



COUNTRY GARDEN 碧桂園

给您一个五星级的家

2018 ANNUAL REPORT

Stock Code: 2007

(Incorporated in the Cayman Islands with limited liability)



COUNTRY
GARDEN

Holdings Company Limited

碧桂園控股有限公司

What Is Country Garden?

Country Garden is a diversified technology company that creates lifestyle products for global markets.

We provide quality homes and communities to everyone who aspires to a better life. Over the past two decades, Country Garden has been a force for new urbanization. We have helped modernize over 1,100 towns throughout China by delivering residential real estate for quality of life. Technology is at the heart of what we do. We have embraced green construction and smart building technologies, and in our Forest City development we have created a new concept in integrated, multi-layered urban planning. This huge project was named the first of “five new cities that are set to shake up the future” by Forbes magazine.

Today, over 4 million homeowners choose to live in Country Garden's properties. In this Industry 4.0 era, we combine robotic technologies with fine craftsmanship to offer homeowners outstanding value, with ongoing improvements in safety, design, affordability, functionality, and durability. We employ intelligent technologies to build smart communities and maintain world-class levels of residential services. Country Garden projects are constantly the major attractions in the cities we support, and we often become the iconic image that represents a city. Our urban gardens and shopping plazas are a magnet for local residents, while our amenities and management services provide unparalleled convenience and security.

We push back the boundaries of technology by investing in smart manufacturing. New technologies are vital to productivity, and the potential for smart manufacturing is enormous. With nearly 200,000 employees, including more than 1,300 PhDs, Country Garden is making massive investments in technology, including Robotics Valley, our own Silicon Valley for robots. We bring in the top robotics professionals and provide them with the incubator services they need. This has brought together a strong R&D team that can turn new research into affordable and cutting-edge products. We are raising living standards, boosting China's technology sector, and playing our part in human progress.

We're revitalizing rural China with modern agriculture. Country Garden has introduced in the world's leading agricultural technologies and machinery, which are integrated with our own strengths in robotics to improve the entire supply chain and to produce a wide selection of safe, tasty, and affordable foods and household products. Through our own sales network, these products reach families in our communities and across China, so that our residents can access affordable fresh food, and farmers can reap the full commercial benefits, with bigger harvests and bigger profits.

We are committed to making the world a better place for having us in it. For us, targeted poverty alleviation programs and rural revitalization are key parts of our business. Country Garden is always looking for ways to combine business value with social value. Country Garden and its founder have donated over 4.8 billion yuan to charitable causes. We are actively engaged in targeted poverty relief and rural revitalization projects in 14 counties across 9 different provinces. These programs are helping to lift 336,000 people out of poverty.

Country Garden is a Fortune 500 company that has been publicly listed in Hong Kong since 2007 and is tracked as a component of the Hang Seng Index. We are also a major taxpayer: in the year 2018 alone, we contributed over 62.5 billion yuan in taxes. In Country Garden, ethics, corporate social responsibility, and transparency are vital. Going forward, we are committed to being a force for human progress.

Country Garden – Five-star living for you.



Design Concept

This annual report is designed with the theme of “going above and beyond with prudence” which is visualized by a horse standing firm on the mountain. The horse's strong physique represents the Group's steady development. The design shaped by combination of water color, oil painting and lines creates an elegant and decent atmosphere.

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CORPORATE OVERVIEW



CORPORATE PROFILE

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

Country Garden was listed on the main board of the Stock Exchange on 20 April 2007. The listing not only provided the Group with additional funding to sustain healthy growth in the future, but it also assisted the Group to establish its foothold in the international capital market. Country Garden was well recognised by the market after listing. The Group became a constituent stock of MSCI Global Standard Indices on 1 September 2007, Hang Seng Composite Index and Hang Seng Mainland 100 on 10 September 2007, FTSE China 50 Index on 14 September 2016, Hang Seng China (Hong Kong-listed) 25 Index on 12 June 2017, and Hang Seng China 50 Index on 5 March 2018.



Country Garden is a constituent stock of Hang Seng Index. All the above facts symbolized the capital market's recognition of Country Garden as a major component of the Hong Kong stock market and also strengthened the Group's position in the international capital markets.

Since the beginning, Country Garden has been benefited from the thriving economy of the PRC. It has also expanded its business operation out of Guangdong Province into other regions with high economic growth. As of 31 December 2018, Country Garden had property development operations in a number of strategically selected locations in all of the provinces/municipalities/autonomous regions in Mainland China. The Group ranked 353rd in Fortune Global 500 as of July 2018.

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



CORE VALUE

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

CORE VALUE

Five-Star Value System of Country Garden

1

Corporate Mission:

To create a better society with our existence

★ **Five-Star products:**
Ingenuity and attention to details

★ **Five-Star Amenities:**
Think of you, do our best

★ **Five-Star Environment:**
Eco-friendly surroundings

★ **Five-Star Service:**
Wholeheartedly caring

★ **Five-Star Culture:**
Friendly neighborhood

2

Corporate Spirit:

To benefit people and the society

3

Service Concept:

Five-star living for you

This is a company dedicates to the development of human society

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

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

This is an elitist company

This is a good place for the talents

This is a place to learn and make progress

This is a harmonious big family

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

This is a sensible company that constantly corrects itself

This is a company of equality which rewards excellence

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

This is a company that creates lifestyle products for global markets

Mr. YEUNG Kwok Keung:
Country Garden
that I dreamed of

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. YEUNG Kwok Keung (*Chairman*)
 Ms. YANG Huiyan (*Co-Chairman*)
 (re-designated on 7 December 2018)
 Mr. MO Bin (*President*)
 Ms. YANG Ziyang
 Mr. YANG Zhicheng
 Mr. SONG Jun
 Mr. LIANG Guokun
 Mr. SU Baiyuan
 Mr. XIE Shutai (resigned on 2 March 2018)

Non-executive Director

Mr. CHEN Chong

Independent Non-executive Directors

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

CHIEF FINANCIAL OFFICER

Ms. WU Bijun

JOINT COMPANY SECRETARIES

Mr. LEUNG Chong Shun
 Mr. LUO Jie (appointed on 18 March 2019)

AUTHORIZED REPRESENTATIVES

Ms. YANG Huiyan
 Mr. MO Bin
 Mr. MA Ziling (*alternate to Ms. YANG Huiyan*)
 (appointed on 2 January 2019)
 Mr. LUO Jie (*alternate to Mr. MO Bin*)
 (appointed on 1 May 2018)
 Ms. ZUO Ying (*alternate to Ms. YANG Huiyan*)
 (resigned on 2 January 2019)
 Ms. SIN Lai Lan (*alternate to Mr. MO Bin*)
 (resigned on 1 May 2018)

AUDIT COMMITTEE

Mr. LAI Ming, Joseph (*Chairman*)
 Mr. SHEK Lai Him, Abraham
 Mr. TONG Wui Tung
 Mr. HUANG Hongyan

REMUNERATION COMMITTEE

Mr. TONG Wui Tung (*Chairman*)
 Mr. YEUNG Kwok Keung
 Mr. MO Bin
 Mr. LAI Ming, Joseph
 Mr. SHEK Lai Him, Abraham
 Mr. HUANG Hongyan

NOMINATION COMMITTEE

Mr. YEUNG Kwok Keung (*Chairman*)
 Mr. LAI Ming, Joseph
 Mr. TONG Wui Tung
 Mr. HUANG Hongyan

CORPORATE GOVERNANCE COMMITTEE

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

EXECUTIVE COMMITTEE

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

FINANCE COMMITTEE*

Ms. WU Bijun (*Chairman*)
 Ms. YANG Huiyan
 Mr. MO Bin
 Ms. YANG Ziyang (appointed on 20 March 2018)
 Mr. YANG Zhicheng

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

(In Alphabetical Order)

Agricultural Bank of China Limited
Bank of Beijing Co., Ltd.
Bank of China (Hong Kong) Limited
Bank of China Limited
China CITIC Bank Corporation Limited
China Construction Bank Corporation
China Development Bank Corporation
China Everbright Bank Company Limited
China Guangfa Bank Co., Ltd.
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
Chong Hing Bank Limited
CIMB Bank Berhad
CMB Wing Lung Bank Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited

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

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISORS**As to Hong Kong law:**

Woo Kwan Lee & Lo
Sidley Austin LLP
lu, Lai & Li
Baker & McKenzie
Deacons
Mayer Brown
Lo & Lo

As to PRC law:

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

STOCK CODES

Stock Exchange	2007
Reuters	2007.HK
Bloomberg	2007 HK Equity

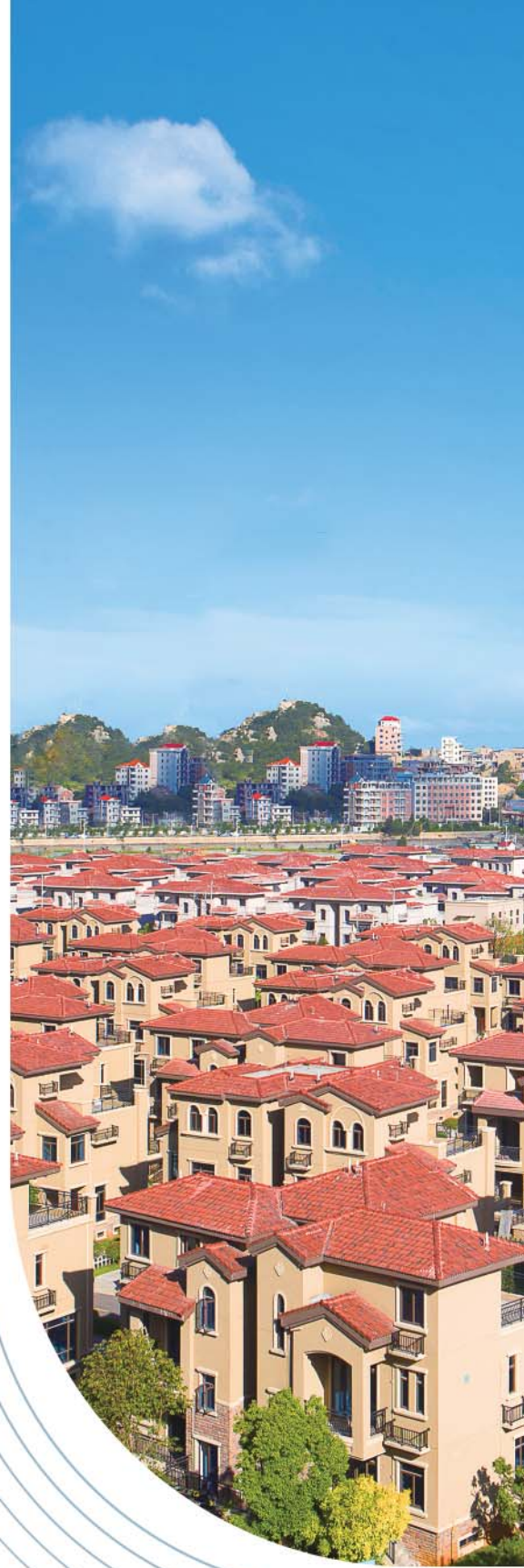
WEBSITE

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

Financial Calendar 2019

Announcement of 2018 Annual Results	18 March
Record Date for Shareholders to attend, speak and vote at 2019 AGM	9 May
2019 AGM	16 May
Ex-dividend date for proposed final dividend	21 May
Record Date for Eligible Shareholders to be entitled to proposed final dividend	24 May
Despatch dividend warrants	10 July
Announcement of 2019 interim results	August

PERFORMANCE





CHAIRMAN STATEMENT



YEUNG Kwok Keung
Chairman

远改稳印

Dear Shareholders,

I used not to have a penny to my name. Before I turned 18, I had never worn a pair of shoes. Nor had I owned a bicycle by which to go to school. I used to spend two hours every day walking barefoot, back and forth between a secondary school and my home. After I joined the workforce, I worked my tail off in a farm earning only 50 cents a day. Looking back on my entrepreneurial journey, I would say that it had many twists and turns. I took up all sorts of challenges and worked hard to see the day when my business takes off. It takes prudence and ceaseless refinement of our products to stay competitive. Only then can we brave high winds and huge waves. Only then can we go far.

For the year ended 31 December 2018 (the “Year”), the Group together with its joint ventures and associate companies, achieved approximately RMB501.88 billion in contracted sales attributable to the shareholders of the Company. As of 31 December 2018, the Group’s geographical market coverage extended to 269 cities and 1,156 counties/townships in 31 provinces/autonomous regions/municipalities in Mainland China. During the Year, the Group’s revenue increased by 67.1% to approximately RMB379.08 billion; gross profit grew by 74.3% to approximately RMB102.48 billion; net profit increased by 68.8% to approximately RMB48.54 billion; profit attributable to the owners of the Company rose by 32.8% to approximately RMB34.62 billion; and core net profit attributable to the owners of the Company rose by 38.2% to approximately RMB34.13 billion. Furthermore, the Company has made it to the Fortune Global 500 List again following its first-time inclusion in the list for 2017. It has also improved its ranking in the list significantly to 353rd, up by 114 places.



CHAIRMAN STATEMENT



— Country Garden — Jiuxi, Tianmen

Country Garden has been fortunate to have been founded in the era of China's reform and opening-up and to have flourished amid the country's urbanization. Today, it has become part of a driving force for the country's new type of urbanization which fosters coordinated development of urban and rural areas. Over the past 27 years, the Group has been providing quality housing in communities to fulfil people's aspirations towards a better life. Country Garden has now introduced urban modernization and comprehensive ancillary facilities into over 1,000 cities, bringing dream homes to almost four million people. Country Garden is a vehicle not only for my aspirations but also for

the expectations from numerous home owners, staff members and investors. Therefore, the Group needs to run its business prudently to create value consistently for society as a long-lasting enterprise.

A strong financial position sustains our growth momentum. During the Year, the Group collected consolidated cash proceeds from property sales of RMB541.29 billion and achieved positive operating cash flow for the third year in a row since 2016. In 2018, contracted sales attributable to the shareholders of the Company grew by 31.25%. Net gearing ratio decreased by 7.3 percentage points to 49.6%, indicating

good financial health. As of 31 December 2018, the Group's available cash¹ amounted to approximately RMB242.54 billion, and undrawn bank facilities totalled approximately RMB301.70 billion. The Group has such plentiful working capital that it has been recognised by credit rating agencies for its strong financial position and has thus secured support from major financial institutions.

A prudent approach to business is also extended to safety assurance. My duty is to ensure that Country Garden reflects on mistakes and correct them so that it stays on the right track. Attaching great importance to

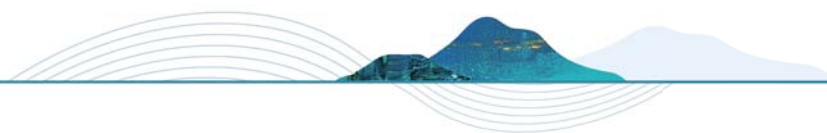
both safety and quality, the Group seeks to thoroughly remedy any safety problems. This is how we improve the well-being of society.

Notwithstanding the complex economy, Country Garden remains confident about the prospect of China's economy and its consistent, steady growth in the long term. It also believes that the 1.4 billion people's aspirations for a better life can add impetus to the development of the property sector. Having gone through the ups and downs in the industry cycle, I can say that market volatility is the norm rather than the exception. On the contrary, the irreversible trend



— Country Garden — Monet's Lake, Tianjin

¹ It represents cash and bank deposits (including restricted cash).



CHAIRMAN STATEMENT

of China's urbanization means huge potential of the country's immense property market. As a stakeholder in such a promising market, we should think how we can enhance our competitiveness to make the most of it.

I believe that only the most competitive companies can fully capitalize on China's urbanization. Today, Country Garden has evolved into a group with diverse high-tech businesses in addition to its staple property business that bring a better life to people. This, coupled with our strong financial position, a professional and efficient management team that includes over 1,300 holders of doctor's degrees, our proven business model, our well-received products and our well-established brand, undoubtedly gives us great advantage in competition. Yet we cannot afford to be complacent. We will build on our well-established property business by diversifying into other businesses that can reap bountiful rewards in the future. We will seize the day, yet we will take a prudent approach to this initiative.

Science and technology constitute a primary productive force. Intelligent manufacturing will be the key to our competitiveness as it will significantly improve the efficiency of construction. We believe that the adoption of such new technology as robots for construction will enhance our products' safety, quality, appearance, cost-effectiveness, applicability and durability. On the other hand, we can use high technology to build intelligent communities at our property projects where

we will be able to provide world-class community-based services. Country Garden successfully spun off its property management business through a separate listing on 19 June 2018. We hope that the robotic business can also generate value for our shareholders.

Country Garden is also developing a business of modern agriculture as a way to participate in the revival of rural economy. Under our strategy of "real estate + agriculture", we will adopt the world's top agricultural production technology and equipment, and leverage our strength in robotic research and development to attain synergy between our two businesses of property and agriculture that span the whole value chains of the two respective industries. Through its "Phoenix Selection", the Group will grow and retail safe, delicious and affordable agricultural produce as well as other basic necessities to the communities at its property projects and even to the wider domestic market. This is how we envision ourselves sharing the fruits of the development of modern agriculture with farmers. Since its establishment, the Group, together with my family and I, has donated over RMB4.8 billion to charity and carried out its work in poverty alleviation and the revival of rural economy in 14 counties in nine provinces, helping 336,000 people stem poverty. We believe that the best way to create a better business environment is to contribute to both social and economic development, which will ultimately improve the well-being of society.



To fully capitalize on the promising future, we will continue to place emphasis on legal and regulatory compliance and safety and quality assurance while adopting a scientific approach to business planning and a customer-oriented approach to property development and management. This will enable us to provide quality products at reasonable costs for the market, thus enhancing our capability to surmount the ups and downs in the industry cycle. Here is my vision of Country Garden in the future: the whole staff will work as a cohesive group to contribute to society, create value and develop Country Garden into an ever-lasting enterprise. We hope that Country Garden shall be ingrained in people's mind as a company committed to improving the well-being of society.

This will also serve as our tribute to the great era!

Go above and beyond with prudence.

YEUNG Kwok Keung

Country Garden Holdings Company Limited

Chairman

Shunde, Guangdong, China, 18 March 2019

BUSINESS OVERVIEW

PROPERTY DEVELOPMENT

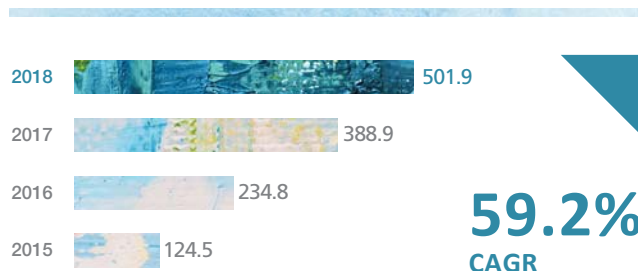
Contracted Sales

In 2018, the Group together with its joint ventures and associates achieved contracted sales attributable to the shareholders of the Company of approximately RMB501.88 billion with contracted sales GFA attributable to the shareholders of the Company of approximately 54.16 million sq.m.. From 2015 to 2018, the attributable contracted sales compound annual growth rate was approximately 59.2%, and attributable contracted sales in 2018 increased by 31.25% as compared with 2017.

In 2018, the attributable contracted sales outside Guangdong Province was around 76% of that of the Group, reflecting the Group's efforts in geographic diversification.

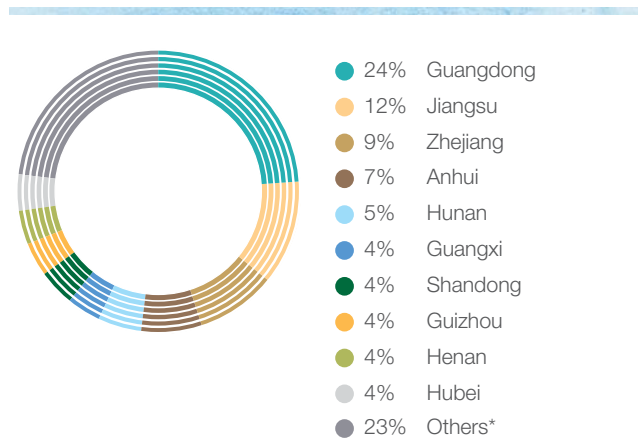
In terms of tier cities, around 56% of the attributable contracted sales in Mainland China was contributed by projects located in tier 3&4 cities targeting tier 3&4 cities, around 30% was contributed by projects located in tier 2 cities targeting tier 2 cities and 14% was contributed by the others.

Attributable contracted sales (RMB billion)



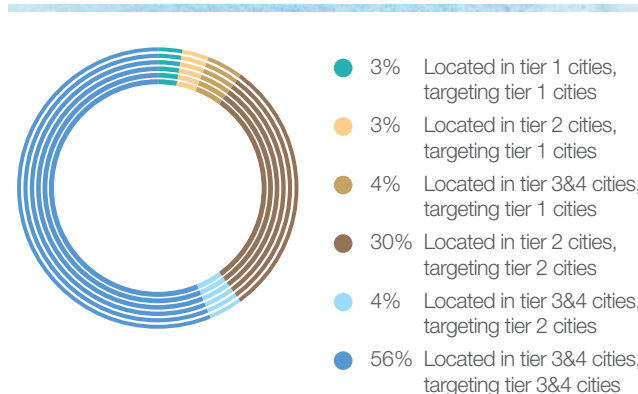
Geographical breakdown of contracted sales in 2018

(By Attributable Value)

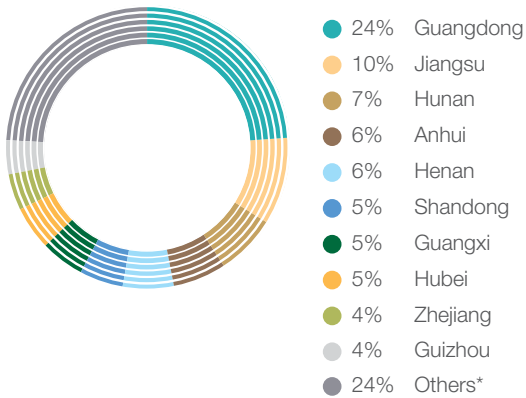


Note: Others* including Fujian, Jiangxi, Hainan, Shaanxi, Sichuan, Hebei, Liaoning, Gansu, Chongqing, Yunnan, Shanghai, Malaysia, Shanxi, Tianjin, Qinghai, Ningxia, Xinjiang, Inner Mongolia, Beijing, Australia, Jilin, Thailand, Indonesia, Tibet, Heilongjiang and Hong Kong.

Contracted sales breakdown in Mainland China by city type in 2018 (By Attributable Value)

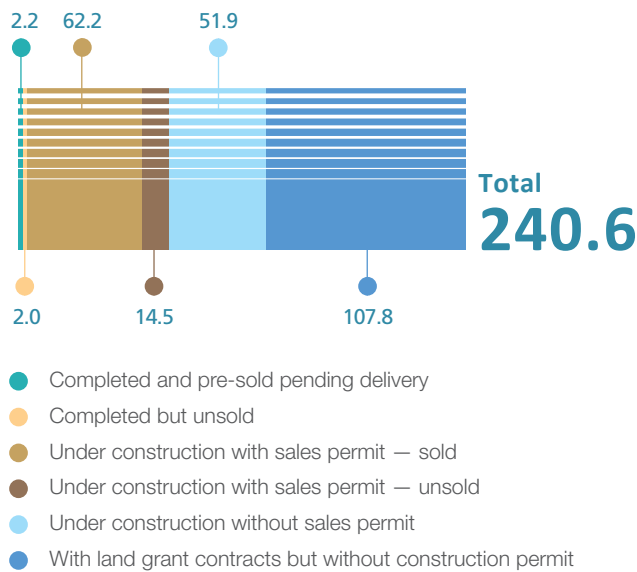


Landbank breakdown by province in Mainland China (By attributable GFA)



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

Attributable landbank GFA breakdown by development stage in Mainland China (million sq.m.)



Landbank – Mainland China

As of 31 December 2018, the acquired attributable GFA in Mainland China together with its joint venture and associates was 240.64 million sq.m.. 76% of the landbank was located outside of Guangdong province. By development stage around 53% of the landbank was under construction, and 26% was presold.

BUSINESS OVERVIEW

Project Location

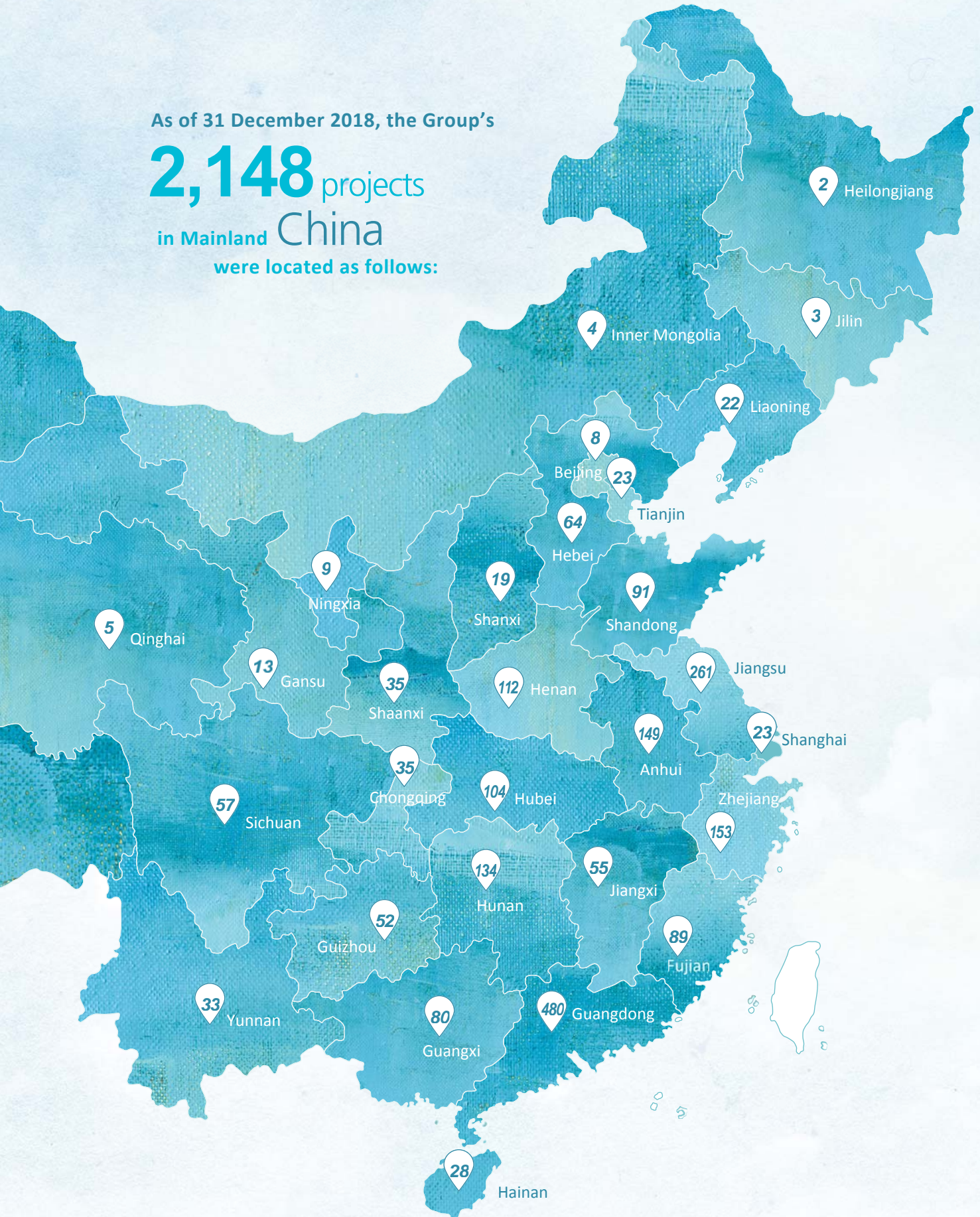
As of 31 December, 2018, the Group operated 2,165 projects under different development stages, 2,148 of these projects were located in Mainland China and 17 were outside Mainland China.



