million**
ASSETS					
Non-current assets	38,447	58,770	90,812	144,691	**237,233**
Current assets	200,544	289,378	383,650	612,344	**1,113,635**
Total assets	238,991	348,148	474,462	757,035	**1,350,868**
Total equity	41,691	79,343	112,378	142,142	**192,532**
LIABILITIES					
Non-current liabilities	46,922	80,608	93,847	158,212	**424,942**
Current liabilities	150,378	188,197	268,237	456,681	**733,394**
Total liabilities	197,300	268,805	362,084	614,893	**1,158,336**
Total equity and liabilities	238,991	348,148	474,462	757,035	**1,350,868**

FIVE YEARS FINANCIAL SUMMARY

Consolidated Statements of Comprehensive Income

(for the year ended 31 December)

	2012 RMB Million	2013 RMB Million	2014 RMB Million	2015 RMB Million	**2016 RMB Million**
Revenue	65,261	93,672	111,398	133,130	**211,444**
Cost of Sales	(47,051)	(66,023)	(79,614)	(95,717)	**(152,022)**
Gross profit	18,210	27,649	31,784	37,413	**59,422**
Fair value gains on investment properties	4,460	5,815	9,393	12,859	**5,124**
Other gains	—	—	534	323	**6,986**
Other income	636	1,041	1,431	2,262	**4,937**
Selling and marketing costs	(3,018)	(4,310)	(9,154)	(13,325)	**(15,983)**
Administrative expenses	(2,601)	(3,472)	(4,039)	(6,139)	**(9,598)**
Other operating expenses	(1,164)	(1,679)	(1,396)	(1,077)	**(2,663)**
Operating profit	16,523	25,044	28,553	32,316	**48,225**
Fair value gain on financial assets at fair value through profit or loss	—	—	3,757	2,515	**141**
Finance (costs)/income, net	(33)	352	(1,015)	(2,994)	**(11,301)**
Share of loss of investments accounted for using equity method	—	—	(104)	(392)	**(203)**
Profit before income tax	16,490	25,396	31,191	31,445	**36,862**
Income tax expenses	(7,308)	(11,687)	(13,175)	(14,105)	**(19,245)**
Profit for the year	9,182	13,709	18,016	17,340	**17,617**
Other comprehensive income, net of tax	—	(157)	157	30	**(4,892)**
Total comprehensive income for the year	9,182	13,552	18,173	17,370	**12,725**
Total comprehensive income attributable to:					
Shareholders of the Company	9,171	12,454	12,761	10,490	**199**
Holders of perpetual capital instruments	—	657	4,339	5,088	**10,646**
Non-controlling interests	11	441	1,073	1,792	**1,880**
Total comprehensive income for the year	9,182	13,552	18,173	17,370	**12,725**

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中國恒大集團
CHINA EVERGRANDE GROUP

China Evergrande Group

Suite 1501–1507, One Pacific Place
88 Queensway, Hong Kong

http://www.evergrande.com

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