As of 31 December 2018, the Group's

2,148 projects
in Mainland China

were located as follows:



BUSINESS OVERVIEW

Top 100 projects with the highest attributable contracted sales in 2018 in Mainland China⁽¹⁾

Serial number	Project	City (District)	Aggregate saleable GFA for entire project sq.m.	Completed property developments ⁽²⁾			
				Total completed saleable GFA sq.m.	Total saleable GFA sold and delivered sq.m.	Total saleable GFA pre-sold pending delivery sq.m.	
1	Country Garden — Phoenix City (碧桂園·鳳凰城)	Xi'an (Weiyang)	1,531,467	470,289	463,851	2,883	
2	Lanzhou Country Garden (蘭州碧桂園)	Lanzhou (Chengguan)	2,557,816	1,805,376	1,781,003	1,398	
3	Country Garden — Phoenix Bay (碧桂園·鳳凰灣)	Foshan (Shunde)	1,433,794	173,616	110,129	59,547	
4	Country Garden Shenhui City (碧桂園深薈城)	Huizhou (Huiyang)	385,872	233,119	58,068	173,618	
5	Country Garden — Phoenix City (碧桂園·鳳凰城)	Zhenjiang (Jurong)	6,586,184	3,234,740	3,146,284	21,373	
6	Country Garden Forest One (碧桂園天麓1號)	Qiannanzhou (Longli)	377,155	100,793	98,115	1,966	
7	Country Garden — Jiyang Mansion (碧桂園·暨陽府)	Wuxi (Jiangyin)	706,579	78,807	73,387	224	
8	Fuyong Country Garden Lingyu (福永碧桂園領寓)	Shenzhen (Baoan)	156,187				
9	Lunjiao Country Garden (倫敦碧桂園)	Foshan (Shunde)	379,689	366,502	362,522	3,980	
10	Country Garden Hill Lake City (碧桂園山湖城)	Qingyuan (Qingcheng)	1,806,169	968,064	955,067	2,356	
11	Rui'an Country Garden (瑞安碧桂園)	Wenzhou (Rui'an)	48,612				
12	Country Garden Runyang Valley (碧桂園·潤楊溪谷)	Huizhou (Huiyang)	829,536	18,241	16,322	652	
13	Country Garden — Gui'an One (碧桂園·貴安1號)	Guiyang (Gui'an)	744,987	187,324	185,009		
14	Country Garden Tongnan Meilu (碧桂園桐南美麓)	Shanghai (Fengxian)	42,200				
15	Country Garden — Daming Mansion (碧桂園大名府)	Nantong (Qidong)	457,424	159,629	159,533		
16	Country Garden — Century City (碧桂園·世紀城)	Suzhou (Kunshan)	305,847	191,233	182,201	809	
17	Country Garden Longyue (碧桂園·瓏悅)	Wenzhou (Lucheng)	118,262				
18	Country Garden — Central Capital (碧桂園·中央首府)	Haikou (Longhua)	301,091	111,582	109,519	134	
19	Country Garden Lingnan Shengshi (碧桂園嶺南盛世)	Foshan (Chancheng)	211,620				
20	Country Garden — Yanshan Mansion (碧桂園·燕山公館)	Changzhou (Liyang)	264,733	139,856	139,856		
21	Country Garden Longyue (碧桂園·瓏悅)	Taizhou (Jiaojiang)	132,861				
22	Country Garden — Yunnan Image (碧桂園·雲南映象)	Kunming (Panlong)	492,229	23,417	23,277		

Completion date	Properties under development ⁽³⁾				Properties for future development ⁽⁴⁾		
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date
	sq.m.	sq.m.			sq. m.		
19/Nov/18	861,822	752,884	5/Nov/10	4th Quarter, 2020	199,356	2nd Quarter, 2019	4th Quarter, 2021
29/Dec/18	370,619	366,522	19/Oct/16	4th Quarter, 2019	381,821	2nd Quarter, 2019	2nd Quarter, 2021
7/Nov/18	632,850	306,633	9/Jun/17	2nd Quarter, 2021	627,328	4th Quarter, 2019	4th Quarter, 2023
19/Nov/18	5,293	113	10/Oct/17	3rd Quarter, 2019	147,460	4th Quarter, 2019	2nd Quarter, 2021
27/Dec/18	483,613	141,359	26/May/17	4th Quarter, 2021	2,867,831	4th Quarter, 2019	4th Quarter, 2024
11/Dec/18	276,362	269,154	23/Mar/17	3rd Quarter, 2020			
22/Nov/18	244,404	235,145	23/Jun/17	4th Quarter, 2019	383,368	2nd Quarter, 2019	4th Quarter, 2021
	156,187	97,411	4/Apr/18	2nd Quarter, 2020			
20/Nov/18	13,187	13,187	26/Apr/18	4th Quarter, 2019			
25/Dec/18	509,024	204,199	23/Nov/17	2nd Quarter, 2021	329,081	4th Quarter, 2019	4th Quarter, 2022
	48,612	39,387	25/Dec/17	4th Quarter, 2019			
17/May/18	366,500	249,817	28/Aug/17	2nd Quarter, 2021	444,795	3rd Quarter, 2019	4th Quarter, 2023
24/Dec/18	446,313	374,764	27/Oct/16	4th Quarter, 2020	111,350	4th Quarter, 2019	2nd Quarter, 2021
	42,200	41,559	15/Sep/17	4th Quarter, 2019			
17/Dec/18	289,775	167,720	11/Oct/17	4th Quarter, 2020	8,020	4th Quarter, 2019	4th Quarter, 2020
29/Nov/18	114,614	86,416	27/May/17	3rd Quarter, 2019			
	118,262	116,121	23/May/17	1st Quarter, 2020			
6/Dec/18	189,509	173,816	28/Mar/17	4th Quarter, 2019			
	117,127	98,929	21/Dec/17	2nd Quarter, 2019	94,493	2nd Quarter, 2019	4th Quarter, 2020
1/Dec/18	124,877	124,759	20/May/17	3rd Quarter, 2019			
	132,861	129,639	13/Oct/17	3rd Quarter, 2019			
30/Nov/18	322,432	131,726	25/May/18	4th Quarter, 2020	146,380	4th Quarter, 2019	4th Quarter, 2021

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Serial number	Project	City (District)	Aggregate saleable GFA for entire project	Completed property developments ⁽²⁾			
				Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	
				sq.m.	sq.m.	sq.m.	sq.m.
23	Country Garden – Park Palace (碧桂園·公園上城)	Huizhou (Dayawan)	488,885	259,000	246,282	540	
24	Country Garden – Phoenix Bay (碧桂園·鳳凰灣)	Huzhou (Nanxun)	176,241				
25	Country Garden – City Garden (碧桂園·城邦花園)	Zhanjiang (Mazhang)	579,162	100,276		99,042	
26	Country Garden – Tangxi Yuanzhu (碧桂園·塘溪源著)	Wuhu (Yijiang)	265,570				
27	Country Garden – Longcheng Tianyue (碧桂園·龍城天悅)	Zhengzhou (Zhongyuan)	519,814				
28	Sanya Country Garden (三亞碧桂園)	Sanya (Tianya)	55,259				
29	Chaozhou Country Garden (潮州碧桂園)	Chaozhou (Xiangqiao)	452,570				
30	Penglai Country Garden (蓬萊碧桂園)	Yantai (Penglai)	624,155	210,486	210,324		
31	Shatian Country Garden (沙田碧桂園)	Dongguan (Shatian)	266,966	173,048	144,463	2,871	
32	Country Garden – City Garden (碧桂園·城市花園)	Taiyuan (Xinghualing)	227,597				
33	Linpu Country Garden (臨浦碧桂園)	Hangzhou (Xiaoshan)	179,481				
34	Asian Games Town (亞運城)	Guangzhou (Panyu)	1,021,772	357,942	352,405		
35	Country Garden East River Phoenix Bay (碧桂園東江鳳凰灣)	Heyuan (Yuancheng)	419,015	150,217	150,048		
36	Country Garden – Gui'an Mansion (碧桂園·貴安府)	Fuzhou (Lianjiang)	157,667				
37	Country Garden – Phoenix City (碧桂園·鳳凰城)	Jinan (Zhangqiu)	580,177	288,384	288,384		
38	Country Garden – Haichang Tianlan (碧桂園·海昌天瀾)	Tianjin (Binhai New Area)	337,141	71,268	69,553		
39	Yiqiao Country Garden (義橋碧桂園)	Hangzhou (Xiaoshan)	148,085				
40	Country Garden – Century City (碧桂園·世紀城)	Yangjiang (Binhai New Area)	394,161	21,200	21,200		
41	Haikou Binhai International (海口濱海國際)	Haikou (Meilan)	444,300	7,103	564	1,024	
42	Country Garden – Xuefu Riverside (碧桂園·學府水岸)	Taizhou (Jiaojiang)	320,758				
43	Xining Country Garden (西寧碧桂園)	Xining (Chengbei)	370,679				
44	Huiyang Country Garden (惠陽碧桂園)	Huizhou (Huiyang)	904,466	630,573	628,276		

Completion date	Properties under development ⁽⁶⁾				Properties for future development ⁽⁶⁾		
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date
	sq.m.	sq.m.			sq. m.		
25/Dec/18	179,279	48,386	13/Nov/17	4th Quarter, 2020	50,606	4th Quarter, 2019	4th Quarter, 2021
	176,241	161,811	7/Dec/17	3rd Quarter, 2019			
25/Jun/18	478,886	330,725	29/Jun/17	3rd Quarter, 2020			
	261,226	137,139	11/Dec/17	4th Quarter, 2020	4,344	3rd Quarter, 2019	4th Quarter, 2020
	519,814	324,103	20/May/17	4th Quarter, 2020			
	55,259	54,530	30/Sep/17	2nd Quarter, 2019			
	452,570	452,319	16/Dec/16	2nd Quarter, 2020			
30/Oct/18	288,431	231,623	26/Sep/17	4th Quarter, 2020	125,238	2nd Quarter, 2019	2nd Quarter, 2021
21/Aug/18	93,918	13,904	15/Oct/18	2nd Quarter, 2020			
	224,374	163,894	18/Jan/18	4th Quarter, 2020	3,223	2nd Quarter, 2019	4th Quarter, 2020
	179,481	161,241	7/Dec/17	1st Quarter, 2020			
7/Jun/11	321,201	138,424	11/Jun/12	2nd Quarter, 2021	342,629	4th Quarter, 2019	4th Quarter, 2023
25/Dec/18	266,646	171,899	27/Oct/17	2nd Quarter, 2020	2,152	2nd Quarter, 2019	2nd Quarter, 2020
	94,982	83,596	22/Sep/17	3rd Quarter, 2019	62,685	1st Quarter, 2019	4th Quarter, 2020
12/Feb/18	291,793	289,132	9/Dec/16	2nd Quarter, 2020			
25/Jul/17	265,873	176,194	31/Oct/16	4th Quarter, 2020			
	148,085	128,332	9/Jul/18	4th Quarter, 2019			
26/Jul/18	372,961	368,366	11/May/17	2nd Quarter, 2020			
3/Jul/18	93,635	5,446	2/Mar/16	4th Quarter, 2019	343,562	2nd Quarter, 2019	4th Quarter, 2021
	320,758	126,756	23/Nov/17	4th Quarter, 2020			
	370,679	347,900	21/Oct/16	3rd Quarter, 2020			
15/Dec/17	273,893	190,967	31/Oct/17	4th Quarter, 2020			

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Serial number	Project	City (District)	Aggregate saleable GFA for entire project	Completed property developments ⁽²⁾			
				Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	
				sq.m.	sq.m.	sq.m.	sq.m.
45	Country Garden — High Tech Era (碧桂園·高新時代)	Xi'an (Yanta)	285,909				
46	Country Garden — Coral Palace (碧桂園·珊瑚宮殿)	Lingshui (Yingzhou)	1,505,085	795,977	795,772		
47	Yulin Country Garden (玉林碧桂園)	Yulin (Yuzhou)	1,192,467	259,683	258,881	802	
48	Country Garden — Qingyue Bay (碧桂園·清月灣)	Zhumadian (Xincai)	265,889	50,406		49,008	
49	Country Garden — Tianyue Bay Mansion (碧桂園·天悅灣名邸)	Suzhou (Taicang)	127,073	83,120	82,604	318	
50	Country Garden — Ten Miles Riverside (碧桂園·十里江灣)	Yangjiang (Binhai New Area)	365,806	155,963	153,686	2,277	
51	Country Garden Taidong Tianyue Bay (碧桂園太東天樾灣)	Huizhou (Dayawan)	903,483	97,041	86,240	799	
52	Country Garden — Jade Mansion (碧桂園·翡翠華府)	Zhenjiang (Jurong)	450,032	268,711	263,142	707	
53	Qishi Country Garden Fenghua Dongfang (企石碧桂園風華東方)	Dongguan (Qishi)	136,539	136,539	107,764	10,797	
54	Country Garden — Xixi Yayuan (碧桂園·西溪雅苑)	Wuxi (Huishan)	246,727	246,727	246,418	115	
55	Country Garden — Linchuan Mansion (碧桂園·臨川府)	Fuzhou (Linchuan)	178,965				
56	Country Garden Huarong — Century City (碧桂園華榕·世紀城)	Fuzhou (Fuqing)	137,966				
57	Country Garden — Phoenix Bay (碧桂園·鳳凰灣)	Xinxiang (Pingyuan)	674,671	344,218	325,106	557	
58	Country Garden — Hyde Park (碧桂園·海德公園)	Chengdu (Shuangliu)	128,222				
59	Country Garden — Ten Miles Golden Beach (碧桂園·十里金灘)	Yantai (Haiyang)	1,948,123	646,740	626,196	279	
60	Wenzhou Oujiangkou International New City (溫州甌江口國際新城)	Wenzhou (Oujiangkou)	178,929				
61	Chongming Island Country Garden (崇明島碧桂園)	Nantong (Qidong)	265,621				
62	Poly Country Garden Tianhui (保利碧桂園天匯)	Foshan (Chancheng)	68,899	45,417	14,565	26,569	
63	Country Garden Phoenix Tiansong (碧桂園鳳凰城天頌)	Xi'an (Weiyang)	117,229				

Completion date	Properties under development ⁽⁴⁾				Properties for future development ⁽⁴⁾		
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date
	sq.m.	sq.m.			sq. m.		
	119,442	69,272	22/Jun/18	2nd Quarter, 2020	166,467	2nd Quarter, 2019	4th Quarter, 2021
15/Oct/18	709,108	480,250	7/Nov/14	4th Quarter, 2020			
13/Nov/18	374,103	305,578	9/Dec/16	4th Quarter, 2020	558,681	2nd Quarter, 2019	4th Quarter, 2022
26/Dec/18	215,483	213,722	21/Jul/17	4th Quarter, 2019			
9/Aug/18	43,953	43,758	14/Dec/16	2nd Quarter, 2019			
22/Nov/18	209,843	205,729	12/Jun/17	1st Quarter, 2020			
25/Dec/18	151,912	67,032	21/Jul/17	4th Quarter, 2020	654,530	3rd Quarter, 2019	4th Quarter, 2023
29/Oct/18	124,194	66,217	22/Jul/16	4th Quarter, 2020	57,127	3rd Quarter, 2019	4th Quarter, 2021
6/Nov/18							
11/Sep/18							
	178,965	104,576	24/Nov/17	4th Quarter, 2020			
	116,127	86,499	29/Jan/15	2nd Quarter, 2020	21,839	4th Quarter, 2019	4th Quarter, 2021
28/Dec/18	330,453	279,021	24/Mar/17	4th Quarter, 2019			
	105,715	104,195	26/Jan/18	1st Quarter, 2020	22,507	2nd Quarter, 2019	2nd Quarter, 2020
29/Oct/18	285,585	161,459	29/Sep/13	4th Quarter, 2020	1,015,798	4th Quarter, 2019	4th Quarter, 2023
	148,718	110,956	23/Dec/17	4th Quarter, 2020	30,211	4th Quarter, 2019	2nd Quarter, 2021
	264,145	260,947	14/Apr/17	2nd Quarter, 2020	1,476	2nd Quarter, 2019	2nd Quarter, 2020
19/Dec/18	23,482	18,827	18/Mar/17	2nd Quarter, 2019			
	117,229	116,260	22/Dec/17	4th Quarter, 2019			

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Serial number	Project	City (District)	Aggregate saleable GFA for entire project	Completed property developments ⁽²⁾			
				Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	
				sq.m.	sq.m.	sq.m.	sq.m.
64	Country Garden — The Cullinan (碧桂園·天璽)	Dongying (Dongying)	129,115				
65	Wuchuan Country garden (吳川碧桂園)	Zhanjiang (Wuchuan)	203,962				
66	Country Garden — Cullinan Bay (碧桂園·天璽灣)	Quanzhou (Fengze)	71,056				
67	Country Garden — Changnan Mansion (碧桂園·昌南府)	Jingdezhen (Zhushan)	249,436				
68	Country Garden — Longyu Garden (碧桂園·瓏譽花園)	Huizhou (Huicheng)	192,720				
69	Country Garden — City Glory (碧桂園·城市之光)	Lu'an (Jin'an)	291,846				
70	ShuYang Zhongliang Guobin Mansion (沭陽中梁·國賓府)	Suqian (Shuyang)	64,696				
71	Beihai Country Garden (北海碧桂園)	Beihai (Yinhai)	262,595	141,197	139,003	333	
72	Country Garden — Biyu Mansion (碧桂園·碧玥府)	Ningbo (Yinzhou)	112,913				
73	Country Garden — Fengcheng Mansion (碧桂園·鳳城府)	Taizhou (Hailing)	150,891	52,734	52,483		
74	Country Garden — Future City (碧桂園·未來城)	Wenzhou (Jingkai)	375,966				
75	Country Garden — The Cullinan (碧桂園·天璽)	Huzhou (Nanxun)	125,589				
76	Country Garden — Jiangzhou Mansion (碧桂園·江州府)	Jiujiang (Balihu)	149,045				
77	Country Garden — Times City (碧桂園·時代城)	Shanwei (Chengqu)	184,176				
78	Country Garden — Huafo Phoenix City (碧桂園·華附鳳凰城)	Shanwei (Haifeng)	358,597	7,291	7,291		
79	Country Garden — Xiliu Lake (碧桂園·西流湖)	Zhengzhou (Gaoxin)	355,215				
80	Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhenjiang)	3,561,639	2,375,227	2,357,707	4,147	
81	Country Garden — Ten Miles Beach (including Diamond Sea & Weigang Bay) (碧桂園·十里銀灘(含鑽石海、維港灣))	Huizhou (Huidong)	4,648,742	3,577,829	3,573,418		
82	Country Garden — Binhu Bay (碧桂園·濱湖灣)	Zhenjiang (Runzhou)	128,433	48,771	37,758	1,321	
83	Country Garden — Zunyi One (碧桂園·遵義1號)	Zunyi (South New Area)	399,502	193,634	193,634		
84	Anqing Country Garden Era Of Light (安慶碧桂園時代之光)	Anqing (Yingjiang)	121,777				

Completion date	Properties under development ⁽⁶⁾				Properties for future development ⁽⁶⁾		
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date
	sq.m.	sq.m.			sq. m.		
	126,320	125,058	8/Dec/17	3rd Quarter, 2019	2,795	2nd Quarter, 2019	4th Quarter, 2019
	203,962	164,604	7/Dec/17	4th Quarter, 2019			
	71,056	70,757	27/Sep/16	3rd Quarter, 2019			
	249,436	114,820	26/Mar/18	4th Quarter, 2020			
	192,720	185,982	26/Jan/18	4th Quarter, 2019			
	291,846	267,528	1/Aug/17	4th Quarter, 2019			
	64,696	64,308	22/Dec/17	3rd Quarter, 2019			
24/Dec/18	121,398	121,215	8/Sep/17	3rd Quarter, 2019			
	112,913	112,913	15/Sep/17	4th Quarter, 2019			
24/Dec/18	98,157	72,597	8/Jan/17	2nd Quarter, 2020			
	268,177	80,967	10/Jul/18	4th Quarter, 2020	107,789	3rd Quarter, 2019	4th Quarter, 2021
	125,589	91,447	21/Dec/17	4th Quarter, 2019			
	149,045	138,806	29/Sep/17	1st Quarter, 2020			
	184,176	184,176	26/Jan/17	4th Quarter, 2019			
19/Jun/18	215,372	124,626	22/Sep/17	4th Quarter, 2020	135,934	3rd Quarter, 2019	4th Quarter, 2021
	198,750	72,625	12/Dec/17	4th Quarter, 2020	156,465	3rd Quarter, 2019	4th Quarter, 2022
29/Dec/18	441,404	325,806	27/Oct/17	4th Quarter, 2020	745,008	3rd Quarter, 2019	4th Quarter, 2023
21/May/18	831,291	83,513	24/May/18	2nd Quarter, 2021	239,622	3rd Quarter, 2019	2nd Quarter, 2022
13/Jun/18	79,662	74,566	24/Nov/17	3rd Quarter, 2019			
20/Dec/18	205,868	203,347	14/Oct/17	1st Quarter, 2020			
	121,777	108,299	12/Feb/18	2nd Quarter, 2020			

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Serial number	Project	City (District)	Aggregate saleable GFA for entire project	Completed property developments ⁽²⁾			
				Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	
				sq.m.	sq.m.	sq.m.	sq.m.
85	Country Garden – Jade Riverside (including Boyue Riverside) (碧桂園·翡翠濱江 (含铂悦濱江))	Taizhou (Jingjiang)	237,595	72,901	71,159		
86	Country Garden – Zishan Mansion (碧桂園·梓山府)	Yiyang (Gaixin Area)	460,622	40,356	39,424	878	
87	Country Garden Aoneng – Rome Century City (碧桂園奧能·羅馬世紀城)	Chuzhou (Quanjiao)	731,091				
88	Country Garden – Xijiang Mansion – Phase One and Two (碧桂園·西江御府一至二期)	Jiangmen (Pengjiang)	219,033	114,750	114,456	138	
89	Country Garden – Phoenix City (碧桂園·鳳凰城)	Meizhou (Wuhua)	1,038,482				
90	Country Garden – Baiyue Shijia (碧桂園·柏悦世家)	Changzhou (Liyang)	234,219				
91	Country Garden – Jiangshan Yin (碧桂園·江山印)	Quzhou (Jiangshan)	105,326				
92	Country Garden – Jade County (碧桂園·翡翠郡)	Zhaoqing (Sihui)	661,734				
93	Country Garden River and City (碧桂園江與城)	Qingyuan (Qingcheng)	281,207				
94	Huainan Country Garden (淮南碧桂園)	Huainan (Shannan New Area)	271,650				
95	Country Garden Yongzhou Mansion (碧桂園永州府)	Yongzhou (Lingling)	218,491				
96	Suzhou Country Garden (宿州碧桂園)	Suzhou (Yongqiao)	221,095				
97	Guigang Country Garden (貴港碧桂園)	Guigang (Gangbei)	328,631	147,128	145,790	1,338	
98	Country Garden – Hill Lake City (碧桂園·山湖城)	Changsha (Ningxiang)	681,998	488,659	480,949	481	
99	Country Garden – North City Image (碧桂園·北城映象)	Kunming (Panlong)	497,361				
100	Country Garden Park Lane (碧桂園公園里)	Shenyang (Dongling)	618,334	386,837	386,837		
Total			56,926,650	21,309,941	20,535,925	473,281	

Note:

- (1) All the GFAs displayed in this section are attributable to the owners of the Company.
- (2) Based on the measurement reports from relevant government departments.
- (3) Based on the actual measurements by the project management department of the Group.
- (4) "GFA for future development" for each project is the GFA expected to be built.

Completion date	Properties under development ⁽⁴⁾				Properties for future development ⁽⁴⁾		
	Total saleable GFA under development	Total saleable GFA pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	GFA for future development	Estimated pre-sale commencement date	Estimated completion date
	sq.m.	sq.m.			sq. m.		
24/May/18	164,694	162,911	12/Jun/17	4th Quarter, 2019			
30/Sep/18	185,613	141,072	30/Nov/17	4th Quarter, 2020	234,653	2nd Quarter, 2019	2nd Quarter, 2022
	289,984	208,460	27/Jun/17	4th Quarter, 2020	441,107	3rd Quarter, 2019	4th Quarter, 2023
29/Sep/18	101,249	91,251	17/May/17	4th Quarter, 2019	3,034	1st Quarter, 2019	4th Quarter, 2019
	334,928	205,208	22/May/18	4th Quarter, 2020	703,554	3rd Quarter, 2019	4th Quarter, 2022
	168,313	72,149	23/Mar/18	2nd Quarter, 2020	65,906	3rd Quarter, 2019	2nd Quarter, 2021
	105,326	90,675	15/Dec/17	3rd Quarter, 2019			
	304,684	118,647	30/Oct/17	2nd Quarter, 2021	357,050	4th Quarter, 2019	4th Quarter, 2023
	225,027	152,874	4/Aug/17	3rd Quarter, 2020	56,180	3rd Quarter, 2019	2nd Quarter, 2021
	167,803	118,663	13/Jul/18	2nd Quarter, 2020	103,847	3rd Quarter, 2019	3rd Quarter, 2021
	200,600	139,899	24/Apr/18	4th Quarter, 2020	17,891	3rd Quarter, 2019	2nd Quarter, 2021
	221,095	174,846	28/Sep/17	4th Quarter, 2019			
23/Aug/18	181,503	181,123	25/Aug/17	4th Quarter, 2019			
5/Jul/18	174,229	153,330	23/Dec/17	1st Quarter, 2020	19,110	2nd Quarter, 2019	4th Quarter, 2020
	184,103	80,023	17/Aug/18	4th Quarter, 2020	313,258	4th Quarter, 2019	4th Quarter, 2022
10/Sep/18	228,977	182,828	26/May/17	3rd Quarter, 2020	2,520	2nd Quarter, 2019	4th Quarter, 2020
	22,706,628	15,984,164			12,910,081		

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Landbank GFA breakdown by location in Mainland China⁽¹⁾

Location	Aggregate saleable GFA for entire project sq.m.	Completed property developments ⁽²⁾			Properties under development ⁽³⁾		GFA for future development ⁽⁴⁾ sq.m.
		Total completed saleable GFA sq.m.	Total saleable GFA sold and delivered sq.m.	Total saleable GFA pre-sold pending delivery sq.m.	Total saleable GFA under development sq.m.	Total saleable GFA pre-sold sq.m.	
Guangdong	115,273,201	59,872,332	58,457,739	916,821	26,989,573	12,098,220	28,411,296
Jiangsu	38,162,160	15,644,501	15,156,912	160,807	13,528,670	6,835,849	8,988,989
Anhui	28,746,237	14,241,532	13,915,711	44,993	10,120,550	5,581,783	4,384,155
Hunan	24,554,941	6,982,133	6,732,305	115,573	9,098,283	4,392,980	8,474,525
Hubei	18,657,378	7,983,663	7,798,094	142,081	6,492,612	2,958,619	4,181,103
Henan	16,117,280	1,799,116	1,598,851	95,542	8,668,277	3,359,659	5,649,887
Shandong	15,223,724	2,498,548	2,468,260	1,721	5,719,710	2,619,728	7,005,466
Guangxi	14,966,121	3,272,556	3,066,837	102,114	6,313,945	3,352,845	5,379,620
Zhejiang	12,941,636	2,861,999	2,675,755	144,340	7,664,476	3,627,876	2,415,161
Guizhou	11,750,703	2,676,753	2,579,544	61,477	4,773,102	2,996,635	4,300,848
Liaoning	9,483,354	6,396,214	6,286,708	53,462	1,665,708	1,251,974	1,421,432
Fujian	8,099,485	2,873,749	2,742,218	121,009	3,641,061	1,834,775	1,584,675
Hebei	8,079,675	1,640,938	1,584,302	18,568	3,515,765	1,813,391	2,922,972
Sichuan	7,839,845	2,150,921	2,091,726	14,600	3,269,670	1,522,269	2,419,254
Shaanxi	7,618,504	687,593	673,882	2,883	2,985,005	1,259,497	3,945,906
Hainan	7,178,419	1,950,177	1,886,656	3,772	2,292,680	889,470	2,935,562
Jiangxi	5,897,276	1,314,593	1,302,328	10,777	3,209,587	1,696,267	1,373,096
Chongqing	5,537,996	1,722,766	1,632,117	10,145	1,618,409	806,097	2,196,821
Yunnan	4,713,452	501,365	497,727	627	1,506,370	517,514	2,705,717
Inner Mongolia	4,361,255	1,565,828	1,547,689	15,296	498,920	281,942	2,296,507
Gansu	3,985,095	2,168,174	2,104,075	12,119	1,108,886	881,841	708,035
Tianjin	2,950,886	1,272,750	1,196,746	21,232	625,903	234,336	1,052,233
Shanxi	2,284,306	143,985	124,686	13,158	915,686	375,645	1,224,635
Qinghai	995,108				620,141	453,438	374,967
Beijing	888,259				240,957	24,720	647,302
Ningxia	866,682				594,425	242,988	272,257
Xinjiang	744,711				492,930	161,396	251,781
Shanghai	709,867	136,057	123,673	2,710	344,663	87,317	229,147
Heilongjiang	442,230	442,230	355,108	71,181			
Jilin	292,782	171,245	170,985		86,085	60,900	35,452
Tibet	43,964				35,887	31,460	8,077
Total	379,406,532	142,971,718	138,770,632	2,157,007	128,637,936	62,251,431	107,796,878

Note:

- (1) All the GFAs displayed in this section are attributable to the owners of the Company.
- (2) Based on the measurement reports from relevant government departments.
- (3) Based on the actual measurements by the project management department of the Group.
- (4) "GFA for future development" for each project is the GFA expected to be built.

FINANCIAL SUMMARY

Consolidated Results

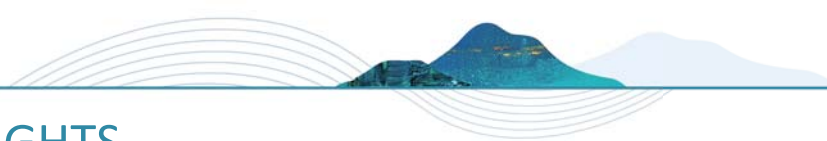
	2014	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million	RMB million
Revenue	84,549	113,223	153,087	226,900	379,079
Profit before income tax	16,369	14,833	21,391	46,522	79,563
Income tax expense	(5,757)	(5,121)	(7,728)	(17,770)	(31,021)
Profit for the year	10,612	9,712	13,663	28,752	48,542
Profit attributable to:					
Owners of the Company	10,229	9,277	11,517	26,064	34,618
Non-controlling interests	383	435	2,146	2,688	13,924
	10,612	9,712	13,663	28,752	48,542
Earnings per share:					
Basic (RMB Yuan)	0.53	0.43	0.52	1.23	1.61

Consolidated Financial Position

	2014	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million	RMB million
Non-current assets	75,415	89,940	106,736	181,754	229,944
Current assets	192,617	272,016	484,836	867,915	1,399,750
Current liabilities	156,623	201,595	405,314	769,537	1,219,406
Net current assets	35,994	70,421	79,522	98,378	180,344
Total assets less current liabilities	111,409	160,361	186,258	280,132	410,288
Non-current liabilities	48,967	71,021	104,643	163,520	236,880
Equity attributable to owners of the Company	56,686	65,290	70,128	93,671	121,330
Non-controlling interests	5,756	24,050	11,487	22,941	52,078
Total equity	62,442	89,340	81,615	116,612	173,408
Equity attributable to owners of the Company – NBV per share (RMB Yuan)	2.79	2.89	3.25	4.40	5.61
Net debt¹	33,855	41,866	39,706	66,362	85,932
Net gearing ratio (%)	57.0	60.0	48.7	56.9	49.6

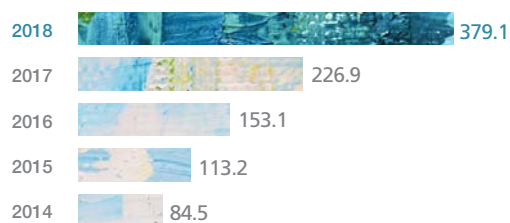
Note:

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

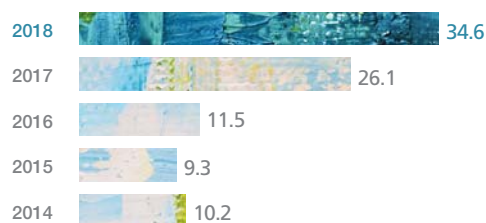


FINANCIAL HIGHLIGHTS

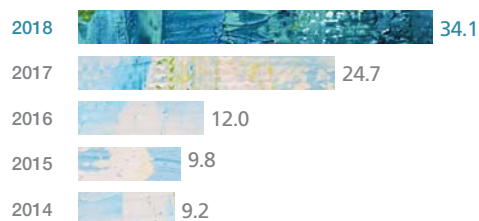
Revenue (RMB billion)



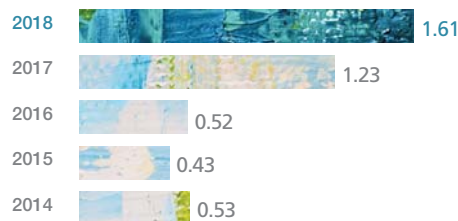
Profit attributable to owners of the Company (RMB billion)



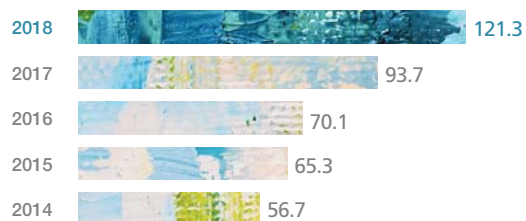
Core net profit attributable to owners of the Company (RMB billion)



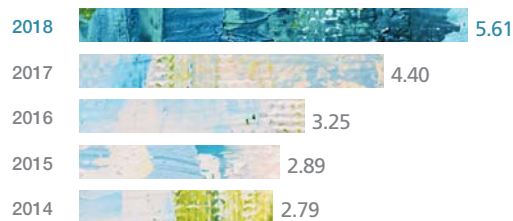
Basic earnings per share (RMB Yuan)



Equity attributable to owners of the Company (RMB billion)



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



MANAGEMENT DISCUSSION AND ANALYSIS



— Tongquetai, Dongguan

FINANCIAL REVIEW

Revenue

In prior years, the Group's revenue was derived from five business segments as follows: Property development, Construction, Property investment, Property management and Hotel operation. Following the spin-off of property management completed on 19 June 2018, the executive directors of the Company reassessed the performance and operations of the Group and concluded that the Group only has two reportable segments — Property development and Construction, and the other segments are individually and collectively

Group's revenue
increased by

67.1%

to approximately

RMB

379,079

million

MANAGEMENT DISCUSSION AND ANALYSIS

insignificant for segment reporting purposes. Details of the spin-off of property management are disclosed in note 37 in “Notes to the Consolidated Financial Statements” in this report. Revenue increased by 67.1% to approximately RMB379,079 million in 2018 from approximately RMB226,900 million in 2017. 97.4% of the Group’s revenue was generated from the sales of properties (2017: 97.0%) and 2.6% from other segments (2017: 3.0%).

Property Development

Revenue generated from property development maintained a growth as a result of the continuous growth of property contracted sales and the timely delivery of property units benefit from the efficient project construction management system in 2018. Revenue generated from property development increased by 67.8% to approximately RMB369,405 million in 2018 from approximately RMB220,157 million in 2017. The recognised average selling price of property delivered was RMB8,550 per sq.m. in 2018, increasing from RMB7,863 per sq.m. in 2017.

Revenue generated from property development increased by

67.8%

to approximately

RMB
369,405
million



— Country Garden — Yuejiangshan, Yichang

Construction

Construction revenue from external parties increased by 128.4% to approximately RMB5,265 million in 2018 from approximately RMB2,305 million in 2017, primarily due to the increase in the construction volume and the number of construction projects.

Others

Others segment mainly includes property investment, property management before the spin-off, hotel operation and others. Revenue from external parties of other segment is approximately RMB4,409 million, which remains stable as compared with approximately RMB4,438 million in 2017.

Finance Income – Net

The Group recorded net finance income of approximately RMB1,348 million in 2018 (2017: approximately RMB3,276 million).

The Group recorded post-hedging net foreign exchange losses of approximately RMB977 million in 2018 (2017: post-hedging net foreign exchange gains of approximately RMB1,803 million), interest income of approximately RMB2,445 million in 2018 (2017: approximately RMB1,620 million), interest expense of approximately RMB19,129 million in 2018 (2017: approximately RMB11,040 million) of which 100% were capitalised on qualifying assets (2017: 100%), and net losses on early redemption of senior notes and convertible bonds of approximately RMB120 million in 2018 (2017: approximately RMB147 million).

Construction revenue from external parties increased by

128.4%

to approximately

RMB
5,265
million

MANAGEMENT DISCUSSION AND ANALYSIS

Profit and Core Net Profit Attributable to Owners of the Company

Due to the increase in the recognised revenue from the sales of properties of the Group during the relevant period, the increase in the average selling price and the gross profit margin of such properties, the profit attributable to owners of the Company increased by approximately 32.8% to approximately RMB34,618 million in 2018, when compared with approximately RMB26,064 million in 2017.

After deduction of the post-tax gains arising from changes in fair value of and transfer to investment properties, net exchange gains/losses on financing activities, net losses on early redemption of senior notes and convertible bonds and changes in fair value of derivative financial instruments, the core net profit attributable to owners of the Company in 2018 was approximately RMB34,125 million, representing an increase of approximately 38.2% when compared with approximately RMB24,686 million in 2017.

Liquidity, Financial and Capital Resources

As at 31 December 2018, the Group's available cash (equals to the sum of cash and cash equivalents and restricted cash) amounted to approximately RMB242,543 million (31 December 2017: approximately RMB148,402 million). As at 31 December 2018, 95.7% (31 December 2017: 93.6%) of the Group's cash and bank deposits was denominated in Renminbi and 4.3% (31 December 2017: 6.4%) was denominated in other currencies (mainly US dollars, HK dollars and Malaysian Ringgit).

Profit attributable to Owners of the Company increased by

32.8%

to approximately

RMB
34,618
million

Core net profit attributable to Owners of the Company increased by

38.2%

to approximately

RMB
34,125
million

Group's available cash amounted to approximately

RMB
242,543
million

As at 31 December 2018, the carrying amount of the restricted cash was approximately RMB14,200 million (31 December 2017: approximately RMB11,318 million). Pursuant to relevant regulations, certain of the project companies were required to deposit a portion of proceeds from pre-sales of properties into designated bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts could only be used for the restricted purposes of purchasing construction materials and equipment, making interim construction payments and paying tax, with the prior approval of the relevant local authorities.

As at 31 December 2018, the net current assets of the Group were approximately RMB180,344 million (31 December 2017: approximately RMB98,378 million). The current ratio being current assets over current liabilities was approximately 1.1 as at 31 December 2018, which remains stable as compared with 31 December 2017.

As at 31 December 2018, the Group's bank and other borrowings, senior notes, corporate bonds and convertible bonds amounted to approximately RMB231,683 million, RMB41,716 million, RMB41,908 million and RMB13,168 million respectively (31 December 2017: approximately RMB135,517 million, RMB31,913 million, RMB47,334 million and nil respectively).

For bank and other borrowings, approximately RMB91,844 million, RMB133,063 million and RMB6,776 million will be repayable within 1 year, between 1 and 5 years and beyond 5 years respectively (31 December 2017: approximately RMB47,672 million, RMB87,093 million and RMB752 million respectively). As at 31 December 2018 and 31 December 2017, the majority of the bank and other borrowings were secured by certain land use rights, properties, equipment and equity interests in certain group companies and/or guaranteed by the Group.

Net gearing ratio is measured by the net debt (representing bank and other borrowings, senior notes, corporate bonds and convertible bonds, net of available cash, which equals to the sum of cash and cash equivalents and restricted cash) over total equity. Net gearing ratio decreased from approximately 56.9% as at 31 December 2017 to approximately 49.6% as at 31 December 2018.

Net gearing ratio
decreased to
approximately

49.6%

MANAGEMENT DISCUSSION AND ANALYSIS

Placing and Issuance of Convertible Bonds

Please refer to the related content in note 26 and note 28 to the “Notes to the Consolidated Financial Statements” and “Placing and Subscription” and “Issues of Convertible Bonds and Purchased Call Options and Written Call Options” in “Report of Directors” of this report.

Key Risk Factors and Uncertainties

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

Risks Pertaining to the Property Market and Operation

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

Interest Rate Risk

The Group's bank and other borrowings mainly bear floating rates. As at 31 December 2018, the weighted average borrowing cost of the Group's total debt was 6.11%, which was increased by 89 basic points from that as at 31 December 2017. The Group has implemented certain interest rate management which includes, among the others, close monitoring of interest

rate movements and refinancing on existing banking facilities or entering into new banking facilities when good pricing opportunities arise.

Foreign Exchange Risk

The Group's business is mainly denominated in Renminbi. Foreign exchange risk mainly arises from the outstanding foreign currency borrowings (mainly denominated in US dollars and HK dollars). Since 2015, the Group has adopted foreign currency hedging instruments to achieve better management over foreign exchange risks. The objective of the hedges is to minimise the volatility of the RMB cost of highly probable forecasted repayments of debts. The Group's risk management policy is to partially hedge forecasted foreign currency cash flows, subject to availability of appropriate hedging instruments and cost of hedging. The Group uses a combination of foreign exchange forward contracts, foreign currency option contracts and foreign exchange structured derivatives to hedge its exposure to foreign exchange risks.

Guarantees

As at 31 December 2018, the Group had guarantees in respect of mortgage facilities for certain buyers amounting to approximately RMB319,239 million (31 December 2017: approximately RMB214,909 million).

Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks, and the Group is entitled to take over the legal title and possession of the related properties. The guarantees were to be discharged upon the earlier of (i) issue of the real estate ownership certificate which are generally available within three months after the buyers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans by the property buyers.

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

In addition, as at 31 December 2018, the Group had provided guarantees amounting to approximately RMB58,090 million (31 December 2017: approximately RMB33,500 million) for certain borrowings of the joint ventures, associates and certain third parties of the Group.

Employees and Remuneration Policy

Human resource has always been the most valuable resource of the Group. As at 31 December 2018, the Group had approximately 131,387 full-time employees¹ (31 December 2017: 124,837).

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

In order to adapt itself to the fast growing and ever changing market, the Group came up with the partnership scheme, aligning the interests of employees with that of the Group. Not only could this profit and loss sharing program help lower operational cost and increase profit and returns, but also make employees better understand the Company's culture of "home experience", and allow them to further develop together with the Group.

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

Forward Looking

In the year of 2019, it is expected that the government will continue to implement differentiating regulatory policies and speed up the establishment of a long-term mechanism for real estate market to promote its steady and healthy development. At the same time, the competition and the consolidation within the sector will be more intensive and the market will be further differentiated. On the other hand, urbanization in China is far from over. The county and township dwellers' ongoing desire to improve their housing conditions makes a huge potential for property development in the country. To embrace the challenges and opportunities brought by the change of the market, the Group will continue to adopt prudent financial policies and risk control measures, enhance the quality of the buildings and ensure safety, strengthen its contracted sales and cash collection and apply strict cost control to strengthen operating cash flows and ensure investment return. Meanwhile, the Group will continue to apply a more conservative and practical strategy on new land acquisition to ensure the marketability of future projects and optimize geographic diversification. The objective is to develop all investment portfolios catering for different stages of China's urbanization and capture all kinds of market demand, such as further developing the rental housing market. Besides, on the basis of steady operation, the Group will make flexible adjustments according to the market situation, focus on the continuous increase of profitability and achieve high quality and all-rounded development. Looking forward, the Company will actively explore the value of businesses and assets within the value chain of real estate, continue to focus on the residential and related demands brought by urbanization, and establish an integration platform covering the entire life span for our buyers.

¹ Due to the spin-off and listing of CG Services on 19 June 2018, the number of employees as at 31 December 2018 of the Group does not include the employees of CG Services.

GOVERNANCE





BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



YEUNG Kwok Keung
楊國強

Executive Directors

YEUNG Kwok Keung (楊國強), aged 64, was appointed as the Chairman and an executive Director in December 2006. Mr. YEUNG is also the chairman of the Nomination Committee, the Corporate Governance Committee and the Executive Committee, a member of the Remuneration Committee and a director of various members of the Group. Mr. YEUNG is responsible for the formulation of development strategies, investment planning and overall project planning as well as ensuring the Board functions properly with good corporate governance practice. From 1992 to 1997, Mr. YEUNG was the general manager of Shunde Sanhe Co., the real estate business in which Mr. YEUNG was engaged in before he founded the Group. From 1986 to 1997, Mr. YEUNG served as the general manager and the chairman of Beijiao Construction Co. and also served as the general manager of the Group from 1997 to 2003. He has been the Chairman since the Company was listed in 2007. Mr. YEUNG has over 41 years of experience in construction and over 27 years of experience in property development. Mr. YEUNG was awarded “China Charity Outstanding Contributions Person” and “Top Ten Contributions Persons to China Real Estate” in 2009, “China Real Estate Entrepreneur Charity Award” and “Person of China Real Estate” in 2010, “Individual under Non-collectively Own Category for Helping Poverty in Guangdong” in 2011, “2012 China Corporate Social Responsibility Award for Outstanding Entrepreneur” in 2012, “National Outstanding Individual for Poverty Relief” Honorable Mention in 2014, “2015 China Poverty Eradication Award” in 2015, as well as “China Charity Award-The Most Caring Contributing Individual” and “National Contribution Award for Poverty Relief” in 2016. Mr. YEUNG is a member of the 12th and 13th National Committee of the Chinese People’s Political Consultative Conference, the Honorary President of Guangdong Foundation for Poverty Alleviation and the Honorable Director of Tsinghua University. Mr. YEUNG is the father of Ms. YANG Huiyan, the Co-Chairman, an executive Director and a controlling Shareholder; the father of Ms. YANG Ziying, an executive Director; the uncle of Mr. YANG Zhicheng, an executive Director; and the father-in-law of Mr. CHEN Chong, a non-executive Director.

YANG Huiyan (楊惠妍), aged 37, was appointed as an executive Director in December 2006 and a Vice Chairman in March 2012 and was re-designated from a Vice Chairman to a Co-Chairman in December 2018. Ms. YANG is also a member of the Corporate Governance Committee, the Executive Committee and the Finance Committee and a director of various members of the Group. Ms. YANG graduated from Ohio State University with a bachelor degree in marketing and logistics. Ms. YANG joined the Group in 2005 and served as the manager of the procurement department. Currently, she is primarily responsible for assisting Mr. YEUNG Kwok Keung, the Chairman, in the day-to-day work of the Group, and responsible for the Group's strategic investments and new business exploration based on the existing business, such as new retail business, contributing to the Company's sustainable development. Ms. YANG was appointed as a director and the chairperson of the board of Bright Scholar Education Holdings Limited, a company whose shares are listed on The New York Stock Exchange, in February and April 2017 respectively, and as the chairman and a non-executive director of CG Services, a company whose shares are listed on the Stock Exchange, in March 2018. Ms. YANG was awarded "China Charity Award Special Contribution Award" in 2008. Ms. YANG is the daughter of Mr. YEUNG Kwok Keung, the Chairman and an executive Director; the sister of Ms. YANG Ziying, an executive Director; a cousin of Mr. YANG Zhicheng, an executive Director; and the wife of Mr. CHEN Chong, a non-executive Director.



YANG Huiyan
楊惠妍

MO Bin (莫斌), aged 52, was appointed as the President and an executive Director in July 2010. Mr. MO is also a member of the Remuneration Committee, the Corporate Governance Committee, the Executive Committee and the Finance Committee and a director of several members of the Group. Mr. MO graduated from Hengyang Institute of Technology (currently known as University of South China) with a bachelor degree in industrial and civil architecture. He obtained his postgraduate degree from Zhongnan University of Economics and Law and is a professor-grade senior engineer. Mr. MO is primarily responsible for the management of daily operation and general administration of the Group. Prior to joining the Group, Mr. MO was employed by an internationally competitive construction and property group in Mainland China, China Construction, in a number of senior positions since 1989, most recently as a director and general manager of China Construction Fifth Division. Mr. MO was appointed as a non-executive director of E-House (China) Enterprise Holdings Limited, a company whose shares are listed on the Stock Exchange, in March 2018. Mr. MO has over 29 years of extensive experience in property development, construction business, construction management, marketing, cost control and corporate management.



MO Bin
莫斌

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



YANG Ziying
楊子莹

YANG Ziying (楊子莹), aged 31, was appointed as an executive Director in May 2011. Ms. YANG is also a member of the Executive Committee and the Finance Committee (appointment effective from 20 March 2018) and a director of various members of the Group. Ms. YANG graduated from Ohio State University with a bachelor degree in psychology. Ms. YANG joined the Group in 2008 as an assistant to the Chairman. Currently, she is primarily responsible for overseeing the finance of the Group, including offshore and onshore financing. Prior to joining the Group, Ms. YANG worked in a renowned global investment bank. Ms. YANG is the daughter of Mr. YEUNG Kwok Keung, the Chairman and an executive Director; the sister of Ms. YANG Huiyan, the Co-Chairman, an executive Director and a controlling Shareholder; a cousin of Mr. YANG Zhicheng, an executive Director; and a sister-in-law of Mr. CHEN Chong, a non-executive Director.



YANG Zhicheng
楊志成

YANG Zhicheng (楊志成), aged 45, was appointed as an executive Director in December 2006, a regional president of the Group, a member of the Executive Committee and the Finance Committee. Mr. YANG is primarily responsible for the overall development and management of certain property development projects of the Group. Prior to joining the Group in 1997, Mr. YANG served as a project manager of Shunde Sanhe Co. and the general manager of Foshan Shunde Jun'an Country Garden Property Development Co., Ltd. After joining the Group, he served as the project general manager and was appointed as a vice President in November 2017. Mr. YANG was appointed as a non-executive director of CG Services, a company whose shares are listed on the Stock Exchange, in March 2018. Mr. YANG has approximately 25 years of experience in project development. Mr. YANG is a nephew of Mr. YEUNG Kwok Keung, the Chairman and an executive Director; a cousin of Ms. YANG Huiyan, the Co-Chairman, an executive Director and a controlling Shareholder; a cousin of Ms. YANG Ziying, an executive Director; and a cousin-in-law of Mr. CHEN Chong, a non-executive Director.

SONG Jun (宋軍), aged 51, was appointed as an executive Director in May 2013. Mr. SONG graduated from Chongqing College of Construction and Architecture (currently known as Chongqing University) with a bachelor degree in engineering and is a qualified PRC architect. Prior to joining the Group in 1994, Mr. SONG worked in Hunan Province Jishou City Construction Institute and Elite Architectural and was responsible for architectural design work. Since 1997, he served as a project manager and a general manager of Shunde Country Garden and Guangzhou Country Garden Company, and has been serving as vice President since 2005, and has been responsible for the management of property project development of the Group. Currently, Mr. SONG is responsible for the overall operation, management and sustainable development of property projects of the Group in certain regions. Mr. SONG has 22 years of experience in the management of property development.



SONG Jun
宋軍

LIANG Guokun (梁國坤), aged 60, was appointed as an executive Director in May 2013. Mr. LIANG is primarily responsible for landscape design and gardening system management and supervision. Prior to joining the Group in 1999, Mr. LIANG worked in Chung Shan Hot Spring Golf Club from 1985 to 1994. He also worked in Dongguan Yin Li Golf Club, Shenzhen Mission Hills Golf Club and Shenzhen Longgang Green Club (currently known as Citic Green Golf Club), in a number of senior positions, from 1994 to 1999. Mr. LIANG served as a vice President since 2011. Mr. LIANG has 34 years of experience in golf course design management and landscape design management.



LIANG Guokun
梁國坤

SU Baiyuan (蘇柏垣), aged 53, was appointed as an executive Director in December 2013. Mr. SU graduated from Guangzhou Normal Institute (currently known as Guangzhou University) with a degree in geography and obtained a postgraduate degree in human geography from Sun Yat-Sen University. Prior to joining the Group in 2005, Mr. SU had over 10 years of experience in land planning and development as well as operational management. Mr. SU was a vice President until February 2013, and was primarily responsible for investment development and the overall management of certain property development projects of the Group. Mr. SU was re-appointed as a vice President in November 2013. Currently, he is primarily responsible for overseas development and the management of certain overseas property development projects of the Group.



SU Baiyuan
蘇柏垣

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



CHEN Chong
陳翀

Non-executive Director

CHEN Chong (陳翀), aged 40, was appointed as a non-executive Director in December 2016. Mr. CHEN graduated from Tsinghua University with a bachelor of science in chemistry. He also obtained a master of science in biological sciences research from Royal Holloway and Bedford New College, University of London. In 2015, Mr. CHEN was appointed as the first president of the Overseas Study Youth Association of Guangdong Province. Mr. Chen is a member of the 12th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference and the President of Guoqiang Public Welfare Foundation of Guangdong Province. Mr. CHEN is the son-in-law of Mr. YEUNG Kwok Keung, the Chairman and an executive Director; the husband of Ms. YANG Huiyan, the Co-Chairman, an executive Director and the controlling Shareholder; a brother-in-law of Ms. YANG Ziying, an executive Director; and a cousin-in-law of Mr. YANG Zhicheng, an executive Director.



LAI Ming, Joseph
黎明

Independent Non-Executive Directors

LAI Ming, Joseph (黎明), aged 74, was appointed as an independent non-executive Director in December 2006 and is currently the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. LAI is a fellow member of the HKICPA, CPA Australia, CIMA and the Hong Kong Institute of Directors. Mr. LAI was one of the co-founders of the Hong Kong Branch of CIMA founded in 1973 and was its president in 1974/75 and 1979/80. He was the president of the HKICPA in 1986. Mr. LAI is an independent non-executive director of Jolimark Holdings Limited and retired as an independent non-executive director of Guangzhou R & F Properties Co., Ltd. on 19 May 2017, both of which are companies whose shares are listed on the Stock Exchange. Mr. LAI also holds directorships in several private companies engaging in property development in Canada. He is also an independent non-executive director of Nan Fung Group Holdings Limited.

SHEK Lai Him, Abraham (石禮謙) G.B.S., S.B.S., J.P., aged 73, was appointed as an independent non-executive Director in December 2006 and is currently a member of the Audit Committee and the Remuneration Committee. Mr. SHEK graduated from the University of Sydney and holds a bachelor of Arts degree and a diploma in Education. Mr. SHEK was appointed as a Justice of the Peace in 1995 and was awarded the Silver Bauhinia Star and the Gold Bauhinia Star by the Government of the HKSAR in 2007 and 2013 respectively. Mr. SHEK is a member of the HKSAR Legislative Council representing the Real Estate and Construction Functional Constituency, a member of the Court of Hong Kong University of Science and Technology, a member of Court and Council of University of Hong Kong and a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption. Mr. SHEK is an independent non-executive director of Lifestyle International Holdings Limited, NWS Holdings Limited, Hop Hing Group Holdings Limited, MTR Corporation Limited, SJM Holdings Limited, Paliburg Holdings Limited, Lai Fung Holdings Limited, Chuang's Consortium International Limited, China Resources Cement Holdings Limited and Cosmopolitan International Holdings Limited, the vice chairman and independent non-executive director of ITC Properties Group Limited, the chairman and independent non-executive director of Chuang's China Investments Limited, and independent non-executive director of Goldin Financial Holdings Limited, and independent non-executive director of Everbright Grand China Assets Limited with effect from 16 January 2018 and of CSI Properties Limited with effect from 20 July 2018, all of which are companies whose shares are listed on the Stock Exchange, and as a non-executive director of Helenbergh China Holdings Limited with effect from 21 September 2018, whose shares are under application of listing on the Stock Exchange, as well as a non-executive director of Mandatory Provident Fund Schemes Authority. Mr. SHEK is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both trusts are listed on the Stock Exchange. Mr. SHEK ceased to be an independent non-executive director of TUS International Limited (formerly known as Jinheng Automotive Safety Technology Holdings Limited) with effect from 6 January 2017, of ITC Corporation Limited with effect from 28 March 2017, and of Midas International Holdings Limited with effect from 26 January 2018, all of which are companies whose shares are listed on the Stock Exchange, and of Dorsett Hospitality International Limited with effect from 11 March 2016, whose shares had been withdrawn from listing on the Stock Exchange since 16 October 2015 and a non-executive director of The Hong Kong Mortgage Corporation Limited since 25 April 2016.



SHEK Lai Him, Abraham
石禮謙

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



TONG Wui Tung
唐滙棟

TONG Wui Tung (唐滙棟), aged 68, was appointed as an independent non-executive Director in December 2006. He is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. TONG has been practicing as a solicitor in Hong Kong for over 30 years and is a partner of the law firm, Messrs. Cheung, Tong & Rosa Solicitors. He is also a Notary Public and a China Appointed Attesting Officer, and is admitted as a solicitor in several other jurisdictions. Mr. TONG ceased to be a non-executive director of Yip's Chemical Holdings Limited with effect from 5 June 2018, a company whose shares are listed on the Stock Exchange.



HUANG Hongyan
黃洪燕

HUANG Hongyan (黃洪燕), aged 48, was appointed as an independent non-executive Director in December 2012. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. HUANG graduated from the Department of Finance, the School of Economics of Jinan University and holds a bachelor of International Finance degree, and is also qualified as a Chinese certified public accountant, a Chinese certified tax agent, a Chinese certified public valuer, a certified internal auditor and a corporate accountant. Currently, Mr. HUANG serves as a general manager of Foshan Yestar Consulting Co., Ltd.. Mr. HUANG is an independent non-executive director of C&S Paper Co., Ltd., and an independent director of Guangdong Transtek Medical Electronics Co., Ltd. since 5 June 2013, a company whose shares are listed on the Shenzhen Stock Exchange.



YEUNG Kwok On
楊國安

YEUNG Kwok On (楊國安), aged 57, was appointed as an independent non-executive Director on 1 April 2014. Mr. YEUNG obtained his doctoral degree in Strategic Human Resource Management at the University of Michigan in 1990 and a master degree in Management at the University of Hong Kong (Faculty of Social Sciences) in 1986. Mr. YEUNG is a senior management advisor of Tencent Group, president of Y-Triangle Organizational Learning Oasis, and adjunct management professor at China Europe International Business School. Mr. YEUNG served as the chief human resources officer of Acer Group from early 1999 to June 2002. He was also an independent non-executive director of Trina Solar Limited, a company whose shares had been withdrawn from listing on the New York Stock Exchange on 13 March 2017. Currently, Mr. YEUNG serves as an independent non-executive director of SITC International Holdings Company Limited, a company whose shares are listed on the Stock Exchange, and a director of Saurer Intelligent Technology Co., Ltd. since 21 May 2018, a company whose shares are listed on the Shanghai Stock Exchange.



Joint Company Secretaries

LEUNG Chong Shun (梁創順), aged 53, was appointed as the company secretary of the Company on 1 October 2016. Mr. LEUNG graduated from the University of Hong Kong in November 1988 where he was awarded a bachelor degree of Laws with honors. He is qualified as solicitor in both Hong Kong and England and has been a practicing lawyer in Hong Kong since 1991.

LUO Jie (羅杰), aged 39, was appointed as a joint company secretary of the Company in March 2019. Mr. LUO graduated from Sun Yat-sen University in June 2002 where he was awarded a bachelor of Laws degree. He graduated from The Chinese University of Hong Kong in 2008 where he was awarded a Juris Doctor degree, and obtained the Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong in 2009. He passed the National Judicial Examination of the PRC in 2005 and obtained the Legal Profession Qualification Certificate. He is qualified as a solicitor in Hong Kong since 2011. He joined the Company in May 2017 and was appointed as deputy company secretary in December 2017.

Senior Management

CHENG Guangyu (程光煜), aged 38, was appointed as an executive vice President in August 2018. Mr. CHENG graduated from Tsinghua University with a bachelor's and doctoral degree in civil engineering in 2002 and 2007 respectively, and from Guanghua School of Management of Peking University with an EMBA degree in 2015. Mr. CHENG joined the Group in 2007 and has been responsible for overall operation management and sustainable development of property projects in certain regions under his supervision from 2012 to 2014. Since 2014, Mr. CHENG has been responsible for the overall sales and marketing management of the Group. Since 2018, Mr. CHENG has been responsible for the overall brand management of the Group. Since January 2019, Mr. CHENG has been responsible of the overall investment planning of the Group. Currently, apart from the overall sales and marketing management, brand management and investment planning management of the Group, Mr. CHENG also oversees the investment property management and digital management of the Group. Mr. CHENG has over 11 years of experience in management of property development.

WU Bijun (伍碧君), aged 45, was appointed as a vice President and the Chief Financial Officer in April 2014 and April 2017 respectively. Ms. WU is also the chairman of the Finance Committee and the general manager of the finance centre of the Company. Ms. WU graduated from the Department of Public Finance and Taxation of Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law) with a bachelor's degree of economics majoring in public finance in 1995, and obtained an EMBA degree from China Europe International Business School in 2015. She is qualified as a Chinese certified public accountant and a Chinese certified tax agent. Ms. WU is responsible for finance and capital management of the Group. Prior to joining the Group in 2005, Ms. WU worked at Hubei Branch of China Construction Bank and was responsible for accounting and auditing management. From 1999 to 2002, Ms. WU was the chief auditor of Guangdong Foshan Zhixin Certified Public Accountants Co., Ltd. and was responsible for reviewing the auditor's reports. From 2002 to 2005, Ms. WU worked at Shunde Finance Bureau and was responsible for the financial management of foreign investment enterprises. Ms. WU was appointed as a non-executive director of CG Services, a company whose shares are listed on the Stock Exchange, in March 2018. Since joining the Group in 2005, Ms. WU has been mainly responsible for the financial management of the Group. Ms. WU has 14 years of experience in the management of real estate financial resources and approximately 24 years of experience in financial management.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

WANG Shaojun (王少軍), aged 53, is a vice President. Mr. WANG graduated from Harbin Institute of Architecture and Engineering (currently known as Civil Engineering School of Harbin Institute of Technology) with a bachelor's degree in industrial and civil architectures and a master's degree in structural engineering and is a qualified PRC senior civil engineer. Prior to joining the Group in 2013, Mr. WANG worked in Dalian Wanda Commercial Properties Co., Ltd. as the general manager of its Guangzhou company and was responsible for property development; and worked in Fantasia Holdings Group Co., Limited. as the executive vice president and was responsible for the management and operation of property development business. Mr. WANG has 26 years of experience in management of property development.

CHEN Bin (陳斌), aged 49, is a vice President. Mr. CHEN graduated from Dongnan University with a bachelor's degree in industrial and civil architecture engineering, an MBA (Kellogg-HKUST), and is a qualified PRC Senior Engineer. Prior to joining the Group in May 2015, Mr. CHEN worked in China Overseas Grand Oceans Group Ltd. as an executive director and the chief executive officer. Mr. CHEN is a member of The Society of Professional Engineers and The Chartered Association of Building Engineers. Mr. CHEN has 25 years of management experience in construction business and personnel administration.

PENG Zhibin (彭志斌), aged 45, is a vice President. Mr. PENG graduated from Hefei University of Technology with a bachelor's degree of civil engineering in 1996 and Wuhan University with a master's degree of business administration in 2003. In August 2014, Mr. PENG graduated from China Europe International Business School with EMBA. Mr. PENG is primarily responsible for the human resources management of the Group. Prior to joining the Group in 2010, Mr. PENG worked in China Railway Siyuan Survey and Design Group Co., Ltd., as an engineer and the head of professional design. Mr. PENG worked in ZTE Corporation as a cadre management manager of human resources management center and the head of human resources (middle east region), etc. from 2003 to 2006; worked in Watson Wyatt Worldwide as a consultant and a project manager from 2006 to 2008; and worked in COFCO Property (Group) Co., Ltd. as a group vice president of human resources and a director of human resources (southern region) from 2008 to 2010. Mr. PENG joined the Group in June 2010 as an assistant to the President and a director of human resources. Mr. PENG has 17 years of experience in the human resources management.

YANG Cuilong (楊翠瓏), aged 47, is a vice President. Ms. YANG graduated from South China University of Technology with a bachelor's degree of architecture and is a national first class registered architect in the PRC and a senior engineer. Prior to joining the Group in 2000, Ms. YANG worked in Elite Architectural as director of the architectural office from 1993 to 2000 and was responsible for architecture design. Since 2000, she served as the head of general office of the projects and an assistant to President, as well as the general manager for project tendering management department of the Group. She was appointed as the vice President and served as the general manager of the cost management centre of the Company since September 2014 and was responsible for the Group's construction cost, construction tendering and cost management. In January 2019, Ms. YANG was appointed as the general manager of the design management centre of the Group and is responsible for the design system management. Ms. YANG has 8 years of experience in architectural design and management and 17 years of experience in operation management and construction cost management for real estate.

YANG Lixing (楊麗興), aged 48, is a vice President. Ms. YANG graduated from South China University of Technology majoring in management. Ms. YANG joined the Group in 1992 and has been responsible for procurement management of the Group. Ms. YANG was appointed as the vice President in September 2014 as well as the general manager of the procurement center of the Company. Ms. YANG has 26 years of experience in the procurement management for real estate.

HUANG Yuzang (黃宇瑩), aged 43, is a vice President. Mr. HUANG graduated from Zhejiang University with a bachelor's degree in architecture and from Peking University with a master's degree in geography (city and urban planning). He is a first-class national registered architect. Prior to joining the Group, Mr. HUANG worked in Hong Kong Huayi Design Consultants (Shenzhen) Limited as the managing director and a design director. Mr. HUANG has 20 years of experience in architecture design with extensive practical experience in engineering and acquired dozens of awards both in Mainland China and overseas with his advanced design ideas. Mr. HUANG was recognised as "The First Top Ten Young Architect of Shenzhen", "The Ninth Chinese Architecture Academy Young Architect" and "New Real Estate Architect for the year of 2014". Mr. HUANG joined the Group in March 2015 and was responsible for the design system as the chief designer of the Group. Mr. HUANG was appointed as the general manager of the cost management center of the Group in January 2019 and is responsible for the Group's construction cost, construction tendering and cost management.

LIU Ning (劉寧), aged 51, is a vice President. Mr. LIU assumed Associate Chair of School of Civil Engineering as a professor and a doctoral advisor in Hohai University after his PhD degree in Hohai University and postdoctoral fellowship in Tsinghua University and Hong Kong University of Science and Technology. In 2002, he started his career in the government by serving as the deputy director of the Committee of Humen Port Development Zone, then served as several positions, namely the director of the Working Committee of Songshan Lake National High-tech Zone, head of the Dongguan Science and Technology Bureau and the deputy director of Cloud Computing Industry Technology Innovation and Incubation Center of Chinese Academy of Sciences. Mr. LIU joined the Company in April 2017 and is the vice President and the general manager of Industry & City Integration Center. He has 13 years of experience in serving in the government and 11 years of experience in academic field.



CORPORATE GOVERNANCE REPORT

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

Corporate Governance Practices

The Company has applied the principles and has complied with the code provisions of the Corporate Governance Code in the manner as described in the Corporate Governance Report throughout the year ended 31 December 2018.

Compliance with the Model Code

The Company has adopted the Model Code as the code of conduct for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the year ended 31 December 2018. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

Strategic Planning

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

Board of Directors

Composition

As at 31 December 2018, the Board consists of eight executive Directors, namely, Mr. YEUNG Kwok Keung (Chairman), Ms. YANG Huiyan (Co-Chairman), Mr. MO Bin (President), Ms. YANG Ziying, Mr. YANG Zhicheng, Mr. SONG Jun, Mr. LIANG Guokun and Mr. SU Baiyuan, one non-executive Director, namely, Mr. CHEN Chong and five independent non-executive Directors, namely, Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham, Mr. TONG Wui Tung, Mr. HUANG Hongyan and Mr. YEUNG Kwok On. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and of the Company respectively.

Mr. XIE Shutai and Mr. MEI Wenjue resigned as executive Director and independent non-executive Director respectively with effect from 2 March 2018. Ms. YANG Huiyan has been re-designated from a Vice Chairman to a Co-Chairman of the Company, with effect from 7 December 2018, and remains as an executive Director of the Company.

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

Independent Non-executive Directors

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

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

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

In addition to the regular Board meetings, the Chairman met with the independent non-executive Directors without the presence of the executive Directors during the year ended 31 December 2018.

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

Confirmation of Independence

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

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

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

As at 31 December 2018, an analysis of the Board composition based on the range of diversity perspectives is set out as follows:

Number of Directors	Gender	Designation	Age Group	Years of Service	Skills and Knowledge	
14	Female	Executive Director	≥ 60	≥ 5	Human resource management	
13					Legal	
12	Investment development management					
11	Green environment management					
10	Administration and business management					
9	Non-executive Director		50–59		Financial management	
8						
7			40–49			Development strategy and marketing management
6						
5						
4	Independent Non-executive Director	30–39	3–4	Property development, construction and building construction management		
3						
2						
1	Male			0–2		

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

Roles and Functions of the Board and the Management

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

Appointment, Continuation of Appointment and Re-election of Directors

All executive Directors have entered into service contracts with the Company, the non-executive Director and all independent non-executive Directors have entered into letters of appointment with the Company with a specific term of two years setting out key terms and conditions of their appointments. All Directors are subject to retirement in accordance with the Articles of Association.

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

CORPORATE GOVERNANCE REPORT

Board Meetings

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

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

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

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

During the year ended 31 December 2018, the Directors have made active contribution to the affairs of the Group and six Board meetings were held to consider, among other things, various transactions contemplated by the Group and to review and approve the interim results and annual results of the Group. According to article 100(1) of the Articles of Association, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his close associates is materially interested.

Attendance Record of Directors

The attendance record of Directors at the meetings of the Board, the Board committees and the Shareholders held during the year ended 31 December 2018 is set out below:

Directors	Number of meetings attended/Number of meetings held for the year ended 31 December 2018					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Corporate Governance Committee	General Meetings
Executive Directors						
Mr. YEUNG Kwok Keung (Chairman)	6/6	N/A	2/2	4/4	3/3	2/2
Ms. YANG Huiyan (Co-Chairman)	6/6	N/A	N/A	N/A	3/3	0/2
Mr. MO Bin (President)	6/6	N/A	N/A	4/4	3/3	2/2
Ms. YANG Ziyang	6/6	N/A	N/A	N/A	N/A	0/2
Mr. YANG Zhicheng	6/6	N/A	N/A	N/A	N/A	0/2
Mr. XIE Shutai ^{Note 1}	N/A	N/A	N/A	N/A	N/A	N/A
Mr. SONG Jun	6/6	N/A	N/A	N/A	N/A	0/2
Mr. LIANG Guokun	6/6	N/A	N/A	N/A	N/A	0/2
Mr. SU Baiyuan	6/6	N/A	N/A	N/A	N/A	0/2
Non-executive Director						
Mr. CHEN Chong	6/6	N/A	N/A	N/A	N/A	0/2
Independent non-executive Directors						
Mr. LAI Ming, Joseph	6/6	3/3	2/2	4/4	N/A	2/2
Mr. SHEK Lai Him, Abraham	6/6	3/3	N/A	4/4	N/A	2/2
Mr. TONG Wui Tung	6/6	3/3	2/2	4/4	N/A	2/2
Mr. HUANG Hongyan	6/6	3/3	2/2	4/4	N/A	2/2
Mr. MEI Wenjue ^{Note 1}	N/A	N/A	N/A	N/A	N/A	N/A
Mr. YEUNG Kwok On	5/6	N/A	N/A	N/A	N/A	0/2

Note 1: Mr. XIE Shutai and Mr. MEI Wenjue resigned as executive Director and independent non-executive Director respectively with effect from 2 March 2018.

CORPORATE GOVERNANCE REPORT

Access to Information

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

Directors and Officers Liability Insurance

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

Directors' Training and Professional Development

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment. Subsequently, the Directors will receive updates on the Listing Rules, legal and other regulatory requirements and the latest development of the Group's business and are encouraged to participate in continuous professional development to develop their knowledge and skills. During the year ended 31 December 2018, the Directors have participated in continuing professional development ("CPD"). All Directors have provided the Company with their records of training received for the year. A summary of their records of training is provided as follows:

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

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

Note 1:

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

Note 2:

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

Chairman and President

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Board Committees

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

Audit Committee

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

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

The Audit Committee may seek any necessary information from employees within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2018, the Audit Committee held three meetings and has duly discharged the above duties. The attendance record of individual Directors at the Audit Committee meetings is set out on page 59 of the annual report.

Nomination Committee

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

The principal duties of the Nomination Committee include, among other things: (i) reviewing the policy concerning diversity of board members and the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) developing and maintaining a policy for the nomination of board members which includes the nomination procedures and the process and criteria adopted by the Nomination Committee to identify, select and recommend candidates for directorship during the year and reviewing periodically the policy and the progress made towards achieving the objectives set in the policy; (iii) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (iv) assessing the independence of independent non-executive Directors; and (v) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

On 6 December 2018, the Nomination Committee and the Board respectively adopted the nomination policy of the Company:

Objectives

- The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as Directors at general meetings for appointment or re-appointment or appoint as Directors to fill casual vacancies or as an addition to the existing Board.
- The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.
- The Nomination Committee should ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

CORPORATE GOVERNANCE REPORT

Selection Criteria

- The factors to be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate include:
 - (i) the reputation for integrity;
 - (ii) accomplishment and experience in different industries;
 - (iii) commitment in respect of available time and relevant interest;
 - (iv) independence;
 - (v) diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, qualifications, professional experience, skills, knowledge, independence and length of service;
 - (vi) for proposed independent non-executive directors who will be holding their seventh (or more) listed company directorship, whether the individuals would still be able to devote sufficient time to the board (including whether the individuals are familiar with the management of a listed company, have specialised business and management skills, are familiar with the Company's business and operation, are a chairman of the board/chief executive officer/full time executive director of other listed companies, the business activity of other listed companies in which the individuals hold directorship, etc.); and
 - (vii) other factors considered to be relevant by the Nomination Committee on a case by case basis, including the requirements and restrictions as stated in the Listing Rules.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

- Retiring Directors are eligible for nomination by the Nomination Committee and recommendation by the Board to stand for re-election at a general meeting.
- Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.
- The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.



Nomination Procedures

- The secretary of the Nomination Committee or the company secretary shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also identify candidates pursuant to the criteria set out above and put forward candidates who are not nominated by Board members.
- The Nomination Committee may use any process it deems appropriate to evaluate the candidates pursuant to the criteria set out above, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references.
- For filling a casual vacancy and for addition to the existing Board, the Nomination Committee shall make recommendations for the Board's consideration, approval and appointment. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation to the Shareholders.
- In case of election at a general meeting, until the issue of the Shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.
- In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to Shareholders. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations (including the Listing Rules), of the proposed candidates will be included in the circular to Shareholders. In addition, where a new Director is appointed or re-designated, the Company will announce the change as soon as practicable and include details of the relevant Director as required pursuant to the Listing Rules.
- The Shareholders of the Company may propose a person for election as a director, details of which are set out in the "Procedures for Shareholders to Propose a Person for Election as a Director" of the Company. A Shareholder can serve a notice at the registered office, head office or the registration office (such place as the Board may from time to time determine to keep a branch register of members and where (except the Board otherwise directs) the transfer or other documents of title are to be lodged for registration and are to be registered) of the Company within the lodgement period of its intention to propose a resolution to elect certain person(s) as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the Shareholder circular. The particulars of the candidates so proposed will be sent to all Shareholders for information by a supplementary circular.

CORPORATE GOVERNANCE REPORT

- A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the company secretary.
- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting. The ultimate responsibility for selection and appointment of Directors rest with the entire Board.

The Nomination Committee may seek any necessary information from employees within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2018, the Nomination Committee held two meetings and has duly discharged the above duties. The attendance of individual Directors at the Nomination Committee meeting is set out on page 59 of the annual report.

Remuneration Committee

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

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

The Remuneration Committee may consult the Chairman or the President about its remuneration proposals for the other executive Directors and senior management, seek any necessary information from senior management within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2018, the Remuneration Committee held four meetings and has duly discharged the above duties. The attendance of individual Directors at the Remuneration Committee meetings is set out on page 59 of the annual report.

The remuneration of the members of the senior management (other than Directors) by band for the year ended 31 December 2018 is set out below:

RMB	Number of members of senior management
3,000,001 to 4,000,000	1
21,000,001 to 22,000,000	2
22,000,001 to 23,000,000	1
24,000,001 to 25,000,000	1
26,000,001 to 27,000,000	1
33,000,001 to 34,000,000	1
39,000,001 to 40,000,000	1
41,000,001 to 42,000,000	1

Corporate Governance Committee

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

The principal duties of the Corporate Governance Committee include, among other things: (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Group's employees and Directors; and (v) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

The Corporate Governance Committee may seek any necessary information from employees within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2018, the Corporate Governance Committee held three meetings and has duly discharged the above duties. The attendance of individual Directors at the Corporate Governance Committee meetings is set out on page 59 of the annual report.

CORPORATE GOVERNANCE REPORT

Executive Committee

The Executive Committee was established in June 2014 with written terms of reference. The existing members of the Executive Committee are all executive Directors, namely Mr. YEUNG Kwok Keung, Ms. YANG Huiyan, Mr. MO Bin, Ms. YANG Ziyang and Mr. YANG Zhicheng. Mr. YEUNG Kwok Keung was appointed as the chairman of the Executive Committee.

The principal duties of the Executive Committee include, among other things: (i) discussing and making decisions on matters relating to the management and operations of the Company including but not limited to corporate matters, financial/treasury planning and to form strategy. The upper limit for any financial projects, guarantees, sales and purchases of land and other transactions which the Executive Committee may decide on; (ii) considering and making recommendations to the Board on acquisitions of or investments in business or projects; and (iii) reviewing and discussing any other matters as may from time to time, be delegated by the Board.

The Executive Committee may seek any necessary information from senior management within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2018, the Executive Committee has passed 18 resolutions (by way of written resolutions or by way of meetings) and has duly discharged the above duties.

Finance Committee

The Finance Committee was established in August 2014 with written terms of reference. The existing members of Finance Committee consists of seven members, of whom four are executive Directors being Ms. YANG Huiyan, Mr. MO Bin, Ms. YANG Ziyang and Mr. YANG Zhicheng, one is the Chief Financial Officer being Ms. WU Bijun, and the two members are senior management of the finance centre of the Company.

The principal duties of the Finance Committee include, among other things: (i) approval of the opening and cancelling of bank/securities accounts in name of the Company ("**Accounts**") and the changing of authorized signatories of the Accounts and dealing with any other matters from time to time in relation to the Accounts; (ii) execution of any matters in relation to buy-back of shares of the Company pursuant to the authorisation granted by the Board from time to time and the mandate given by the shareholders of the Company; and (iii) execution of any matters in relation to the employees' share incentive scheme pursuant to the authorisation granted by the Board from time to time (unless otherwise provided for under Chapter 17 of the Listing Rules).

The Finance Committee may seek any necessary information from senior management within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. During the year ended 31 December 2018, the Finance Committee held 11 meetings and has duly discharged the above duties.



Joint Company Secretaries

The Board announced the appointment of Mr. LUO Jie as a joint company secretary of the Company on 18 March 2019. Mr. LEUNG Chong Shun, the current company secretary of the Company, will continue his role as the other joint company secretary. Mr. LEUNG Chong Shun is a practicing lawyer in Hong Kong, and is not a full time employee of the Company. Mr. LUO Jie is a full time employee of the Company. They are responsible for advising the Board on corporate governance and Hong Kong legal matters.

During the year ended 31 December 2018, the primary contact person of the Company with the company secretary of the Company is Mr. LUO Jie, the head of the Listing Company Secretariat of the Company. Mr. LEUNG Chong Shun has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2018.

Risk Management and Internal Control Systems

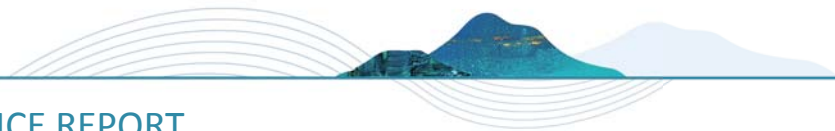
The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and the Shareholders' interests, as well as, with the Audit Committee and the Risk Management Internal Committee, reviewing the effectiveness of these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

Risk Management And Internal Control

Objectives

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

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

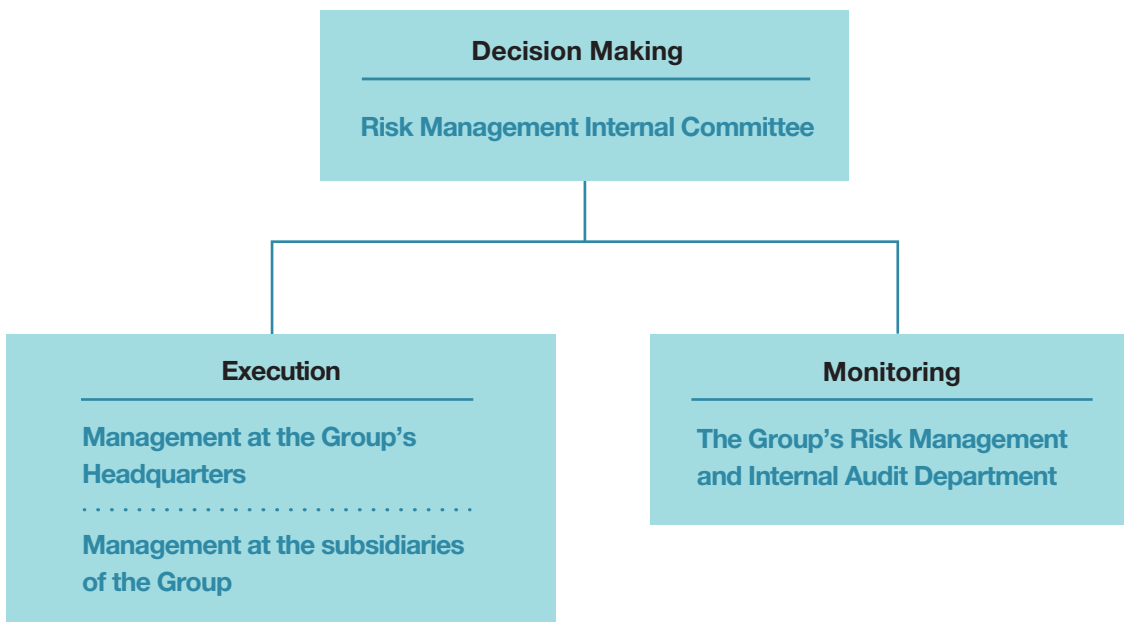


CORPORATE GOVERNANCE REPORT

Group Risk Management Framework

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

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





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

Risk Management Internal Committee (Decision Making)

- Establish and update the Company's risk management policies
- Review the Company's risk appetite, risk management strategies and risk management framework, and report the review results to the Audit Committee and provide recommendations for improvement
- Set up risks identification, assessment and management procedures
- Oversee the implementation of risk management policies and compliance with relevant statutory rules and regulations
- Report any significant risk management issues to the Audit Committee and the suggested solutions
- Review the results of the stress-testing for the major risks and the assessment on the Company's capability to withstand the stressed conditions particularly in terms of profitability, capital adequacy and liquidity
- Perform other relevant duties as requested by the Audit Committee

Management at the Group's Headquarters (Execution)

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

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

Management at the subsidiaries of the Group (Execution)

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

CORPORATE GOVERNANCE REPORT

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

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

During the year ended 31 December 2018, the Risk Management and Internal Audit Department assisted the Risk Management Internal Committee to coordinate an enterprise risk assessment, identify and score top ten risks at Group level, implement risk management assessment for district companies at some testing points, identify and score top ten risks at district level, assess existing risk management measures and management action plans. Assessment results have been properly reported to the Audit Committee.

Review of the Risk Management and Internal Control Systems

Management has formulated remedial action plans to address the gaps and weakness identified during internal control self-assessment, internal control reviews and internal audits, covering 11 business areas and more than 20 key business processes. The Group's risk management and internal audit department has conducted follow-up reviews periodically to ensure remedial actions are taken on a timely basis, and has reported the results of the follow-up reviews to the Audit Committee.

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

During the year ended 31 December 2018, the Audit Committee and the Risk Management Internal Committee have reviewed reports from the Group's risk management and internal audit department and independent consultants with their findings and recommendations for improvement. The external auditors have also reported any observations they identified in the course of their work to the Group, and are satisfied that there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

During the year ended 31 December 2018, the Group has implemented procedures and internal controls for the handling and dissemination of inside information. In particular, the Group:

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

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

Whistleblower Policy

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

Auditor's Remuneration

For the year ended 31 December 2018, the remuneration paid/payable to the auditor of the Company is set out as follows:

Service rendered	RMB million
Audit service for 2018:	
— Annual audit services of the Company	12
— Others	8
Non-audit services in relation to:	
— Issue of corporate bonds	6
— Accounting and strategy advisory services	1
— Others	5

Directors' Responsibility on the Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2018, which were prepared in accordance with statutory requirements and applicable accounting standards. The Board aims to present a balanced, clear and understandable assessment of the Group's position and prospects in annual reports, interim reports and other financial disclosures required by the Listing Rules.

The reporting responsibility of the external auditor of the Company on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 116 to 121 of this annual report.

CORPORATE GOVERNANCE REPORT

Communication with Shareholders

The Board adopted a shareholders' communication policy reflecting the current practices of the Company for communication with its Shareholders, which has been posted on the website of the Company. The general meeting of the Company provides a platform for Shareholders to exchange views with the Board.

Shareholders' Right

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

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

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

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



Constitutional Documents

During the year ended 31 December 2018, other than the adoption of new Articles of Association passed at the annual general meeting on 17 May 2018, there was no change in the Company's constitutional documents.

Investor Relations

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

The Group formulated a systematic platform for information disclosure and communication. The Group facilitates communication through various channels such as internet networks, site visits and meetings, and timely responses to the demand from the Shareholders and investors. For the year ended 31 December 2018, the Group further optimized its monthly newsletters and results presentations in order to provide further details which improved the quality of information disclosure; the Group continued its close communication with investors by organizing annual and interim results meetings with analysts and media, reverse roadshows, exchanging ideas with senior management, corporate open days, and participating in roadshows held by various financial institutions in Asia-Pacific, North America and Europe regions. In the communication process, the Group timely introduced to investors its operating results, development strategy and business updates that enhanced investors' understanding of and confidence in the Group. Meanwhile, the dedicated team of the Group timely summarized and analyzed information of the capital market, and gave feedback to the management in a systematic manner.

The way of communication between the Group and the capital market is recognised by the capital market. During the year, Mr. MO Bin, the President of the Group, and Ms. WU Bijun, the Chief Financial Officer of the Group, was respectively awarded the "Best CEO" and the "Best CFO" in the 2018 all-Asia executive team poll by Institutional Investors. The dedicated team of the Group was awarded the "Best IR Professionals".

CORPORATE GOVERNANCE REPORT

Besides, the Group's efforts in information disclosure are well recognised as well. The Group's 2017 Annual Report won the below 8 awards within the year:

Award	Organizer
32nd International ARC Awards — Gold Award — Traditional Annual Report: Real Estate Development/SVC: Residential Properties	MerComm, Inc
32nd International ARC Awards — Silver Award — Cover Photo/Design: Real Estate Development/SVC: Residential Properties	MerComm, Inc
32nd International ARC Awards — Silver Award — Illustrations: Real Estate Development/SVC: Residential Properties	MerComm, Inc
32nd International ARC Awards — Silver Award — Printing & Production: Real Estate Development/SVC: Residential Properties	MerComm, Inc
LACP 2017 Vision Awards — Silver Award	League of American Communications Professionals LLC (LACP)
LACP 2017 Vision Awards — Top 80 Reports — Asia Pacific Region	League of American Communications Professionals LLC (LACP)
LACP 2017 Vision Awards — Top 60 Chinese Reports of 2017	League of American Communications Professionals LLC (LACP)
LACP 2017 Vision Awards — Technical Achievement Award	League of American Communications Professionals LLC (LACP)

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

Major Events

Date	Events	Location
4-Jan–5-Jan	BNP Paribas Asia Pacific Financials & Property Conference	Hong Kong
10-Jan	DBS Vickers Pulse of Asia Conference	Singapore
15-Jan	Nomura China Property Corporate Day	Hong Kong
2-Feb	Analyst Luncheon	Hong Kong
20-Mar	Announcement of 2017 Annual Results <ul style="list-style-type: none"> • Press Conference • Investor Presentation 	Hong Kong
21-Mar–23-Apr	Post Results Roadshow	Hong Kong, Beijing, Shanghai, Singapore, Sydney, London, New York, Boston
9-May	14th J.P.Morgan Global China Summit	Beijing
10-May	Southwest Securities 2018 Investment Conference	Wuxi
15-May	CICC Housing and Urban-Rural Development Forum 2018	Beijing
16-May	CLSA China Forum 2018	Hangzhou
30-May	Morgan Stanley 4th Annual China Summit	Beijing
11-Jun	Haitong International 2018 Property Corporate Day	Hong Kong
13-Jun	China Securities 2018 Interim Investment Conference	Beijing
22-Jun	Everbright Securities 2018 Investment Conference	Chengdu
25-Jun–26-Jun	Country Garden Capital Market Open Day	Changzhou, Jiangyin
28-Jun	Citi's Asia Pacific Property Conference 2018	Hong Kong
21-Aug	Announcement of 2018 Interim Results <ul style="list-style-type: none"> • Press Conference • Investor Presentation 	Hong Kong
22-Aug–6-Sep	Post Interim Results Roadshow	Hong Kong, Beijing, Shanghai, Singapore
12-Sep	Hua Chuang Securities 2018 Autumn Investment Conference	Beijing
10-Oct–11-Oct	2018 Joint Investor Open Day	Foshan

CORPORATE GOVERNANCE REPORT

Date	Events	Location
1-Nov	Founder Securities Investment Conference	Hangzhou
8-Nov	Goldman Sachs China Conference 2018	Shenzhen
13-Nov	CICC Investment Forum (Beijing) 2018	Beijing
15-Nov	Citi China Investor Conference 2018	Macau
16-Nov	CITIC Securities 2019 Annual Capital Markets Conference	Shenzhen
20-Nov	Southwest Securities 2019 Annual Investment Conference	Shanghai
21-Nov	Minsheng Securities 2019 Annual Investment Conference	Shanghai
28-Nov	17th Morgan Stanley Annual Asia Pacific Summit	Singapore
28-Nov	Hua Chuang Securities 2019 Annual Investment Conference	Shanghai
29-Nov	China Industrial Securities 2019 Annual Investment Conference	Shanghai
5-Dec	China Merchants Securities 2019 Annual Investment Conference	Shanghai
12-Dec	China Securities 2019 Annual Investment Conference	Shanghai
12-Dec	GF Securities 2019 Annual Investment Conference	Chengdu
13-Dec	Haitong Securities 2019 Annual Investment Conference	Shanghai
21-Dec	Founder Securities 2019 Fix Income Annual Investment Conference	Beijing

REPORT OF THE DIRECTORS

The Board is pleased to present the audited consolidated financial statements of the Group for the year ended 31 December 2018.

Principal Activities

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

An analysis of the Group's revenue and operating results for the year ended 31 December 2018 by principal activities is set out in note 6 to the consolidated financial statements of the Group.

Results

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement and the consolidated statement of comprehensive income of the Group on pages 124 to 125 of this annual report.

Business Review

The business review of the Group for the year ended 31 December 2018 is set out as below:

	Section(s) in this Annual Report	Page No. of this Annual Report
a. Fair review of the Company's business	Management Discussion and Analysis	35 to 41
b. Description of the principal risks and uncertainties the Company is facing	Management Discussion and Analysis	35 to 41
c. Particulars of important events affecting the Company that have occurred since the year ended 31 December 2018	Management Discussion and Analysis	35 to 41
d. Indication of likely future development of the Company's business	Chairman Statement and Management Discussion and Analysis	12 to 17 and 35 to 41
e. Analysis using financial key performance indicators	Financial Summary, Financial Highlights and Management Discussion and Analysis	33, 34 and 35 to 41

REPORT OF THE DIRECTORS

	Section(s) in this Annual Report	Page No. of this Annual Report
f. Discussion on the Company's environmental policies and performance	<p>Country Garden has always strived to operate environmentally, make efficient use of resources and foster a green living environment in property projects that we develop. Minimising adverse impact of construction and development as well as promoting green buildings and green offices are some of our most important environmental responsibilities.</p> <p>We stringently comply with legislations related to environmental protection in markets that we operate in, and take location specific environmental conditions into concern whenever we develop a project, to minimise our impact on the natural environment.</p> <p>Further information about the Company's environmental policies and performance is described in the "Country Garden Sustainability Report 2018" (a standalone report)</p>	Not applicable
g. An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depend	Management Discussion and Analysis and Report of the Directors	35 to 41 and 79 to 113
h. Discussion on the Company's compliance with the relevant laws and regulations that have a significant impact on the Company	Corporate Governance Report and Report of the Directors	54 to 78 and 79 to 113

Final Dividend

The Directors recommend the payment of a final dividend of RMB30.32 cents in the form of cash (2017: RMB24.95 cents) per Share for the year ended 31 December 2018 to the Eligible Shareholders and total dividends for the year would be RMB48.84 cents per Share (2017: RMB39.97 cents).

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average central parity rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from Monday, 20 May 2019 to Friday, 24 May 2019. It is expected that the final dividend warrants will be dispatched to the Eligible Shareholders on or around Wednesday, 10 July 2019.

Property, Plant and Equipment

Details of the movements in property, plant and equipment during the year ended 31 December 2018 are set out in note 7 to the consolidated financial statements of the Group.

Borrowings

Details of the borrowings during the year ended 31 December 2018 are set out in note 27 to the consolidated financial statements of the Group.

Share Capital

Details of the movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 28 to the consolidated financial statements of the Group.

Issues of Convertible Bonds and Purchased Call Options and Written Call Options

(a) Issues of Convertible Bonds

On 16 January 2018 (after trading hours), the Company, Smart Insight International Limited (the "Issuer", a wholly owned subsidiary of the Company) and Goldman Sachs (Asia) L.L.C. (the "Sole Bookrunner") entered into the bonds subscription agreement (the "2019 Bonds Subscription Agreement"), pursuant to which the Sole Bookrunner agreed to subscribe for the zero coupon secured guaranteed convertible bonds due 2019 (the "2019 Convertible Bonds") to be issued by the Issuer in the aggregate principal amount of HKD15,600 million. According to the announcements dated 29 May 2018, 25 June 2018 and 18 September 2018 of the Company, the 2019 Convertible Bonds might be converted into Shares at the last modified conversion price of HKD18.29 per Share (the "2019 Conversion Price") during the conversion period under the terms of the 2019 Convertible Bonds. The 2019 Convertible Bonds were guaranteed by the Company, and were jointly and severally guaranteed by certain subsidiaries of the Company. The 2019 Convertible Bonds also had the benefit of certain securities on the collateral. Assuming full conversion of the 2019 Convertible Bonds at the 2019 Conversion Price, the 2019 Convertible Bonds would be convertible into 852,925,095 Shares, representing approximately 3.93% of the then issued share capital of the Company and approximately 3.78% of the issued share capital of the Company as enlarged by the issue of the conversion Shares.

REPORT OF THE DIRECTORS

The conditions set out in the 2019 Bonds Subscription Agreement have been fulfilled. On 30 January 2018, the Issuer issued the 2019 Convertible Bonds in the aggregate principal amount of HKD15,600 million to the Sole Bookrunner. The new Shares that may fall to be issued upon the conversion of the 2019 Convertible Bonds would be issued under the general mandate subject to the limit of up to 20% of the total number of Shares in issue as at the date of the 2017 AGM (i.e. 4,268,124,356 Shares, representing 20% of 21,340,621,782 Shares in issue as at the date of the 2017 AGM). The 2019 Convertible Bonds were listed on SGX.

The net proceeds from the issue of the 2019 Convertible Bonds was approximately HKD15,491 million. The Company applied the net proceeds for the repayment of debts of the Group and/or as general working capital purpose as intended. Please refer to the announcements of the Company dated 16 January 2018 and 17 January 2018 for further details.

During 2018, the Issuer had conducted a partial repurchase of the 2019 Convertible Bonds (the “Partial Repurchase”) and had received commitments from holders of the 2019 Convertible Bonds to sell approximately HKD6,054 million in aggregate principal amount of the 2019 Convertible Bonds to the Company via J.P. Morgan Securities plc and Goldman Sachs (Asia) L.L.C. as joint dealer managers. Following settlement of the Partial Repurchase, the 2019 Convertible Bonds partially repurchased had been cancelled. Also, the Company had repurchased HKD396 million of the 2019 Convertible Bonds from the SGX during 2018.

As announced by the Company on 29 January 2019, upon the maturity of all of the outstanding 2019 Convertible Bonds on 27 January 2019, the Company had redeemed all of the outstanding 2019 Convertible Bonds (including HKD396 million of the 2019 Convertible Bonds repurchased by the Company from the SGX during 2018). Following such redemption, the Company does not have any outstanding 2019 Convertible Bonds and the 2019 Convertible Bonds was delisted from SGX. No new Shares were issued under the 2019 Convertible Bonds.

Concurrent with the Partial Repurchase, the Issuer has carried out the issue of the new secured guaranteed convertible bonds and on 21 November 2018 entered into an agreement (the “2023 Bonds Subscription Agreement”) with the Company, J.P. Morgan Securities plc, Goldman Sachs (Asia) L.L.C and The Hongkong and Shanghai Banking Corporation Limited (the “Joint Lead Managers”) under which the Joint Lead Managers agreed to subscribe for the 4.50% secured guaranteed convertible bonds due 2023 to be issued by the Issuer in the aggregate principal amount of HKD7,830 million (the “2023 Convertible Bonds”). The 2023 Convertible Bonds may be converted into Shares at the initial conversion price of HKD12.5840 per Share (the “Conversion Price”) during the conversion period under the terms of the 2023 Convertible Bonds. The 2023 Convertible Bonds are guaranteed by the Company, and are jointly and severally guaranteed by certain existing subsidiaries of the Company (the “Subsidiary Guarantors”). The 2023 Convertible Bonds also have the benefit of certain security interests on the capital stock of the Subsidiary Guarantors. Assuming full conversion of the 2023 Convertible Bonds at the Conversion Price, the 2023 Convertible Bonds would be convertible into 622,218,690 Shares, representing approximately 2.87% of the then issued share capital of the Company and approximately 2.79% of the issued share capital of the Company as enlarged by the issue of the conversion shares.

The conditions set out in the 2023 Bonds Subscription Agreement have been fulfilled. On 5 December 2018, the Issuer issued the 2023 Convertible Bonds in the principal amount of HKD7,830 million. The new Shares that may fall to be issued upon the conversion of the 2023 Convertible Bonds will be issued under the general mandate subject to the limit of up to 20% of the total number of Shares in issue as at the date of the 2018 AGM (i.e. 4,348,186,628 Shares, representing 20% of 21,740,933,140 Shares in issue as at the date of the 2018 AGM). The 2023 Convertible Bonds are listed on SGX.

The net proceeds from the issue of the 2023 Convertible Bonds was approximately HKD7,725 million. The Company intended to apply the net proceeds for funding the Partial Repurchase and use any remainder for refinancing existing offshore indebtedness. As at 31 December 2018, no Shares were issued under the 2023 Convertible Bonds.

(b) Purchased Call Options and Written Call Options

On 21 November 2018, the Issuer entered into purchased call options and the written call options with J.P. Morgan Securities plc and Goldman Sachs International or their respective affiliates (collectively, the “Option Counterparties”) as follows:

- (i) call option transaction(s) involving the sale of call option(s) by the Option Counterparties to the Issuer with a strike price equal to the Conversion Price (the “Purchased Call Options”); and
- (ii) call option transaction(s) involving the sale of call option(s) by the Issuer to the Option Counterparties with a strike price of approximately HKD17.908 (the “Written Call Options”),

The Purchased Call Options and Written Call Options are expected generally to reduce or offset the potential dilution upon conversion of the 2023 Convertible Bonds and/or offset any cash payments the Issuer is required to make in excess of the principal amount of the converted 2023 Convertible Bonds, as the case may be. The Purchased Call Options and Written Call Options will cover, subject to anti-dilution adjustments substantially similar to those applicable to the 2023 Convertible Bonds, the equivalent number of Shares underlying the 2023 Convertible Bonds.

The Written Call Options are intended to be settled physically, provided that if the specific mandate to issue Shares under the Written Call Options or the approved from the Stock Exchange for the listing of new Shares to be issued in relation thereto have not been obtained, the Written Call Options will be terminated.

Please refer to the announcements of the Company dated 21 November 2018, 22 November 2018 and 12 December 2018 for further details.

Details of the convertible bonds issued during the year ended 31 December 2018 are set out in note 26 to the consolidated financial statements of the Group.

REPORT OF THE DIRECTORS

Senior Notes and Corporate Bonds Issued

During the year ended 31 December 2018, the Company has issued senior notes and corporate bonds as follows:

(a) Senior Notes

- (i) On 17 January 2018, the Company issued USD250 million 4.750% senior notes due 2023 and USD600 million 5.125% senior notes due 2025. The net proceeds after deducting the underwriting discount and other estimated expenses payable by the Group in connection with the notes issue amounted to approximately USD839 million and would be used for early redemption of the USD750 million 7.50% senior notes due 2023 issued by the Company on 10 January 2013 and for general working capital purposes.

All the senior notes are listed on SGX.

- (ii) On 12 March 2018, the Company issued RMB950 million 5.8% senior notes due 2021. The net proceeds after deducting the underwriting discount and other estimated expenses payable by the Group in connection with the notes issue amounted to approximately RMB941 million and would be used for refinancing existing indebtedness and for general corporate purposes.

The senior notes are listed on SGX.

- (iii) On 31 July 2018, the Company issued USD375 million 4.75% senior notes due 2023, which are consolidated and form a single series with the USD250 million 4.750% senior notes due 2023 issued by the Company on 17 January 2018. The net proceeds after deducting the underwriting discount and other estimated expenses payable by the Group in connection with the notes issue amounted to approximately USD343 million and would be used for refinancing existing offshore indebtedness.

The senior notes are listed on SGX.

- (iv) On 4 September 2018, the Company issued USD150 million 5.125% senior notes due 2025, which are consolidated and form a single series with the USD600 million 5.125% senior notes due 2025 issued by the Company on 17 January 2018. The net proceeds after deducting the underwriting discount and other estimated expenses payable by the Group in connection with the notes issue amounted to approximately USD132 million and would be used mainly for refinancing existing offshore indebtedness.

The senior notes are listed on SGX.

- (v) On 27 September 2018, the Company issued USD425 million 7.125% senior notes due 2022 and USD550 million 8.000% senior notes due 2024. The net proceeds after deducting the underwriting discount and other estimated expenses payable by the Group in connection with the notes issue amounted to approximately USD965 million and would be mainly used for refinancing existing offshore indebtedness.

All the senior notes are listed on SGX.

(b) Corporate Bonds

As at 31 December 2018, certain subsidiaries of the Group issued corporate bonds at an aggregate par value of RMB5,753 million. The Group received net proceeds of RMB5,732 million in aggregate, which would be used for refinancing certain of the Group's existing indebtedness and for general working capital purposes.

Details of the senior notes and corporate bonds issued during the year ended 31 December 2018 are set out in notes 24 and 25 to the consolidated financial statements of the Group, which form part of the disclosure in this report of the Directors.

Equity Linked Agreements

Save as disclosed in the sections headed "Issues of Convertible Bonds and Purchased Call Options and Written Call Options", "Share Option Schemes", "Employee Incentive Scheme" and "Placing and Subscription", no equity linked agreements were entered into during or subsisted at the end of the year ended 31 December 2018.

Directors' Right to Acquire Shares or Debentures

Save as disclosed in the section headed "Share Option Schemes", at no time during the year ended 31 December 2018 was the Company, any of its subsidiaries, fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

Distributable Reserves

As at 31 December 2018, the distributable reserve of the Company amounted to approximately RMB10,923 million (2017: approximately RMB5,801 million).

Details of the movements in reserves during the year ended 31 December 2018 are set out in note 46 to the consolidated financial statements of the Group.

Donations

The total donations made by the Group during the year ended 31 December 2018 amounted to approximately RMB1,369 million (2017: approximately RMB793 million).

REPORT OF THE DIRECTORS

Permitted Indemnity Provision

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

The Group has taken out and maintained directors' liability insurance for the year ended 31 December 2018, which provides appropriate cover for the Directors.

The permitted indemnity provision was in force during the year ended 31 December 2018 for the benefit of the Directors.

Financial Summary

A financial summary of the Group is set out on page 33 of this annual report.

Major Customers and Suppliers

For the year ended 31 December 2018, revenue attributable to the largest customer of the Group amounted to approximately 0.45% of the total revenue of the year and the five largest customers of the Group accounted for less than 30% of the Group's revenue of the year.

For the year ended 31 December 2018, purchases attributable to the largest supplier of the Group amounted to approximately 1.52% of the total purchases in the year and the five largest suppliers of the Group accounted for less than 30% of the Group's purchases in the year.

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

The Directors, their close associates and the Shareholders (who to the knowledge of the Directors own more than 5% of the issued shares of the Company) did not have any interests in the five largest customers and suppliers of the Group for the year ended 31 December 2018.

Management Contracts

No contracts other than employment contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.



Directors and Directors' Service Contracts

The Directors during the year ended 31 December 2018 and up to the date of this annual report are:

Executive Directors

Mr. YEUNG Kwok Keung (Chairman)
Ms. YANG Huiyan (Co-Chairman) (re-designated on 7 December 2018)
Mr. MO Bin (President)
Ms. YANG Ziyang
Mr. YANG Zhicheng
Mr. SONG Jun
Mr. LIANG Guokun
Mr. SU Baiyuan
Mr. XIE Shutai (resigned on 2 March 2018)

Non-executive Director

Mr. CHEN Chong

Independent non-executive Directors

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

In accordance with article 84 of the Articles of Association, Ms. YANG Huiyan, Mr. MO Bin, Mr. SONG Jun, Mr. LIANG Guokun and Mr. SHEK Lai Him, Abraham shall retire from office by rotation and, being eligible, offer themselves for re-election at the 2019 AGM.

No Director proposed for re-election at the 2019 AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS

Changes to Information in Respect of Directors

In accordance with rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) between the date of the Company's interim report 2018 and up to the date of this report are set out below:

Directors' Information	Appointment (effective)	Cessation (effective)
Mr. SHEK Lai Him, Abraham Helenbergh China Holdings Limited (its shares are under application of listing on the Stock Exchange) — Non-executive director	21 September 2018	
Mr. YEUNG Kwok On Saurer Intelligent Technology Co., Ltd. (Stock Code: 600545) — Director	21 May 2018	

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

Details of the remuneration of the Directors and senior management, together with those of the five highest paid individuals of the Group for the year ended 31 December 2018 are set out in note 48 and note 34 to the consolidated financial statements of the Group.

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

Directors' Interests in Contracts of Significance

Save as disclosed under the paragraph headed "Connected Transactions and Continuing Connected Transactions", no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director or his or her connected entities had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2018.

Directors' and Their Associates' Interests in Competing Business

Mr. YEUNG Kwok Keung (being Director), Ms. YANG Meirong (Mr. YEUNG Kwok Keung's associate) and Ms. ZHOU Shuting (Mr. YEUNG Kwok Keung's associate) respectively owned 52%, 33.93% and 14.07% interest in each of Qingyuan CG and Qingyuan Country Cultural Development Co., Ltd.. Qingyuan CG is the developer of the Qingyuan Holiday Islands project situated in Qingyuan which offers various types of products including villas, townhouses and low-rise apartments, while Qingyuan Country Cultural Development Co., Ltd. operates the Qingyuan Cultural Park located in Shijiao Town, Qingcheng District in Qingyuan. Since Qingyuan CG and Qingyuan Country Cultural Development Co., Ltd. mainly conduct property development business, both companies have business which may compete with the Group's business. Throughout the year ended 31 December 2018, the Company carried on its business independently of, and at arm's length from the business of these two companies. Save as disclosed above, as at 31 December 2018, none of the Directors and their associates (as defined in the Listing Rules) was considered to be interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Connected Transactions and Continuing Connected Transactions

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

(1) Connected Transactions

- (i) As disclosed in the Company's announcement dated 20 September 2018 ("Connected Transaction Announcement 1"), on 19 September 2018, the Company, certain subsidiaries of the Group and Subsidiary Guarantor Pledgors (as defined in the Connected Transaction Announcement 1) entered into a purchase agreement dated 19 September 2018 with BNP Paribas, Goldman Sachs (Asia) L.L.C., The Hongkong and Shanghai Banking Corporation Limited and J.P. Morgan Securities plc in connection with the issue by the Company of the USD425 million senior notes due 2022 (the "2022 Notes") and the USD550 million senior notes due 2024 (the "2024 Notes") (the "Notes Issue"). Pursuant to the Notes Issue, Fine Nation Group Limited ("Fine Nation") has purchased the 2024 Notes in an aggregate amount of USD60 million. The purchase is being undertaken by Fine Nation as part of the Notes Issue and will enable the Company to raise fund. The terms of the purchase are the same as other investors in the Notes Issue.

Fine Nation is directly wholly-owned by Mr. YEUNG Kwok Keung, the Chairman and executive Director. Fine Nation is hence an associate of Mr. YEUNG Kwok Keung and thus a connected person of the Company. Accordingly, the purchase of the 2024 Notes by Fine Nation constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the connected transaction are set out in the Connected Transaction Announcement 1.

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- (ii) As disclosed in the Company's announcement dated 26 October 2018 ("Connected Transaction Announcement 2"), on 26 October 2018, each of Chuzhou Bicheng Property Development Co., Ltd.* (滁州碧城房地產開發有限公司), Chuzhou Xinbi Property Development Co., Ltd.* (滁州市新碧房地產開發有限公司), Chuzhou Bihui Property Development Co., Ltd.* (滁州碧輝房地產開發有限公司), Nanjing Jinmengdou Property Development Co., Ltd.* (南京金夢都房地產開發有限責任公司), Yizheng Country Garden Property Development Co., Ltd.* (儀征碧桂園房地產開發有限公司), Baoying Country Garden Property Development Co., Ltd.* (寶應碧桂園房地產開發有限公司), Qidong Zhongbang Property Development Co., Ltd.* (啓東中邦房地產開發有限公司), Nantong Country Garden Longyouhu Property Development Co., Ltd.* (南通碧桂園龍游湖房地產開發有限公司), Dongtai Country Garden Property Development Co., Ltd.* (東台市碧桂園房地產開發有限公司), Taicang Loucheng Country Garden Property Development Co., Ltd.* (太倉婁城碧桂園房地產開發有限公司), Changde Xinbi Property Development Co., Ltd.* (常德市新碧房地產開發有限公司), Huishui Country Garden Property Development Co., Ltd.* (惠水碧桂園物業發展有限公司) and Guizhou Zhongtai Real Estate Co., Ltd.* (貴州中泰置業有限公司) (collectively, the "Assignor Subsidiaries") had respectively entered into fourteen agreements dated 26 October 2018 (the "Connected Transaction Agreements") with Elite Architectural to assign to Elite Architectural the rights to all income of certain shops and/or parking spaces held by the Assignor Subsidiaries respectively located in the Anhui Area* (安徽地區), Guizhou Area* (貴州地區), Hunan Area* (湖南地區) and Jiangzhe Area* (江浙地區) (the "Subject Assets", please refer to the Connected Transaction Announcement 2 for more details) and the right to dispose of and manage the Subject Assets at the consideration totaling of RMB1,850 million (VAT inclusive) pursuant to the terms and conditions of the Connected Transaction Agreements.

Each of the Assignor Subsidiaries is a subsidiary of the Company. Elite Architectural is wholly-owned by a PRC limited liability company, the two shareholders of which are another PRC limited liability company and a PRC limited partnership enterprise each owned as to approximately 70% by Ms. YANG Meirong, a younger sister of Mr. YEUNG Kwok Keung who is the Chairman and an executive Director. Elite Architectural is therefore a majority-controlled company indirectly held by a family member of Mr. YEUNG Kwok Keung, and is thus a connected person of the Company. The Connected Transaction Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the connected transaction are set out in the Connected Transaction Announcement 2.

* for identification purpose only

(2) Continuing Connected Transactions

The following continuing connected transactions were recorded during the year ended 31 December 2018. During the year ended 31 December 2018, the Company has entered into certain transactions which constitute continuing connected transactions (as defined in the Listing Rules) of the Company. Pursuant to the disclosure requirements in the annual report under rule 14A.49 of the Listing Rules, details of these transactions are set out below:

(a) *Agreements of Continuing Connected Transactions*

(i) *Design Services Agreement*

Pursuant to the design services further supplemental agreement dated 22 August 2017 entered into between Shunde Country Garden and Elite Architectural, Elite Architectural agreed to continue to provide survey work, property design and interior design services to the Group on terms no less favourable than those available to independent third parties for three years commencing from 1 January 2017 and subject to the revised annual caps of not exceeding RMB3,000 million, RMB3,600 million and RMB4,300 million for each of the three years ended 31 December 2017, 2018 and 2019 respectively (the "Existing Annual Caps") (the "Design Services Further Supplemental Agreement").

In view of the development trend of the Group, the Board anticipated that the Existing Annual Caps would not be sufficient for the transaction amounts to be incurred under the Design Services Further Supplemental Agreement for the remaining years ending 31 December 2019. Also, the engagement pursuant to the Design Services Further Supplemental Agreement was due to expire on 31 December 2019. As such, on 21 March 2018, Elite Architectural and Shunde Country Garden entered into the 2018 Design Services Supplemental Agreement, pursuant to which (i) the Existing Annual Caps have been revised from RMB3,600 million to RMB6,500 million for the year ending 31 December 2018 and from RMB4,300 million to RMB8,000 million for the year ending 31 December 2019; and (ii) the Design Services Further Supplemental Agreement has been extended for a further term of one year commencing on 1 January 2020 with an annual cap of transactions of RMB9,600 million. For the year ended 31 December 2018, the total amount of survey work, property design and interior design services charged by Elite Architectural amounted to RMB4,699 million.

Shunde Country is a wholly-owned subsidiary of the Company. Elite Architectural is a connected person of the Company (see above). Transactions contemplated under the 2018 Design Services Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(ii) *Construction Services Agreement*

Pursuant to the 2017 Construction Services Agreement entered into between Giant Leap and Qingyuan CG on 30 December 2016, Giant Leap agreed to provide construction services to Qingyuan CG on terms no less favourable than those offered by independent third parties to Qingyuan CG for comparable services for three years

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commencing from 1 January 2017 and subject to the annual caps of not exceeding RMB200 million for each of the three years ended 31 December 2017, 2018 and 2019 respectively.

For the year ended 31 December 2018, the value of construction services provided by Giant Leap is RMB14 million.

Giant Leap is a wholly-owned subsidiary of the Company and Qingyuan CG is owned as to 52% by Ms. YANG Huiyan, a Director, and as to 12% by Mr. SU Rubo (a former Director who resigned on 1 April 2017), as to 12% by Mr. OU Xueming (a former Director who resigned on 1 April 2017), as to 12% by Mr. ZHANG Yaoyuan (a former Director who resigned on 13 December 2013) and as to 12% by Mr. YANG Erzhu (a former Director who resigned on 19 August 2015). Ms. YANG Huiyan is the ultimate controlling Shareholder of the Company, the Co-Chairman of the Board, and an executive Director and Qingyuan CG is an associate of Ms. YANG Huiyan. Qingyuan CG is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2017 Construction Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(iii) *Property Management Services Framework Agreement*

As disclosed in the Company's announcement dated 19 March 2018, the Company proposed to spin-off and separately list CG Services, engaging in the property management business of the Group, on the main board of the Stock Exchange by way of introduction (the "Spin-off"). CG Services has been listed on the main board of the Stock Exchange on 19 June 2018. Following the completion of the Spin-off, CG Services has become a 30%-controlled company indirectly held by Ms. YANG Huiyan, the Co-Chairman, an executive Director and the controlling Shareholder. As such, CG Services is an associate of Ms. YANG Huiyan and thus a connected person of the Company.

On 1 June 2018, the Company entered into a property management services framework agreement with CG Services, which sets out the terms of the property management services to be provided by CG Services and its subsidiaries (collectively, the "CG Services Group") to the Company and its subsidiaries immediately after the Spin-off (collectively, the "Remaining CGH Group"), in respect of the unsold property units and the sold property units prior to the agreed delivery date set out in the relevant property purchase contract for projects developed by the Remaining CGH Group and managed by CG Services Group, for a term commencing on 19 June 2018 until 31 December 2020 (the "Property Management Services Framework Agreement"). The annual caps of transactions contemplated under the Property Management Services Framework Agreement are respectively RMB290 million, RMB355 million and RMB478 million for each of the three years ending 31 December 2020. For the year ended 31 December 2018, the value of the property management services provided by the CG Services Group to the Remaining CGH Group is RMB149 million.



Since CG Services is a connected person of the Company, transactions between the Remaining CGH Group and CG Services Group therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(iv) *Consultancy and Other Services Framework Agreement*

On 1 June 2018, the Company entered into a consultancy and other services framework agreement with CG Services, which sets out the terms of the consultancy and other services to be provided by CG Services Group to the Remaining CGH Group, such as consultancy services to the on-site sales office of the Remaining CGH Group and cleaning services for the properties developed by the Remaining CGH Group before delivery to homeowners, for a term commencing on 19 June 2018 until 31 December 2020 (the "Consultancy and Other Services Framework Agreement"). The annual caps of transactions contemplated under the Consultancy and Other Services Framework Agreement are respectively RMB396 million, RMB601 million and RMB882 million for each of the three years ending 31 December 2020.

In view of the business development of the Group, the Board anticipated that the existing annual caps would not be sufficient for the transaction amounts expected to be incurred for the term of the Consultancy and Other Services Framework Agreement. On 18 September 2018, the Company entered into the Consultancy and Other Services Supplemental Agreement with CG Services, pursuant to which the existing annual caps have been revised from RMB396 million to RMB633 million for the year ending 31 December 2018, from RMB601 million to RMB898 million for the year ending 31 December 2019, and from RMB882 million to RMB1,007 million for the year ending 31 December 2020. For the year ended 31 December 2018, the value of the consultancy and other services provided by the CG Services Group to the Remaining CGH Group was RMB309 million.

Since CG Services is a connected person of the Company, transactions between the Remaining CGH Group and CG Services Group therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(v) *Sales and Leasing Agency Services Framework Agreement*

On 18 September 2018, the Company entered into a sales and leasing agency services framework agreement with CG Services, which sets out the principal terms for the provision of sales and leasing agency services in respect of unsold parking spaces of the Group and provision of sales agency services in respect of unsold property units of the Group, by the CG Services Group to the Group for a term commencing on 18 September 2018 until 31 December 2020 (the "Sales and Leasing Agency Services Framework Agreement"). The annual caps of transactions contemplated under the Sales and Leasing Agency Services Framework Agreement are RMB120 million, RMB380 million and RMB450 million respectively for each of the three years ending 31 December 2020. For the year ended 31 December 2018, the value of the sales and leasing agency services in respect of unsold parking spaces of the Group and the sales agency services in respect of unsold property units of the Group provided by the CG Services Group to the Group is RMB67 million.

Since CG Services is a connected person of the Company, transactions between the Remaining CGH Group and CG Services Group therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

(b) Annual Review of Continuing Connected Transactions

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

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

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

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

(c) Others

The connected transactions and continuing connected transactions disclosed above also constitute related party transactions under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions made during the year ended 31 December 2018 is disclosed in note 45 to the financial statements.

Certain items under note 45(a) to the financial statements also constitute connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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



Share Option Schemes

1. Share option schemes of the Company

(a) 2007 Share Option Scheme

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

(i) Purpose of the 2007 Share Option Scheme

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

(ii) Eligible Participants

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

(iii) Grant of Options

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

(iv) Payment on Acceptance of Option Offer

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

(v) Subscription Price of Shares

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

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

REPORT OF THE DIRECTORS

(vi) Maximum Number of Shares Available for Subscription

The total number of Shares which may be issued upon exercise of all options to be granted under the 2007 Share Option Scheme must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the global offering and the capitalization issue of the Company. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2007 Share Option Scheme must not exceed 30% of the issued share capital of the Company from time to time. As at 19 March 2017 (the date of expiry of the 2007 Share Option Scheme), a total of 1,636,000,000 Shares (including options to subscribe for 10,112,869 Shares that have been granted but not yet lapsed or exercised) (representing 7.66% of the issued share capital of the Company as at 19 March 2017) were available for issue under the 2007 Share Option Scheme.

(vii) Maximum Entitlement of Shares of each Participant

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

(viii) Option Period

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

During the year ended 31 December 2018, details of movements in the share options under the 2007 Share Option Scheme are as follows:

Category and name of grantees	Outstanding at 1 January 2018	Granted during the year ¹	Options to subscribe for Shares			Outstanding at 31 December 2018	Exercise price per Share HKD	Date of grant	Exercisable period
			Exercised during the year	Cancelled during the year	Lapsed during the year				
Directors									
Mr. LAI Ming, Joseph	1,014,786	-	1,014,786 ²	-	-	-	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. SHEK Lai Him, Abraham	1,014,786	-	1,014,786 ²	-	-	-	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. TONG Wui Tung	1,014,786	-	1,014,786 ²	-	-	-	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. YANG Zhicheng	1,515,933	-	-	-	-	1,515,933	4.773	13.12.2013	13.12.2018-12.12.2023
	1,509,074	-	-	-	-	1,509,074	3.332	16.03.2016	16.03.2021-15.03.2026
	525,597	-	-	-	-	525,597	3.106	11.05.2016	11.05.2021-10.05.2026
	449,031	-	-	-	-	449,031	3.740	19.08.2016	19.08.2021-18.08.2026
Mr. SONG Jun	736,487	-	-	-	-	736,487	3.332	16.03.2016	16.03.2021-15.03.2026
	1,074,264	-	-	-	-	1,074,264	3.106	11.05.2016	11.05.2021-10.05.2026
	816,050	-	-	-	-	816,050	3.740	19.08.2016	19.08.2021-18.08.2026
Sub-total	9,670,794	-	3,044,358	-	-	6,626,436			
Employees of the Group	3,236,589	-	904,644 ³	-	-	2,331,945	4.773	13.12.2013	13.12.2018-12.12.2023
Sub-total	3,236,589	-	904,644	-	-	2,331,945			
Other Participants	968,146	-	-	-	-	968,146	4.773	13.12.2013	13.12.2018-12.12.2023
	186,342	-	-	-	-	186,342	3.332	16.03.2016	16.03.2021-15.03.2026
Sub-total	1,154,488	-	-	-	-	1,154,488			
Total	14,061,871	-	3,949,002	-	-	10,112,869			

Notes:

1. During the year ended 31 December 2018, no share options were granted by the Company in accordance with the terms of the 2007 Share Option Scheme.
2. The weighted average closing price of these Shares immediately before 4 May 2018 (the date on which the relevant share options were exercised) was HKD15.087.
3. The weighted average closing price of these Shares immediately before 13 December 2018 (the date on which the relevant share options were exercised) was HKD9.450.

REPORT OF THE DIRECTORS

(b) 2017 Share Option Scheme

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

(i) Purpose of the 2017 Share Option Scheme

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

(ii) Eligible Participants

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

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

(iii) Grant of Options

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

(iv) Payment on Acceptance of Option Offer

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



(v) *Subscription Price of Shares*

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

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

(vi) *Maximum Number of Shares Available for Subscription*

- The total number of Shares which may be issued upon exercise of all options to be granted under the 2017 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the adoption date (the "Original Scheme Limit"), unless the Company obtains an approval from its Shareholders pursuant to the scheme rules of the 2017 Share Option Scheme.
- The Company may seek approval of its Shareholders in general meeting for refreshing the Original Scheme Limit.
- The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2017 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time.
- As at the date of this report, a total number of 2,134,062,178 Shares (including options to subscribe for 13,080,431 Shares that have been granted but not yet lapsed or exercised) (representing 9.86% of the issued share capital of the Company as at the date of this report) were available for issue under the 2017 Share Option Scheme.

REPORT OF THE DIRECTORS

(vii) Maximum Entitlement of Shares of each Participant

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

(viii) Option Period

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

During the year ended 31 December 2018, details of movements in the share options under the 2017 Share Option Scheme are as follows:

Category and name of grantees	Outstanding at 1 January 2018	Granted during the year ¹	Options to subscribe for Shares			Outstanding at 31 December 2018	Exercise price per Share HKD	Date of grant ²	Exercisable period
			Exercised during the year	Cancelled during the year	Lapsed during the year				
Directors									
Mr. MO Bin	-	6,517,965	-	-	-	6,517,965	16.720	18.05.2018	18.05.2018-17.05.2028
Mr. YANG Zhicheng	484,454	-	-	-	-	484,454	8.250	22.05.2017	22.05.2022-21.05.2027
	495,084	-	-	-	-	495,084	10.100	24.08.2017	24.08.2022-23.08.2027
	205,255	-	-	-	-	205,255	12.980	08.12.2017	08.12.2022-07.12.2027
	-	434,145	-	-	-	434,145	9.654	06.12.2018	06.12.2023-05.12.2028
Mr. XIE Shutai ³	117,526	-	-	-	-	117,526	8.250	22.05.2017	22.05.2022-21.05.2027
Mr. SONG Jun	1,157,991	-	-	-	-	1,157,991	8.250	22.05.2017	22.05.2022-21.05.2027
	483,325	-	-	-	-	483,325	10.100	24.08.2017	24.08.2022-23.08.2027
	454,562	-	-	-	-	454,562	12.980	08.12.2017	08.12.2022-07.12.2027
	-	421,667	-	-	-	421,667	16.460	21.03.2018	21.03.2023-20.03.2028
	-	258,092	-	-	-	258,092	16.280	10.05.2018	10.05.2023-09.05.2028
	-	202,300	-	-	-	202,300	12.240	22.08.2018	22.08.2023-21.08.2028
	-	185,762	-	-	-	185,762	9.654	06.12.2018	06.12.2023-05.12.2028
Mr. SU Baiyuan	1,135,435	-	-	-	-	1,135,435	8.250	22.05.2017	22.05.2022-21.05.2027
	-	526,868	-	-	-	526,868	16.460	21.03.2018	21.03.2023-20.03.2028
Total	4,533,632	8,546,799	-	-	-	13,080,431			

Notes:

- During the year ended 31 December 2018, share options of 8,546,799 Shares with a fair value on the grant date of approximately RMB112,000,000 were granted to eligible persons in accordance with the terms of the 2017 Share Option Scheme.
- The closing price of the Shares immediately before the date of grant of 21 March 2018, 10 May 2018, 18 May 2018, 22 August 2018 and 6 December 2018 was HKD15.468, HKD15.373, HKD15.905, HKD12.24 and HKD9.67 respectively.
- Mr. XIE Shutai resigned as executive Director with effect from 2 March 2018.
- The total value of the share options granted under the 2017 Share Option Scheme are not fully recognised in the financial statements of the Company until they are vested. The Directors consider that it is not appropriate to disclose the value of the share options granted to the participants during the year, since any valuation of such share options would be subject to a number of assumptions that would be subjective and uncertain.

REPORT OF THE DIRECTORS

2. Pre-listing share option scheme of CG Services

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

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

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

Category and name of grantees	Options to subscribe for shares of CG Services						Outstanding at 31 December 2018	Exercise price per share of CG Services HKD	Date of grant ³	Exercisable period
	Outstanding at 1 January 2018	Granted during the period ²	Exercised during the period	Cancelled during the period	Lapsed during the period					
Directors										
Mr. MO Bin	-	38,892,000	-	-	-	38,892,000	0.940	21.05.2018	Vesting date ¹ to 20.05.2023	
Sub-total	-	38,892,000	-	-	-	38,892,000				
Other participants										
	-	94,056,000	-	-	-	94,056,000	0.940	21.05.2018	Vesting date ¹ to 20.05.2023	
Sub-total	-	94,056,000	-	-	-	94,056,000				
Total	-	132,948,000	-	-	-	132,948,000				

Notes:

- Subject to the fulfilment of certain vesting conditions, the vesting date is the date of issue of the audit report for the relevant financial year of CG Services, (a) for the financial year of the year of the date on which the shares of CG Services are listed on the main board of the Stock Exchange (the “Listing Date”), 40% of the total number of the shares of CG Services granted under an option will be vested to the relevant grantee; (b) for financial year immediately following the year of the Listing Date, 30% of the total number of the shares of CG Services granted under an option will be vested to the relevant grantee; and (c) for the second financial year following the year of the Listing Date, 30% of the total number of the shares of CG Services granted under an option will be vested to the relevant grantee.
- During the year ended 31 December 2018, share options of 132,948,000 shares with a fair value on the grant date of approximately HKD108,375,000 (equivalent to approximately RMB86,667,000) were granted to eligible persons in accordance with the terms of the CG Services Share Option Scheme.
- The closing price of the shares of CG Services immediately before the date of grant of 21 May 2018 is unavailable as the shares of CG Services are listed on the main board of the Stock Exchange on 19 June 2018.
- The total value of the share options granted under the CG Services Share Option Scheme are not fully recognised in the financial statements of CG Services until they are vested. The Directors consider that it is not appropriate to disclose the value of the share options granted to the participants during the year, since any valuation of such share options would be subject to a number of assumptions that would be subjective and uncertain.



Employee Incentive Scheme

The trust deed in respect of the Employee Incentive Scheme for rewarding the contribution of the senior management and employees of the Group which excludes any connected persons of the Company, together with the scheme rules, were approved by the Board officially. The purpose of the Employee Incentive Scheme is to provide the participants with an opportunity to hold a personal stake in the Company so as to motivate such participants and to enhance their performance and efficiency. The trustee of the Employee Incentive Scheme is Power Great Enterprises Limited ("**Power Great**"), a wholly-owned subsidiary of the Company. During the year ended 31 December 2018, Power Great had purchased 185,415,000 Shares from the market and had been distributed 237 Shares under the scrip dividend scheme in relation to the 2018 interim dividend of the Company, but had not acquired any Shares or by any other way in accordance with the Employee Incentive Scheme. As of 31 December 2018, share awards for 124,083,683 Shares were granted under the Employee Incentive Scheme subject to the registration and transfer procedures yet to be completed. As at 31 December 2018, the cumulative total number of the Shares held under the Employee Incentive Scheme was 293,186,788 Shares but the registration and transfer procedures of part of the Shares are yet to be completed (31 December 2017: 107,771,551 Shares). Details of the employee share schemes (including the Employee Incentive Scheme) during the year are set out in note 29 to the consolidated financial statements of the Group.

The Board will continue monitoring the Employee Incentive Scheme for motivating the senior management and employees of the Group and consider when it may be appropriate and/or desirable to modify or replace the Employee Incentive Scheme with and/or adopt any other incentive scheme.

REPORT OF THE DIRECTORS

Placing and Subscription

On 16 January 2018 (after trading hours), the Company and Concrete Win Limited (the “Vendor”) entered into the placing and subscription agreement (the “Placing and Subscription Agreement”) with Goldman Sachs (Asia) L.L.C. (the “Placing Agent”), pursuant to which the Placing Agent has agreed to place, on a fully underwritten basis, 460,000,000 existing Shares (the “Placing Shares”) at a price of HKD17.13 per Share (the “Placing Price”) on behalf of the Vendor (the “Placing”) to not less than six independent professional, institutional and/or individual investors who were or would be third parties independent of and not connected with the Company or its connected persons or any person who were or would be acting in concert with the Vendor or parties acting in concert with it. Furthermore, the Vendor has conditionally agreed to subscribe at the Placing Price for the same number of new Shares (the “Subscription Shares”) as the Placing Shares that have been placed by the Placing Agent (the “Subscription”). The Placing Shares and the Subscription Shares respectively represented approximately 2.16% of the then issued share capital of the Company and approximately 2.12% of the issued share capital of the Company as enlarged by the Subscription. The closing price per Share as quoted on the Stock Exchange was HKD17.78 on the date of the Placing and Subscription Agreement.

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

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

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

The Directors and chief executive who held office at 31 December 2018 had the following interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

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

Name of Directors	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of total issued Shares as at 31 December 2018		Amount of debentures held
				Total		
Mr. YEUNG Kwok Keung	Interest of controlled corporation	53,372,800 ¹	–	53,372,800	0.24%	USD 81,000,000 ¹
Ms. YANG Huiyan	Interest of controlled corporation	12,388,274,943 ²	–	12,388,274,943	57.23%	–
Mr. MO Bin	Beneficial owner	17,513,000	6,517,965 ⁴	24,030,965	0.11%	USD 2,000,000
Ms. YANG Ziying	Interest of controlled corporation	6,750,000 ³	–	6,750,000	0.03%	–
Mr. YANG Zhicheng	Beneficial owner	–	5,618,573 ⁴	5,618,573	0.02%	–
Mr. XIE Shutai ⁹	Beneficial owner	–	117,526 ⁴	117,526	–	–
	Interest of spouse	901,266 ⁵	–	901,266	–	–
				1,018,792	0.01%	
Mr. SONG Jun	Beneficial owner		5,790,500 ⁴	5,790,500	0.02%	–
Mr. LIANG Guokun	Interest of spouse	2,661,936 ⁶	–	2,661,936	0.01%	–
Mr. SU Baiyuan	Beneficial owner	436,096	1,662,303 ⁴	2,098,399	–	–
	Interest of spouse	419,643 ⁷	–	419,643	–	–
				2,518,042	0.01%	
Mr. CHEN Chong	Interest of spouse	12,388,274,943 ⁸	–	12,388,274,943	57.23%	–
Mr. LAI Ming, Joseph	Beneficial owner	1,034,806	–	1,034,806	0.01%	–
Mr. SHEK Lai Him, Abraham	Beneficial owner	1,034,806	–	1,034,806	0.01%	–
Mr. TONG Wui Tung	Beneficial owner	1,014,786	–	1,014,786	0.01%	–

Notes:

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

Save as disclosed above, during the year ended 31 December 2018, none of Directors, their spouse or children under the age of 18 had any rights to subscribe for equity or debt securities of the Company, nor has any of them exercised such rights.

REPORT OF THE DIRECTORS

Interests and Short Positions of Shareholders Disclosable Under the SFO

As at 31 December 2018, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons, other than the Directors and chief executive of the Company, had long positions of 5% or more in the Shares and underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares

Name of Shareholders	Capacity	Number of ordinary Shares held	Percentage of total issued Shares as at 31 December 2018
Concrete Win Limited	Beneficial owner	9,446,946,010 ¹	43.64%
Genesis Capital Global Limited	Beneficial owner	2,840,000,000 ²	13.12%
Ping An Insurance (Group) Company of China, Ltd.	Interest of controlled corporation	1,951,053,750 ³	9.01% ³
Ping An Life Insurance Company of China, Ltd.	Beneficial owner	1,947,066,000 ^{3, 4}	8.99% ^{3, 4}

Notes:

* As at 31 December 2018, the total number of the issued Shares is 21,645,912,431 Shares.

- These Shares are held by Concrete Win Limited, the entire issued share capital of which is beneficially owned by Ms. YANG Huiyan.
- These Shares are held by Genesis Capital Global Limited, the entire issued share capital of which is beneficially owned by Ms. YANG Huiyan.
- Ping An Insurance (Group) Company of China, Ltd. is a joint stock limited company incorporated in the PRC, the H Shares of which are listed on the main board of the Stock Exchange (Stock Code: 2318) and the A Shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601318). Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in the 1,951,053,750 Shares (held and managed by its indirectly wholly owned subsidiary, Ping An of China Asset Management (Hong Kong) Co. Ltd. as investment manager), of which 1,947,066,000 Shares were beneficially owned by its subsidiary, Ping An Life Insurance Company of China, Ltd.. Disclosure of the number of ordinary Shares held is made pursuant to the last Disclosure of Interests notice as of 31 December 2018 (date of relevant event: 14 February 2018).
- These Shares are beneficially owned by Ping An Life Insurance Company of China, Ltd.. Disclosure of the number of ordinary Shares held is made pursuant to the last Disclosure of Interests notice as of 31 December 2018 (date of relevant event: 14 February 2018).

Save as disclosed above, the Company has not been notified by any other person (other than the Directors and chief executive of the Company) who had an interest or short positions of 5% or more in the Shares and underlying Shares for the year ended 31 December 2018 which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2018, the Company bought back a total of 98,850,000 Shares on the Stock Exchange. All the Shares bought back were subsequently cancelled by the Company. Details of those transactions are as follows:

Month of buy-back	Number of Shares bought back	Price Per Share		Aggregate price
		Highest <i>HKD</i>	Lowest <i>HKD</i>	
January	–	–	–	–
February	–	–	–	–
March	2,000,000	15.70	15.56	31,352,200
April	–	–	–	–
May	–	–	–	–
June	53,000,000	13.80	12.16	696,788,100
July	–	–	–	–
August	6,000,000	11.84	11.68	70,630,000
September	17,850,000	11.42	9.81	194,455,065
October	20,000,000	9.58	8.00	172,122,800
November	–	–	–	–
December	–	–	–	–

As disclosed in the announcement of the Company dated 1 October 2018, the Company adheres to the strategies of going above and beyond with prudence, improving quality and controlling speed, and determining production according to sales to ensure an orderly operation. Currently, the Company has strong operating cash flows, and all of the Company's financing arrangements progress as usual and our operations are sound. Based on the above, as the Board considers that the current trading price of the Shares does not reflect their intrinsic value and the current financial position of the Company is solid and healthy, the Board believes that the Share buy-back and the subsequent cancellation of the repurchased Shares could enhance the value of the Shares, thereby improving the returns to the shareholders of the Company. In addition, the Board believes that the Share buy-back reflects the Company's confidence in the long-term prospects of its own business, and it would ultimately benefit the Company and is in the interests of the Company and Shareholders as a whole.

REPORT OF THE DIRECTORS

Save as disclosed above, neither the Company nor any of its subsidiaries (except Power Great) has purchased, sold or redeemed any of the Shares during the year ended 31 December 2018. For details of purchase, sale or redemption by the Company or any of its subsidiaries of its other listed securities during the year ended 31 December 2018, please refer to the notes 24 and 26 to the “Notes to the Consolidated Financial Statements” and the paragraphs of “Issues of Convertible Bonds and Purchased Call Options and Written Call Options” and “Senior Notes and Corporate Bonds Issued” of this report.

Pre-Emptive Rights

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

Disclosure under Rule 13.18 of the Listing Rules

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

On 31 July 2015, the Company, as the borrower, entered into a facility agreement (the “2015 Facility Agreement”) with, Bank of China (Hong Kong) Limited and Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch as original lenders (the “2015 Original Lenders”), Ping An Bank Company Limited, Wing Lung Bank, Limited, China Construction Bank (Asia) Corporation Limited, The Bank of East Asia, Limited, BNP Paribas, China Merchants Bank Co., Ltd., Hong Kong Branch, Chong Hing Bank Limited, Industrial Bank Co., Ltd., Hong Kong Branch, Tai Fung Bank Limited and China Guangfa Bank Co., Ltd., Macau Branch, and Bank of China (Hong Kong) Limited as the facility agent (the “2015 Facility Agent”), pursuant to which the 2015 Original Lenders have agreed to make available a dual tranche transferable term loan facilities denominated in both HKD and USD in an aggregate amount

equivalent to approximately USD800 million (the “2015 Loans”) to the Company for a term of four years commencing from the date of the 2015 Facility Agreement. The 2015 Loans obtained under the 2015 Facility Agreement shall be applied by the Company for (i) firstly, the repayment and/or prepayment in full of the principal and accrued interest owed by the Company or any member of the Group arising from the 10.50% senior notes due 11 August 2015 issued by the Company; and thereafter, (ii) its general corporate purposes (including repayment and/or prepayment of any other financial indebtedness owed by the Company or any member of the Group). Pursuant to the terms of the 2015 Facility Agreement, among others, the Company has undertaken to ensure that each of Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, directly or indirectly, must (i) individually or collectively remain the largest beneficial owner of the entire issued share capital of the Company; (ii) in aggregate, remain the beneficial owners of not less than 40% of the entire issued share capital of the Company; and (iii) retain control of the Company. Failure to comply with any of the above undertakings will constitute an event of default under the 2015 Facility Agreement. On 7 December 2015, the Company and the 2015 Facility Agent entered into a supplement to the 2015 Facility Agreement pursuant to which, among others, the amount under the 2015 Loans have been increased from USD800 million to USD975 million.

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

On 17 October 2017, the Company, as the borrower, entered into a facility agreement (the “2017 First Facility Agreement”) with, inter alia, various banks and financial institutions as lenders (the “2017 First Facility Lenders”), China Construction Bank Corporation, Hong Kong Branch, as the facility agent, pursuant to which the 2017 First Facility Lenders have agreed to make available a dual tranche

REPORT OF THE DIRECTORS

transferable term loan facility denominated in HKD and USD in an amount of HKD2,454 million and USD945 million (increased from USD935 million to USD945 million with effect from 17 January 2018 as allowed by the terms of the 2017 First Facility Agreement), respectively (collectively, the “2017 First Loans”) to the Company for a term of four years commencing from the date of the 2017 First Facility Agreement. The 2017 First Loans obtained under the 2017 First Facility Agreement shall be applied by the Company for financing the general corporate purposes of the Group. Pursuant to the terms of the 2017 First Facility Agreement, among others, (i) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall be the largest beneficial owner of the entire issued share capital of the Company; (ii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall beneficially own at least 40 per cent. of the entire issued share capital of the Company; (iii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung shall have control over the Company; and (iv) either Mr. YEUNG Kwok Keung or Ms. YANG Huiyan shall be the chairperson of the Board. Failure to comply with any of the above requirements will constitute a prepayment event under the 2017 First Facility Agreement.

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

On 28 December 2018, the Company, as the borrower, entered into a facility agreement (the “2018 Facility Agreement”) with, inter alia, various banks and financial institutions as lenders (the “2018 Lenders”), Industrial and Commercial Bank of China (Asia) Limited as the facility agent and The Hongkong and Shanghai Banking Corporation Limited and Industrial and Commercial Bank of China (Asia) Limited as the mandated lead arrangers and bookrunners and coordinators, pursuant to which the 2018 Lenders have agreed to make available a dual tranche transferable term loan facility denominated in HKD and USD in an amount of HKD3,470 million and USD486 million, respectively (collectively, the “2018 Loans”) to the Company for terms of 36 months from the date of the 2018 Facility Agreement for the Tranche A1 Facility (as defined in the 2018 Facility Agreement) and Tranche A2 Facility (as defined in the 2018 Facility Agreement) and 24 months from the date of the 2018 Facility

Agreement for the Tranche B1 Facility (as defined in the 2018 Facility Agreement) and Tranche B2 Facility (as defined in the 2018 Facility Agreement) commencing from the date of the 2018 Facility Agreement. The 2018 Loans to be obtained under the 2018 Facility Agreement shall be applied by the Company for refinancing any existing indebtedness of the Group. Pursuant to the terms of the 2018 Facility Agreement, among others, (i) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall be the largest beneficial owner of the entire issued share capital of the Company; (ii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung, in aggregate, shall beneficially own at least 40% of the entire issued share capital of the Company; (iii) Ms. YANG Huiyan and Mr. YEUNG Kwok Keung shall have control over the Company; and (iv) either Mr. YEUNG Kwok Keung or Ms. YANG Huiyan shall be the chairperson of the Board. Failure to comply with any of the above requirements will constitute a prepayment event under the 2018 Facility Agreement.

Corporate Governance

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

Sufficiency of Public Float

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

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

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

REPORT OF THE DIRECTORS

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

Auditor

The consolidated financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor for the ensuing year is to be proposed at the 2019 AGM.

Professional Tax Advice Recommended

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

Closure of Register of Members

For the purposes of determining the Shareholders' eligibility to attend, speak and vote at the 2019 AGM and the extraordinary general meeting in relation to the Written Call Options and the relevant specific mandate to be sought from the Shareholders (the "EGM"), and the Eligible Shareholders' entitlement to the proposed final dividend, the register of members of the Company ("Register of Members") will be closed as appropriate as set out below:

(i) For determining the Shareholders' eligibility to attend, speak and vote at the 2019 AGM and the EGM:

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Thursday, 9 May 2019
Record Date	Thursday, 9 May 2019
Closure of the Register of Members	Friday, 10 May 2019 to Thursday, 16 May 2019 (both days inclusive)



- (ii) **Subject to the passing of the final dividend proposal agenda at the 2019 AGM, for determining the Eligible Shareholders' entitlement to the proposed final dividend:**

Ex-dividend date	Tuesday, 21 May 2019
Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Wednesday, 22 May 2019
Closure of the Register of Members	Thursday, 23 May 2019 to Friday, 24 May 2019 (both days inclusive)
Record Date	Friday, 24 May 2019

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

For and on behalf of the Board

YEUNG Kwok Keung

Chairman

Hong Kong, 18 March 2019

FINANCIAL STATEMENTS







INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Country Garden Holdings Company Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 122 to 253, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Recognition of revenue from sales of properties over time</p> <p>Refer to note 5 ‘Critical accounting estimates and judgements’ and note 6 ‘Revenue and segment information’ to the consolidated financial statements.</p> <p>Revenue from sales of properties is recognised over time when the Group’s performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2018, revenue of the Group from sales of properties was RMB369,405 million, of which RMB77,662 million was recognised on the over time basis.</p> <p>The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management’s judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws governing the sales contracts. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without.</p>	<p>To address this key audit matter, we performed audit procedures as follows:</p> <p>In assessing the appropriateness of management’s judgements as to whether the Group has the enforceable right to payment in those sales contracts where revenue is recognised over time, we have:</p> <ul style="list-style-type: none"> (i) Understood and evaluated management’s procedures in identifying sales contracts with or without right to payment. (ii) Reviewed the key terms of a sample of sales contracts to assess the presence of right to payment based on the contract terms. (iii) Obtained and reviewed the opinion of the Group’s legal counsel, in particular, the legal counsel’s interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment. (iv) Assessed the competence, experience and objectivity of the legal counsel engaged by the management. <p>In respect of the completeness of the estimated total contract costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have:</p> <ul style="list-style-type: none"> (i) Compared the actual costs of completed projects to management’s prior estimations to assess the accuracy of management’s historical cost estimation and reliability and appropriateness of the cost estimation methodology.



INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the year as a percentage of total estimated costs for each property unit in the sale contract. The Group calculated the cost allocation based on type of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total construction costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.

Given the involvement of significant judgements and estimations, recognition of revenue from sales of properties over time is considered a key audit matter.

How our audit addressed the Key Audit Matter

- (ii) Understood, evaluated and tested the internal controls over the generation of cost data of the project and property unit.
- (iii) Assessed the reasonableness of the basis for cost allocation and checked the accuracy of the cost allocation among property units.
- (iv) Assessed the reasonableness of the cost budgets for the project and property unit under development by comparison to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas.
- (v) Compared the estimated total development costs of the project and property unit under development to the budget approved by management.
- (vi) Tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers.

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of net realisable value of properties under development and completed properties held for sale</p> <p>Refer to note 5 ‘Critical accounting estimates and judgements’, note 10 ‘Properties under development’ and note 13 ‘Completed properties held for sale’ to the consolidated financial statements.</p> <p>The properties under development (“PUD”) and completed properties held for sale (“PHS”) of the Group amounted to RMB734,749 million and RMB44,338 million respectively as at 31 December 2018, which in total accounted for approximately 48% of the Group’s total assets. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value (“NRV”).</p> <p>Determination of NRV of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and, for PUD, the costs to completion. Given the significant balance of PUD and PHS and the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.</p>	<p>We obtained management’s NRV assessment on PUD and PHS and performed audit procedures as follows:</p> <p>(i) Compared the relevant PUD and PHS balances, as at 31 December 2018, on a sample basis, against the result of management’s NRV assessment made in the prior year to assess, with hindsight, the accuracy of management’s historical NRV assessment and reliability and appropriateness of the NRV assessment methodology.</p> <p>(ii) Tested management’s key estimates, on a sample basis, for:</p> <ul style="list-style-type: none"> • Selling price which is estimated based on the prevailing market conditions. We compared the estimated selling price to the recent market transactions by making reference to the Group’s selling price of pre-sale units in the same project or the prevailing market price of comparable properties with similar type, size and location. • Variable selling expenses are estimated based on certain percentage of selling price. We compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent years. • Estimated costs to completion for PUD. We reconciled the estimated costs to completion to the budget approved by management and examined the construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group. <p>We found the key estimates used in the assessment of NRV of PUD and PHS were supportable by available evidence.</p>



INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, 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.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 18 March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2018 RMB million	2017 RMB million
Non-current assets			
Property, plant and equipment	7	23,421	21,628
Investment properties	8	16,435	8,338
Intangible assets		670	392
Land use rights	9	2,496	2,425
Properties under development	10	107,812	98,840
Investments in joint ventures	11(b)	27,891	19,346
Investments in associates	11(c)	18,768	11,585
Financial assets at fair value through other comprehensive income	12	1,796	1,517
Derivative financial instruments	23	992	113
Trade and other receivables	15	10,962	5,372
Deferred income tax assets	31	18,701	12,198
		229,944	181,754
Current assets			
Properties under development	10	626,937	360,922
Completed properties held for sale	13	44,338	27,886
Inventories	14	8,822	4,252
Trade and other receivables	15	426,397	272,640
Contract assets and contract acquisition costs	16	17,094	15,738
Prepaid income tax		21,350	13,198
Restricted cash	17	14,200	11,318
Cash and cash equivalents	18	228,343	137,084
Financial assets at fair value through profit or loss	19	12,019	24,830
Derivative financial instruments	23	250	47
		1,399,750	867,915
Current liabilities			
Contract liabilities	21	562,800	346,748
Trade and other payables	20	498,821	330,884
Receipts under securitisation arrangements	22	794	1,805
Current income tax liabilities		30,783	21,607
Senior notes	24	2,238	3,795
Corporate bonds	25	23,964	16,814
Convertible bonds	26	8,051	–
Bank and other borrowings	27	91,844	47,672
Derivative financial instruments	23	111	212
		1,219,406	769,537
Net current assets		180,344	98,378
Total assets less current liabilities		410,288	280,132

	Note	As at 31 December	
		2018 RMB million	2017 RMB million
Non-current liabilities			
Senior notes	24	39,478	28,118
Corporate bonds	25	17,944	30,520
Convertible bonds	26	5,117	–
Bank and other borrowings	27	139,839	87,845
Deferred government grants		249	233
Deferred income tax liabilities	31	32,224	16,448
Derivative financial instruments	23	2,029	356
		236,880	163,520
Equity attributable to owners of the Company			
Share capital and premium	28	27,881	24,461
Other reserves	30	8,247	5,943
Retained earnings	30	85,202	63,267
		121,330	93,671
Non-controlling interests			
		52,078	22,941
Total equity			
		173,408	116,612
Total equity and non-current liabilities			
		410,288	280,132

The notes on pages 130 to 253 are an integral part of these consolidated financial statements.

The financial statements on pages 122 to 253 were approved by the Board of Directors on 18 March 2019 and were signed on its behalf.

MO Bin
Director

YANG Ziyang
Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2018 RMB million	2017 RMB million
Revenue	6	379,079	226,900
Cost of sales	33	(276,603)	(168,115)
Gross profit		102,476	58,785
Other income and gains — net	32	4,344	2,611
Gains arising from changes in fair value of and transfer to investment properties	8	1,732	505
Selling and marketing costs	33	(12,533)	(10,002)
Administrative expenses	33	(16,601)	(7,269)
Net impairment losses on financial and contract assets	4(a)(iii)	(1,176)	(339)
Research and development expenses	33	(1,224)	(693)
Operating profit		77,018	43,598
Finance income	35	2,445	3,423
Finance costs	35	(1,097)	(147)
Finance income — net	35	1,348	3,276
Share of results of joint ventures and associates	11(b), 11(c)	1,197	(352)
Profit before income tax		79,563	46,522
Income tax expenses	36	(31,021)	(17,770)
Profit for the year		48,542	28,752
Profit attributable to:			
— Owners of the Company		34,618	26,064
— Non-controlling interests		13,924	2,688
		48,542	28,752
Earnings per share attributable to owners of the Company (expressed in RMB yuan per share)			
Basic	39	1.61	1.23
Diluted	39	1.55	1.22

The notes on pages 130 to 253 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2018 RMB million	2017 RMB million
Profit for the year		48,542	28,752
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
– Change in fair value of financial assets at fair value through other comprehensive income	30	107	(56)
Items that may be reclassified to profit or loss:			
– Deferred gains/(losses) on cash flow hedges	23(d)	35	(104)
– Deferred (costs)/gains of hedging	23(d)	(1,099)	751
– Currency translation differences		(67)	155
Total other comprehensive (loss)/income for the year, net of tax		(1,024)	746
Total comprehensive income for the year		47,518	29,498
Total comprehensive income attributable to:			
– Owners of the Company		33,619	26,776
– Non-controlling interests		13,899	2,722
		47,518	29,498

The notes on pages 130 to 253 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests RMB million	Total equity RMB million
	Share capital and premium RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million		
Balance at 1 January 2018	24,461	5,943	63,267	93,671	22,941	116,612
Comprehensive income						
Profit for the year	-	-	34,618	34,618	13,924	48,542
Other comprehensive income	-	(999)	-	(999)	(25)	(1,024)
Total comprehensive income for the year	-	(999)	34,618	33,619	13,899	47,518
Transactions with owners in their capacity as owners						
Capital injections from non-controlling interests	-	-	-	-	6,237	6,237
Transfer to statutory reserve	-	2,022	(2,022)	-	-	-
Issue of shares as a result of placing (note 28)	6,330	-	-	6,330	-	6,330
Issue of shares as a result of scrip dividend (notes 28 and 37(a))	9	-	-	9	-	9
Buy-back of shares (note 28(b))	(2,965)	-	-	(2,965)	-	(2,965)
Dividends (note 37(a))	-	-	(9,441)	(9,441)	-	(9,441)
Distribution in specie (note 37(b))	-	(490)	(1,275)	(1,765)	(25)	(1,790)
Employee share schemes						
– Value of employee services (note 29)	-	354	-	354	-	354
– Issue of shares pursuant to share option scheme (notes 28 and 30)	46	(33)	-	13	-	13
Equity component of convertible bonds issued (note 26)	-	375	-	375	-	375
Early redemption of convertible bonds (note 26(b))	-	(155)	55	(100)	-	(100)
Non-controlling interests arising from business combinations (note 44)	-	-	-	-	9,522	9,522
Disposals of subsidiaries (note 43)	-	-	-	-	(497)	(497)
Changes in ownership interests in subsidiaries without change of control (note 42)	-	(127)	-	(127)	1	(126)
Total transactions with owners	3,420	1,946	(12,683)	(7,317)	15,238	7,921
Other transaction						
Issue of written call options	-	1,357	-	1,357	-	1,357
Balance at 31 December 2018	27,881	8,247	85,202	121,330	52,078	173,408

	Attributable to owners of the Company				Non-controlling interests RMB million	Total equity RMB million
	Share capital and premium RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million		
Balance at 1 January 2017	25,677	4,484	43,120	73,281	11,922	85,203
Comprehensive income						
Profit for the year	–	–	26,064	26,064	2,688	28,752
Other comprehensive income	–	712	–	712	34	746
Total comprehensive income for the year	–	712	26,064	26,776	2,722	29,498
Transactions with owners in their capacity as owners						
Capital injections from non-controlling interests	–	–	–	–	4,343	4,343
Transfer to statutory reserve	–	1,129	(1,129)	–	–	–
Dividends	–	–	(5,383)	(5,383)	–	(5,383)
Buy-back of shares	(1,216)	–	–	(1,216)	–	(1,216)
Employee share schemes:						
– Value of employee services (note 29)	–	265	–	265	–	265
Non-controlling interests arising from business combinations	–	–	–	–	4,535	4,535
Reclassification of revaluation reserve upon disposal	–	(595)	595	–	–	–
Disposals of subsidiaries	–	–	–	–	(746)	(746)
Changes in ownership interests in subsidiaries without change of control	–	(52)	–	(52)	165	113
Total transactions with owners	(1,216)	747	(5,917)	(6,386)	8,297	1,911
Balance at 31 December 2017	24,461	5,943	63,267	93,671	22,941	116,612

The notes on pages 130 to 253 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December	
		2018 RMB million	2017 RMB million
Cash flows from operating activities			
Cash generated from operations	38(a)	83,147	54,001
Income tax paid		(35,698)	(19,115)
Interest paid		(18,068)	(10,802)
Net cash generated from operating activities		29,381	24,084
Cash flows from investing activities			
Net cash outflow on acquisitions of subsidiaries	44	(2,434)	(1,904)
Proceeds from disposals of property, plant and equipment	38(b)	152	354
Net cash (outflow)/inflow on disposals of subsidiaries	43	(448)	132
Purchases of property, plant and equipment		(3,230)	(3,301)
Payments for investment properties	8	(139)	(55)
Purchases of intangible assets and land use rights		(427)	(221)
Investments in joint ventures		(6,641)	(9,853)
Investments in associates		(6,550)	(6,829)
Deposits for acquisitions of companies		(10,366)	(4,646)
Loans advanced to related and third parties		(30)	(1,915)
Repayments from loans to third parties		2,780	514
Payments for financial assets at fair value through other comprehensive income	12	(158)	(707)
Payments for financial assets at fair value through profit or loss		(12,156)	(18,389)
Proceeds from disposals of financial assets at fair value through profit or loss		24,918	816
Dividend income from financial assets at fair value through other comprehensive income		15	–
Interest received	35	2,445	1,620
Net cash used in investing activities		(12,269)	(44,384)

	Note	Year ended 31 December	
		2018 RMB million	2017 RMB million
Cash flows from financing activities			
Capital injections from non-controlling interests		6,237	4,343
Buy-back of shares	28(b)	(2,965)	(1,216)
Net proceeds from transactions with non-controlling interests	42	(126)	112
Issue of shares as a result of placing	28(a)	6,330	–
Issue of shares pursuant to share option scheme		13	–
Net cash distributed in respect of distribution in specie	37(b)	(3,085)	–
Issue of senior notes	24	16,324	7,747
Redemption and repayment of senior notes	24	(8,406)	(3,809)
Issue of corporate bonds	25	5,732	10,663
Repayment of corporate bonds	25	(14,534)	(1,125)
Issue of convertible bonds	26	19,322	–
Redemption of convertible bonds	26	(5,686)	–
Issue of written call options		472	–
Payments for purchased call option contracts		(864)	–
Settlement of derivative financial instruments		(382)	(374)
Repayments of receipts under securitisation arrangements		(1,011)	(5,238)
Proceeds from bank and other borrowings	38(c)	108,918	87,106
Repayments of bank and other borrowings	38(c)	(43,025)	(20,006)
Dividends paid to owners of the Company	37(a)	(9,432)	(5,382)
Net cash generated from financing activities		73,832	72,821
Net increase in cash and cash equivalents		90,944	52,521
Cash and cash equivalents at the beginning of the year		137,084	84,647
Exchange gains/(losses) on cash and cash equivalents		315	(84)
Cash and cash equivalents at the end of the year	18	228,343	137,084

The notes on pages 130 to 253 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

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

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 18 March 2019.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

(i) **Compliance with Hong Kong Financial Reporting Standards (“HKFRS”) and the Hong Kong Companies Ordinance**

The consolidated financial statements of the Group have been prepared in accordance with applicable HKFRS and disclosure requirements under the Hong Kong Companies Ordinance.

(ii) **Historical cost convention**

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

(iii) **New and amended standards adopted by the Group**

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

- Classification and measurement of share-based payment transactions — amendments to HKFRS 2;
- Foreign currency transactions and advance consideration — HK (IFRIC) 22;
- Transfers of investment properties — amendments to HKAS 40; and
- Investments in associates and joint ventures — Annual improvements to HKFRS 2014–2016 cycle — amendments to HKAS 28.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

The adoption of these amendments and interpretations to existing standards did not have any impact on the amounts recognised in prior periods and current period, and are not expected to significantly affect future periods.

(iv) New and amended standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not effective in current year and have not been early adopted by the Group.

		Effective for the financial year beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatment	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Annual improvements 2015–2017 cycle		1 January 2019
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The above new standards, amendments and interpretations to existing standards are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group except for HKFRS 17. The Group is in the process of assessing the impact of HKFRS 17 on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)**2.2 Subsidiaries****2.2.1 Consolidation**

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

(i) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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



2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(i) *Business combinations (Continued)*

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

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

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

(iii) *Disposals of subsidiaries*

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

2.2.2 Separate financial statements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)*

2.3 Associates

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

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

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

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

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

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

2.4 Joint arrangements

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

2 Summary of significant accounting policies (Continued)

2.4 Joint arrangements (Continued)

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

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)***2.6 Foreign currency translation** *(Continued)***(ii) Transactions and balances** *(Continued)*

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within 'finance income — net'. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within 'finance income — net', except when capitalised on the basis set out in note 2.25. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other income and gains — net'.

(iii) Group companies

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

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

2.7 Property, plant and equipment

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

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.7 Property, plant and equipment *(Continued)*

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

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

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

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

2.8 Investment properties

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)***2.8 Investment properties** *(Continued)*

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

2.9 Intangible assets**(i) Goodwill**

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

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

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

(ii) Computer software

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

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

(iii) Research and development expenses

Research and development expenditures that do not meet the capitalised criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 Summary of significant accounting policies (Continued)

2.10 Impairment of non-financial assets

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

2.11 Financial assets

(i) Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies**2.11 Financial assets** *(Continued)***(ii) Recognition and measurement** *(Continued)**Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other income and gains — net'. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within 'other income and gains — net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

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

2 Summary of significant accounting policies (Continued)

2.12 Impairment of financial assets and contract assets

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

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

2.13 Derivative financial instruments and hedging activities

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)***2.13 Derivative financial instruments and hedging activities** *(Continued)*

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

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

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

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

2.14 Offsetting financial instruments

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



2 Summary of significant accounting policies (Continued)

2.15 Properties under development

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

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

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

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

2.16 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

2.17 Inventories

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

2.18 Trade and other receivables

Trade receivables are amounts due from buyers 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)***2.19 Contract assets and contract liabilities**

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

The Group recognises the incremental costs of obtaining a contract with a buyer as contract acquisition cost within contract assets if the Group expects to recover those costs.

2.20 Cash and cash equivalents

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

2.21 Share capital

Ordinary shares are classified as equity.

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

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

2.22 Government grants

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

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



2 Summary of significant accounting policies *(Continued)*

2.23 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. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.24 Borrowings

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

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

2.25 Borrowing costs

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)*

2.26 Senior notes

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

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

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

2.27 Receipts under securitisation arrangements

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

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

2.28 Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for a non-convertible bond with similar terms. This amount is recorded as a liability on an amortised cost basis until conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity or derivative liability according to the conversion feature embedded. Any directly attributable transaction costs are allocated to the liability and equity or derivative liability component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a convertible bond is measured at amortised cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry. The derivative liability component of a convertible bond is measured at fair value with changes in fair value recognised in profit or loss.

2.29 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in 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.

2 Summary of significant accounting policies (Continued)

2.29 Current and deferred income tax (Continued)

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)***2.29 Current and deferred income tax** *(Continued)***(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.

2.30 Employee benefits**(i) Pension obligations**

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

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

(ii) Profit-sharing and bonus plans

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

2.31 Share-based payments

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

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

2 Summary of significant accounting policies *(Continued)*

2.31 Share-based payments *(Continued)*

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

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

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

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

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

2.32 Provisions and contingent liabilities

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

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)**2.33 Revenue recognition**

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

Revenue from contracts with customers

Revenues are recognised when or as the control of the asset is transferred to the buyer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the buyer; or
- creates and enhances an asset that the buyer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the buyer obtains control of the asset.

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

(i) Sales of properties and rendering of construction services

Revenue from sales of properties is recognised over time when the Group's performance under the sale contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise revenue from sales of property is recognised at point in time.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction (excluding land cost and borrowing cost) costs incurred up to the end of reporting period as a percentage of total estimated construction costs for each contract.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the buyer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

2 Summary of significant accounting policies (Continued)

2.33 Revenue recognition (Continued)

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

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

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

(ii) Hotel operation

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

(iii) Property management

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

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

Revenue from other sources

Rental income

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

2.34 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)**2.35 Dividend income**

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

2.36 Leases

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

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

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

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

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

(ii) The Group is the lessor

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

2.37 Dividend distribution

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

2.38 Insurance contracts

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

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

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



3 Change in accounting policies

During the year ended 31 December 2018, the Group has changed and separated its presentation of profit and loss section from a single consolidated statement of comprehensive income into two separate statements — a consolidated income statement and a consolidated statement of comprehensive income. As the number of items of other comprehensive income increased, the directors of the Company considered that the change would result in a more clear presentation of the Group's performance in these consolidated financial statements to the readers. The change in presentation has been applied retrospectively.

4 Financial risk management

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

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

(a) Financial risk factors

(i) Foreign exchange risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The aggregated carrying amount of the foreign currency denominated monetary assets and monetary liabilities of group companies at the respective dates of statement of financial position are as follows:

	2018	2017
	RMB million	RMB million
Assets		
HKD	826	2,215
USD	3,138	2,179
Other currencies	651	324
	4,615	4,718
Liabilities		
HKD	7,889	8,630
USD	63,352	49,861
Other currencies	4,653	233
	75,894	58,724

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

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

	Change of profit or loss – increase/(decrease)	
	2018 RMB million	2017 RMB million
RMB against HKD:		
Strengthened by 5%	353	321
Weakened by 5%	(353)	(321)
RMB against USD:		
Strengthened by 5%	3,011	2,384
Weakened by 5%	(3,011)	(2,384)

(ii) Cash flow and fair value interest rate risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)**(a) Financial risk factors** (Continued)**(ii) Cash flow and fair value interest rate risk** (Continued)

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

The exposure of the Group's total borrowings (notes 24, 25, 26 and 27) to interest rate changes and the contractual maturity dates of the total borrowings at the end of the year are as follows:

	2018	2017
	RMB million	RMB million
Variable rate borrowings	197,259	116,020
Other borrowings — maturity dates:		
1 year or less	53,460	28,293
1–2 years	24,644	26,184
2–5 years	41,996	32,984
Over 5 years	11,116	11,283
	328,475	214,764

(iii) Credit risk

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

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

To manage this risk, bank deposits and derivative financial instruments are mainly placed or entered with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to buyers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For properties that are still under construction and the buyers choose to pay by bank mortgage, the Group typically provides guarantees to banks in connection with the buyers' borrowing of mortgage loans to finance their purchases of the properties. If a buyer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by more than the buyer's deposits received, the Group may not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and buyers.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

The Group has arranged bank financing for certain buyers of property units and provided guarantees to secure obligations of such buyers for repayments. Detailed disclosure of these guarantees is made in note 40. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and available forward-looking information. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

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

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

i. Loans to related and third parties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

As at 31 December 2018 and 2017, the internal credit rating of loans to related and third parties were performing. The Group required certain third parties to provide guarantees or pledge collaterals as securities against the loans.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

i. Loans to related and third parties (Continued)

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 31 December 2018, the Group provided for credit losses against loans to related and third parties as follows:

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

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

As at 31 December 2018, the gross carrying amount of loans to related and third parties was RMB696 million (2017: RMB3,446 million) and after deducting impairment provision of RMB9 million (2017: RMB36 million), the maximum exposure to loss was RMB687 million (2017: RMB3,410 million). The Group made no write-off of loans to related and third parties during the year (2017: nil).

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

The Group applies the 12 months expected losses approach to provide for expected credit losses prescribed by HKFRS 9, and the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for other receivables (excluding deposits, prepayments and loans to related and third parties), and adjusts for forward looking macroeconomic data.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets and trade receivables.

Expected loss rate of contract assets is assessed to be 0.1% (2017: 0.1%). As at 31 December 2018, the loss allowance provision for contract assets was not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

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

As at 31 December 2018, the loss allowance provision was determined as follows.

2018

Trade receivables	Current	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB million)	38,153	1,329	1,242	40,724
Loss allowance provision (RMB million)	38	27	62	127

Other receivables (excluding deposits, prepayments and loans to related and third parties)	Current	More than 180 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB million)	225,187	15,162	9,178	2,040	1,520	253,087
Loss allowance provision (RMB million)	225	152	918	306	304	1,905

2017

Trade receivables	Current	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB million)	26,590	1,331	1,133	29,054
Loss allowance provision (RMB million)	27	27	56	110

Other receivables (excluding deposits, prepayments and loans to related and third parties)	Current	More than 180 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB million)	125,178	6,110	2,218	536	1,153	135,195
Loss allowance provision (RMB million)	125	61	222	80	231	719

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

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

As at 31 December 2018, the loss allowance provision for trade and other receivables (excluding deposits, prepayments and loans to related and third parties) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB million	Other receivables (excluding deposits, prepayments and loans to related and third parties) RMB million	Total RMB million
Opening loss allowance as at 1 January 2017	56	448	504
Provision for loss allowance recognised in profit or loss during the year	54	271	325
Closing loss allowance as at 31 December 2017	110	719	829
Provision for loss allowance recognised in profit or loss during the year	17	1,186	1,203
Closing loss allowance as at 31 December 2018	127	1,905	2,032

As at 31 December 2018, the gross carrying amount of trade and other receivables (excluding deposits, prepayments and loans to related and third parties) was RMB293,811 million (2017: RMB164,249 million) and thus the maximum exposure to loss was RMB291,779 million (2017: RMB163,420 million). The Group made no write-off of trade and other receivables (excluding deposits, prepayments and loans to related and third parties) and contract assets during the year (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Management aims at maintaining sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2019. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2019 include: (1) construction payments match receipt of the relevant proceeds from pre-sales; (2) available project loan facility is expected to be no less than that of 2018; and (3) no breach of debt covenants is anticipated in 2019, as the management will closely monitor the compliance status of the covenants for all borrowings.

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

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

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	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 2018					
Senior notes	4,224	8,389	26,799	12,276	51,688
Bank and other borrowings	106,941	82,012	64,525	7,218	260,696
Convertible bonds	8,386	309	7,787	–	16,482
Corporate bonds	26,016	10,865	8,632	–	45,513
Receipts under securitisation arrangements	832	–	–	–	832
Trade and other payables (excluding other taxes payable and salaries payable)	447,987	–	–	–	447,987
Derivative financial instruments	111	239	1,790	–	2,140
Total	594,497	101,814	109,533	19,494	825,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Less than 1 year RMB 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 2017					
Senior notes	5,550	3,616	20,017	13,095	42,278
Bank and other borrowings	54,005	40,927	52,181	773	147,886
Corporate bonds	18,657	18,858	14,773	–	52,288
Receipts under securitisation arrangements	1,880	–	–	–	1,880
Trade and other payables (excluding other taxes payable and salaries payable)	298,558	–	–	–	298,558
Derivative financial instruments	212	55	301	–	568
Total	378,862	63,456	87,272	13,868	543,458

(b) Capital management

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

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

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

4 Financial risk management (Continued)

(b) Capital management (Continued)

The gearing ratio as at 31 December 2018 and 2017 were as follows:

	2018 RMB million	2017 RMB million
Total borrowings (notes 24, 25, 26 and 27)	328,475	214,764
Less: Cash and cash equivalents (note 18)	(228,343)	(137,084)
Guarantee deposits for construction of pre-sale properties (note 17)	(14,200)	(11,318)
Net debt	85,932	66,362
Total equity	173,408	116,612
Gearing ratio	50%	57%

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

(c) Fair value estimation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(c) Fair value estimation (Continued)

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
At 31 December 2018				
Assets				
Financial assets at FVOCI	94	–	1,702	1,796
Derivative financial instruments	–	1,242	–	1,242
Financial assets at FVTPL	259	11,760	–	12,019
Total	353	13,002	1,702	15,057
Liabilities				
Derivative financial instruments	–	2,140	–	2,140
	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
At 31 December 2017				
Assets				
Financial assets at FVOCI	–	–	1,517	1,517
Derivative financial instruments	–	160	–	160
Financial assets at FVTPL	308	24,522	–	24,830
Total	308	24,682	1,517	26,507
Liabilities				
Derivative financial instruments	–	568	–	568

4 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments in level 2

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

Valuation techniques used to derive level 2 fair values

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

For Level 2 financial assets at FVTPL, fair values are generally obtained through the use of valuation methodologies with observable market inputs or by reference to recent completed transaction prices.

(ii) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2018 and 2017:

	2018 RMB million	2017 RMB million
Opening balance	1,517	871
Additions	158	707
Fair value changes	121	(61)
Transfer to Level 1*	(94)	–
Closing balance	1,702	1,517
Dividend income recognised in 'other income and gains – net'	6	9

* The Group transferred its equity interest in a company listed on the National Association of Securities Dealers Automated Quotations (the "NASDAQ") from level 3 to level 1 as the shares of this company were actively traded during the year.

Except as described above, there were no transfers between level 1, 2 and 3 during the year.

There were no changes in valuation techniques during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(d) Financial instruments by category

	2018			
	Assets at fair value through other comprehensive income RMB million	Assets at fair value through profit or loss RMB million	Assets at amortised cost RMB million	Total RMB million
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	1,796	–	–	1,796
Trade and other receivables excluding deposits and prepayments	–	–	292,466	292,466
Restricted cash	–	–	14,200	14,200
Cash and cash equivalents	–	–	228,343	228,343
Derivative financial instruments	–	1,242	–	1,242
Financial assets at FVTPL	–	12,019	–	12,019
Total	1,796	13,261	535,009	550,066
	2017			
	Assets at fair value through other comprehensive income RMB million	Assets at fair value through profit or loss RMB million	Assets at amortised cost RMB million	Total RMB million
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	1,517	–	–	1,517
Trade and other receivables excluding deposits and prepayments	–	–	166,830	166,830
Restricted cash	–	–	11,318	11,318
Cash and cash equivalents	–	–	137,084	137,084
Derivative financial instruments	–	160	–	160
Financial assets at FVTPL	–	24,830	–	24,830
Total	1,517	24,990	315,232	341,739

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Critical accounting estimates and judgements

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

(a) Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise the revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws governing the sales contracts. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without.

In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the year as a percentage of total estimated costs for each property unit in the sale contract. The Group calculated the cost allocation based on type of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total construction costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.



5 Critical accounting estimates and judgements *(Continued)*

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

The carrying amounts of properties under development and completed properties held for sale amounted to RMB734,749 million (2017: RMB459,762 million) and RMB44,338 million (2017: RMB27,886 million) respectively as at 31 December 2018, which in total accounted for approximately 48% (2017: 46%) of the Group's total assets. The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable values based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there was no material impairment for properties under development and completed properties held for sale as at 31 December 2018.

(c) Income taxes and deferred income tax

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

Deferred income 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue and segment information

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

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

During the year ended 31 December 2018, upon the spin-off of CG Services (note 37(b)), the executive directors of the Company reassessed the performance and operations of the Group and concluded that the Group only have two reportable segments – Property development and Construction, and the other segments are individually and collectively insignificant for segment reporting purposes. The comparative information has been restated accordingly.

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

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

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

6 Revenue and segment information *(Continued)*

Revenue consists of the following:

	2018	2017
	RMB million	RMB million
Sales of properties	369,405	220,157
Rendering of construction services	5,265	2,305
Rental income	227	108
Rendering of property management services	1,632	2,656
Rendering of hotel services and others	2,550	1,674
	379,079	226,900

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue and segment information (Continued)

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2018 is as follows:

	Property development RMB million	Construction RMB million	Others RMB million	Total RMB million
Revenue from contracts with customers	369,405	38,619	12,634	420,658
— Recognised at a point in time	291,743	—	8,876	300,619
— Recognised over time	77,662	38,619	3,758	120,039
Revenue from other sources:				
Rental income	—	—	227	227
Segment revenue	369,405	38,619	12,861	420,885
Inter-segment revenue	—	(33,354)	(8,452)	(41,806)
Revenue from external customers	369,405	5,265	4,409	379,079
Share of results of joint ventures and associates	1,250	—	(53)	1,197
Gains arising from changes in fair value of and transfer to investment properties	—	—	1,732	1,732
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and land use rights	366	51	627	1,044
Net impairment losses on financial and contract assets	1,117	16	43	1,176
Segment results	75,566	351	2,276	78,193
At 31 December 2018				
Total segment assets after elimination of inter-segment balances	1,519,796	21,951	54,189	1,595,936
Investments in joint ventures and associates	46,431	—	228	46,659
Capital expenditure	1,792	32	1,972	3,796
Total segment liabilities after elimination of inter-segment balances	1,022,717	19,023	20,130	1,061,870

6 Revenue and segment information (Continued)

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

	Property development RMB million	Construction RMB million	Others RMB million	Total RMB million
Revenue from contracts with customers	220,157	22,089	4,936	247,182
– Recognised at a point in time	159,350	–	–	159,350
– Recognised over time	60,807	22,089	4,936	87,832
Revenue from other sources:				
Rental income	–	–	108	108
Segment revenue	220,157	22,089	5,044	247,290
Inter-segment revenue	–	(19,784)	(606)	(20,390)
Revenue from external customers	220,157	2,305	4,438	226,900
Share of results of joint ventures and associates	(344)	–	(8)	(352)
Gains arising from changes in fair value of and transfer to investment properties	–	–	505	505
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and land use rights	152	30	643	825
Net impairment losses on financial and contract assets	324	6	9	339
Segment results	42,308	74	1,265	43,647
At 31 December 2017				
Total segment assets after elimination of inter-segment balances	970,470	16,950	23,544	1,010,964
Investments in joint ventures and associates	30,913	–	18	30,931
Capital expenditure	1,819	26	1,574	3,419
Total segment liabilities after elimination of inter-segment balances	659,724	14,987	3,154	677,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue and segment information (Continued)

Reportable segment results are reconciled to net profit as follows:

	2018 RMB million	2017 RMB million
Total segment results	78,193	43,647
Changes in fair value of derivative financial instruments	22	(401)
Finance income — net	1,348	3,276
Profit before income tax	79,563	46,522
Income tax expenses	(31,021)	(17,770)
Profit for the year	48,542	28,752

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

	2018 RMB million	2017 RMB million
Total segment assets after elimination of inter-segment balances	1,595,936	1,010,964
Deferred income tax assets	18,701	12,198
Financial assets at FVOCI	1,796	1,517
Financial assets at FVTPL	12,019	24,830
Derivative financial instruments	1,242	160
Total assets	1,629,694	1,049,669
Total segment liabilities after elimination of inter-segment balances	1,061,870	677,865
Deferred income tax liabilities	32,224	16,448
Current income tax liabilities	30,783	21,607
Senior notes	41,716	31,913
Bank and other borrowings	231,683	135,517
Corporate bonds	41,908	47,334
Convertible bonds	13,168	—
Receipts under securitisation arrangements	794	1,805
Derivative financial instruments	2,140	568
Total liabilities	1,456,286	933,057

7 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 2018						
Opening net book amount	13,995	674	570	529	5,860	21,628
Acquisitions of subsidiaries (note 44)	344	48	-	359	-	751
Other additions	173	101	299	562	2,095	3,230
Transfer	2,016	-	-	-	(2,016)	-
Disposals of subsidiaries	(11)	(38)	(21)	(10)	(771)	(851)
Other disposals	(22)	(18)	(20)	(64)	-	(124)
Depreciation	(556)	(156)	(174)	(389)	-	(1,275)
Exchange differences	49	6	5	-	2	62
Closing net book amount	15,988	617	659	987	5,170	23,421
At 31 December 2018						
Cost	18,934	1,138	1,685	2,734	5,170	29,661
Accumulated depreciation	(2,946)	(521)	(1,026)	(1,747)	-	(6,240)
Net book amount	15,988	617	659	987	5,170	23,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Property, plant and equipment (Continued)

	Buildings RMB million	Machinery RMB million	Transportation equipment RMB million	Furniture, fitting and equipment RMB million	Construction in progress RMB million	Total RMB million
At 1 January 2017						
Cost	15,644	640	1,499	1,616	5,705	25,104
Accumulated depreciation	(1,856)	(349)	(866)	(1,156)	–	(4,227)
Net book amount	13,788	291	633	460	5,705	20,877
Year ended						
31 December 2017						
Opening net book amount	13,788	291	633	460	5,705	20,877
Acquisitions of subsidiaries	196	–	–	258	–	454
Other additions	464	544	163	334	1,639	3,144
Transfer	1,484	–	–	–	(1,484)	–
Disposals of subsidiaries	(1,433)	(37)	(2)	(23)	–	(1,495)
Other disposals	(94)	(26)	(46)	(170)	–	(336)
Depreciation	(445)	(103)	(182)	(337)	–	(1,067)
Exchange differences	35	5	4	7	–	51
Closing net book amount	13,995	674	570	529	5,860	21,628
At 31 December 2017						
Cost	15,948	1,050	1,574	1,823	5,860	26,255
Accumulated depreciation	(1,953)	(376)	(1,004)	(1,294)	–	(4,627)
Net book amount	13,995	674	570	529	5,860	21,628

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

	2018 RMB million	2017 RMB million
Properties under development	366	342
Cost of sales	310	270
Selling and marketing costs	95	81
Administrative expenses and research and development expenses	504	374
	1,275	1,067

7 Property, plant and equipment *(Continued)*

As at 31 December 2018, buildings with net book value of RMB2,845 million (2017: RMB1,822 million) were pledged as collateral for the Group's bank and other borrowings (note 27).

As at 31 December 2018, title certificates of buildings with net book value of RMB2,584 million (2017: RMB1,905 million) were still in the process of being obtained.

8 Investment properties

	2018 RMB million	2017 RMB million
Year ended 31 December		
Opening net book amount	8,338	9,773
Acquisitions of subsidiaries (note 44)	2,862	–
Transfer from properties under development and completed properties held for sale	4,170	525
Other additions	139	55
Revaluation gains upon transfer from properties under development and completed properties held for sale	1,516	365
Fair value changes	216	140
Transfer to properties under development	(621)	(1,086)
Disposals of subsidiaries	(185)	(1,434)
Closing net book amount	16,435	8,338
Gains arising from changes in fair value of and transfer to investment properties represent:		
– revaluation gains upon transfer of properties under development and completed properties held for sale	1,516	365
– fair value changes	216	140
	1,732	505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties *(Continued)*

The Group's policy is to recognise change of fair value hierarchy levels as of the date of the event or change in circumstances that caused the change. At 31 December 2018 and 2017, the Group had only level 3 investment properties.

Valuation processes of the Group

The Group's investment properties were valued at transfer or business acquisition dates, and at 31 December 2018 and 2017 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited or Cushman & Wakefield Limited, independent and professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

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

At each half year-end, management:

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

Valuation techniques

Valuations are based on:

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

8 Investment properties (Continued)

Valuation techniques (Continued)

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

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

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

	Fair value as at 31 December 2018 RMB million	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	15,866	Income capitalisation	The rate of return/ capitalisation rate Monthly rental (RMB/ square meter/month)	3%–5.5% per annum 11–220
		Direct comparison	Adjusted market price (RMB/square meter)	3,500–36,000
Investment properties under construction	569	Residual method	Budgeted construction costs to be incurred (RMB/square meter)	41–5,580
			Remaining percentage to completion	2%–98%
			Anticipated developer’s profit margin	10%–25%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Fair value as at 31 December 2017 RMB million	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	7,042	Income capitalisation	The rate of return/ capitalisation rate Monthly rental (RMB/ square meter/month)	3%–5.5% per annum 20–265
		Direct comparison	Adjusted market price (RMB/square meter)	3,500–37,500
Investment properties under construction	1,296	Residual method	Budgeted construction costs to be incurred (RMB/square meter) Remaining percentage to completion Anticipated developer's profit margin	70–5,950 1%–90% 13%–25%

Relationships of unobservable inputs to fair value are as follows:

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

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

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

Amounts recognised in profit or loss for investment properties

	2018 RMB million	2017 RMB million
Rental income	227	108
Direct operating expenses	(37)	(26)
	190	82

As at 31 December 2018, investment properties with fair value of RMB599 million (2017: RMB419 million) were pledged as collateral for the Group's bank and other borrowings (note 27).

9 Land use rights

	2018 RMB million	2017 RMB million
Opening net book amount	2,425	2,536
Acquisitions of subsidiaries (note 44)	132	—
Other additions	214	108
Disposals of subsidiaries	(212)	(145)
Amortisation	(63)	(74)
Closing net book amount	2,496	2,425

These land use rights are held for self-use. Amortisation expense has been charged to administrative expenses and cost of sales.

The land use rights located in Mainland China, amounting to RMB1,745 million (2017: RMB1,824 million) are held on leases of between 10 to 50 years. The land use rights located in Malaysia, amounting to RMB751 million (2017: RMB601 million), are freehold.

As at 31 December 2018, land use rights with net book value of RMB1,557 million (2017: RMB1,588 million) were pledged as collateral for the Group's bank and other borrowings (note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Properties under development

	2018 RMB million	2017 RMB million
Properties under development expected to be completed and delivered:		
– Within a normal operating cycle included under current assets	626,937	360,922
– Beyond a normal operating cycle included under non-current assets	107,812	98,840
	734,749	459,762
Amounts comprise:		
– Construction costs including depreciation and staff cost capitalised	318,756	200,404
– Land use rights	398,795	249,325
– Borrowing costs capitalised	17,198	10,033
	734,749	459,762

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

At 31 December 2018, properties under development included the costs to fulfil those contracts, revenue of which was recognised over time amounted to RMB16,589 million (2017: RMB7,351 million).

Cost of sales for the year included RMB5,273 million (2017: RMB3,718 million) of costs brought forward from prior year to fulfil those contracts revenue of which was recognised over time.

At 31 December 2018, properties under development amounting to RMB517,817 million (2017: RMB226,911 million) were expected to be completed and delivered beyond one year.

The capitalisation rate used to capitalise interest on general borrowings in 2018 was 6.47% per annum (2017: 5.89% per annum).

10 Properties under development (Continued)

The properties under development of the Group are located in:

	2018	2017
	RMB million	RMB million
Mainland China	717,666	441,532
Malaysia	6,631	12,200
Australia	1,940	1,827
Others	8,512	4,203
	734,749	459,762

As at 31 December 2018, land use rights included in properties under development of RMB75,097 million (2017: RMB31,187 million) were pledged as collateral for the Group's bank and other borrowings (note 27).

11(a) Subsidiaries

The principal subsidiaries at 31 December 2018 are listed in note 47.

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

11(b) Investments in joint ventures

	2018	2017
	RMB million	RMB million
At 1 January	19,346	7,311
Transfer from subsidiaries	1,327	728
Other additions	8,941	12,989
Transfer to subsidiaries	(1,288)	(1,252)
Disposals	(325)	(5)
Share of results	(110)	(425)
— Gains arising from negative goodwill	51	305
— Others	(161)	(730)
At 31 December	27,891	19,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11(b) Investments in joint ventures *(Continued)*

The balance comprises the following:

	2018 RMB million	2017 RMB million
Unlisted investments		
– Share of net assets	27,553	19,132
– Goodwill	338	214
	27,891	19,346

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

Total identifiable net assets of joint ventures acquired

	With negative goodwill RMB million	With goodwill RMB million	Total RMB million
Assets	24,171	2,827	26,998
Liabilities	(17,610)	(2,025)	(19,635)
Total identifiable net assets	6,561	802	7,363

Reconciliation to the Group's interests in the joint ventures

Fair values of the consideration for the acquisitions	2,864	470
Fair values of the Group's share of identifiable net assets	(2,915)	(346)
(Negative goodwill)/goodwill	(51)	124

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

11(b) Investments in joint ventures *(Continued)*

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

As at 31 December 2018, certain borrowings of joint ventures were guaranteed by the Group (note 40) and/or secured by the Group's certain interests in joint ventures with an aggregate carrying value of RMB3,391 million (2017: RMB2,071 million). As at 31 December 2018, there were no significant commitments relating to the Group's interests in the joint ventures.

The directors of the Company consider that none of the joint ventures as at 31 December 2018 and 2017 was significant to the Group and thus the individual financial information of the joint ventures was not disclosed. The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	2018	2017
	RMB million	RMB million
Carrying amount in the consolidated financial statements	27,891	19,346
Share of losses for the year	(110)	(425)
Share of total comprehensive loss for the year	(110)	(425)

11(c) Investments in associates

	2018	2017
	RMB million	RMB million
At 1 January	11,585	3,873
Transfer from subsidiaries	682	492
Other additions	7,376	7,994
Transfer to subsidiaries	(2,073)	(847)
Disposals	(109)	–
Share of results	1,307	73
– Gains arising from negative goodwill	338	331
– Others	969	(258)
At 31 December	18,768	11,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11(c) Investments in associates *(Continued)*

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

Total identifiable net assets of associates acquired

	With negative goodwill RMB million	With goodwill RMB million	Total RMB million
Assets	46,168	3,422	49,590
Liabilities	(26,509)	(2,762)	(29,271)
Total identifiable net assets	19,659	660	20,319

Reconciliation to the Group's interests in the associates

Fair values of the consideration for the acquisitions	4,701	132
Fair values of the Group's share of identifiable net assets	(5,039)	(115)
(Negative goodwill)/goodwill	(338)	17

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

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

As at 31 December 2018, certain borrowings of associates were guaranteed by the Group (note 40) and/or secured by the Group's certain interests in associates with an aggregate carrying value of RMB3,640 million (2017: RMB722 million).

11(c) Investments in associates *(Continued)*

The directors of the Company consider that none of the associates as at 31 December 2018 and 2017 was significant to the Group and thus the individual financial information of the associates was not disclosed. The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

	2018	2017
	RMB million	RMB million
Carrying amount in the consolidated financial statements	18,768	11,585
Share of profits for the year	1,307	73
Share of total comprehensive income for the year	1,307	73

12 Financial assets at fair value through other comprehensive income

	2018	2017
	RMB million	RMB million
At 1 January	1,517	871
Additions	158	707
Fair value changes	121	(61)
At 31 December	1,796	1,517

Financial assets at FVOCI include the following:

	2018	2017
	RMB million	RMB million
Listed equity securities	563	575
Unlisted equity investments	1,233	942
	1,796	1,517

The investments mainly represent equity investments in various investment fund companies, investment holding companies and venture capital fund companies. The fair values of these investments were determined mainly based on direct comparison approach by making reference to quoted market price and recent transaction prices of similar deals, the fair value measurement is categorised within level 1 or level 3 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Completed properties held for sale

	2018	2017
	RMB million	RMB million
Completed properties held for sale	44,338	27,886

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

14 Inventories

	2018	2017
	RMB million	RMB million
Construction materials and spare parts	8,822	4,252

Inventories were mainly charged to properties under development upon utilisation.

15 Trade and other receivables

	2018	2017
	RMB million	RMB million
Included in current assets		
– Trade receivables – net (note (a))	40,597	28,944
– Other receivables – net (note (b))	251,182	134,476
– Loans to related and third parties – net (note (c))	687	2,684
– Prepayments for land (note (d))	109,670	97,035
– Other prepayments (note (e))	24,261	9,501
	426,397	272,640
Included in non-current assets		
– Loans to third parties (note (c))	–	726
– Deposits for acquisitions of companies (note (f))	10,962	4,646
	10,962	5,372
	437,359	278,012

As at 31 December 2018, the fair values of trade and other receivables approximated their carrying amounts.

15 Trade and other receivables (Continued)

(a) Details of trade receivables are as follows:

	2018	2017
	RMB million	RMB million
Trade receivables	40,724	29,054
Less: allowance for impairment	(127)	(110)
Trade receivables — net	40,597	28,944

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

	2018	2017
	RMB million	RMB million
Within 90 days	37,275	25,923
Over 90 days and within 180 days	1,593	1,487
Over 180 days and within 365 days	1,149	798
Over 365 days	707	846
	40,724	29,054

As at 31 December 2018 and 2017, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2018, a provision of RMB127 million (2017: RMB110 million) was made against the gross amounts of trade receivables (note 4(a)(iii)).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Trade and other receivables (Continued)

(b) Details of other receivables are as follows:

	2018 RMB million	2017 RMB million
Amounts due from joint ventures, associates and other related parties	83,387	45,047
Land auction and other deposits	61,705	32,962
Others (i)	107,995	57,186
	253,087	135,195
Less: allowance for impairment	(1,905)	(719)
Other receivables — net	251,182	134,476

(i) These receivables mainly included current accounts due from the other shareholders of certain subsidiaries, joint ventures and associates of the Group for various payments on their behalf, which are interest-free, unsecured and repayable according to contract terms.

(c) As at 31 December 2018, loans to related and third parties bear interest at rates ranging from 10% to 16% per annum (2017: 4.85%–15% per annum), of which RMB680 million (2017: RMB776 million) were secured by certain properties and land use rights of the third parties.

	2018 RMB million	2017 RMB million
Loans to related parties	–	54
Loans to third parties	696	3,392
	696	3,446
Less: allowance for impairment	(9)	(36)
Loans to related and third parties — net	687	3,410
Included in non-current assets	–	726
Included in current assets	687	2,684

15 Trade and other receivables (Continued)

- (d) Prepayments for land use rights are related to prepaid land acquisition costs while relevant land use right certificates have not been obtained as at 31 December 2018.
- (e) Other prepayments mainly represent prepayments for purchases of construction materials and services.
- (f) Amounts represent deposits paid for acquisitions of certain property development companies which have not been completed as at the year end.

16 Contract assets and contract acquisition costs

Details of contract assets and contract acquisition costs are as follows:

	2018	2017
	RMB million	RMB million
Contract assets related to sales of properties (note (i))	7,277	8,417
Contract assets related to construction services (note (i))	2,960	1,696
Contract acquisition costs (note (ii))	6,857	5,625
Total contract assets and contract acquisition costs	17,094	15,738

Notes:

- (i) Contract assets consist of unbilled amount resulting from sale of properties and construction when revenue recognised exceeds the amount billed to the buyer.
- (ii) Management expected the contract acquisition costs, represented primarily sale commission and stamp duty paid/payable for obtaining property sale contracts are recoverable. The Group has deferred the amounts paid and will charge them to profit or loss when the related revenue is recognised. For the year ended 31 December 2018, the amount charged to profit or loss was RMB2,168 million (2017: RMB1,263 million) and there was no impairment loss in relation to the remaining balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Restricted cash

The amount represented guarantee deposits for construction of pre-sale properties denominated in RMB and RM placed in designated bank accounts.

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Unused guarantee deposits will be released after the completion of construction of the related properties.

18 Cash and cash equivalents

	2018 RMB million	2017 RMB million
Cash at banks and on hand	241,599	135,005
Short-term bank deposits	944	13,397
	242,543	148,402
Less: restricted cash (note 17)	(14,200)	(11,318)
	228,343	137,084

The short-term deposits are denominated in RMB and have terms ranging within 3 months. The effective interest rate of these deposits as at 31 December 2018 was 1.22% per annum (2017: 3.42% per annum).

Cash and deposits are denominated in the following currencies:

	2018 RMB million	2017 RMB million
Denominated in RMB	232,044	138,923
Denominated in HKD	902	2,235
Denominated in USD	3,575	2,253
Denominated in RM	4,518	3,685
Denominated in other currencies	1,504	1,306
	242,543	148,402

The conversion of RMB and RM denominated balances into other currencies and the remittance of bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

19 Financial assets at fair value through profit or loss

	2018 RMB million	2017 RMB million
PRC listed equity security (note (a))	259	308
Wealth management products (note (b))	11,760	24,522
	12,019	24,830

(a) This represented a 2.29% (2017: 2.29%) equity interest in Shenzhen Tiantu Investment Management Co., Ltd., which is mainly engaged in investment activities and is listed on the National Equities Exchange and Quotations in the PRC. The fair value of the investment at 31 December 2018 represented the quoted market price.

(b) Wealth management products are mainly investments in financial products issued by financial institutions. The fair values of these investments approximated their carrying values as at 31 December 2018.

20 Trade and other payables

	2018 RMB million	2017 RMB million
Trade payables (note (b))	255,053	165,314
Other payables (note (c))	192,339	132,664
Other taxes payable	41,034	24,712
Salaries payable	9,800	7,614
Accrued expenses	595	580
	498,821	330,884

(a) As at 31 December 2018, the carrying amounts of trade and other payables approximated their fair values.

(b) The ageing analysis of trade payables based on the date of invoice is as follows:

	2018 RMB million	2017 RMB million
Within 90 days	211,512	138,681
Over 90 days and within 180 days	34,648	21,155
Over 180 days and within 365 days	5,698	3,609
Over 365 days	3,195	1,869
	255,053	165,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Trade and other payables (Continued)

- (c) Other payables mainly included deposits from property buyers and current accounts due to certain joint ventures, associates and other shareholders of certain subsidiaries, joint ventures and associates of the Group and outstanding considerations to acquire certain subsidiaries, joint ventures and associates. These amounts are interest-free, unsecured and repayable according to contract terms.

21 Contract liabilities

	2018 RMB million	2017 RMB million
Contract liabilities	562,800	346,748

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

(a) Revenue recognised in relation to contract liabilities

	2018 RMB million	2017 RMB million
Revenue recognised that was included in the contract liability balance at the beginning of the year	177,716	101,201

(b) Unsatisfied contracts related to sales of properties

	2018 RMB million	2017 RMB million
Revenue expected to be recognised within one year	393,432	249,554
Revenue expected to be recognised after one year	269,322	239,768
Total transaction price allocated to the unsatisfied contracts	662,754	489,322

22 Receipts under securitisation arrangements

The balance represented proceeds received from issue of receipts under securitisation arrangements collateralised by certain future trade receivables for the remaining receipts from sales of properties, amounting to RMB794 million (2017: RMB1,805 million). These securities bear an effective interest rate of 4.8% (2017: 4.5% to 6.0%) per annum and have a revolving term of 3 to 6 months (2017: 3 to 6 months).

23 Derivative financial instruments

	2018		2017	
	Assets RMB million	Liabilities RMB million	Assets RMB million	Liabilities RMB million
<u>Qualified for hedge accounting</u>				
– Foreign currency option contracts (note (a))	386	2	72	20
– Foreign exchange structured derivatives contracts (note (b))	201	198	40	264
– Foreign exchange forward contracts (note (c))	23	208	–	–
– Cross currency swaps	–	–	–	34
<u>Not qualified for hedge accounting</u>				
– Foreign exchange forward contracts	31	152	48	250
– Foreign currency option contracts	–	62	–	–
<u>Others</u>				
– Embedded financial derivative of convertible bonds (note 26)	–	1,518	–	–
– Purchased call option contracts (note 30(c))	601	–	–	–
	1,242	2,140	160	568
Analysed as:				
Current	250	111	47	212
Non-current	992	2,029	113	356
	1,242	2,140	160	568

The total notional principal amounts of the derivative financial instruments for hedging purpose at 31 December 2018 were RMB65,711 million (2017: RMB35,627 million), of which RMB49,445 million (2017: RMB26,983 million) were qualified for hedge accounting (cash flow hedge). These contracts will mature during the years from 2019 to 2022 (2017: 2018 to 2022).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Derivative financial instruments (Continued)

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

	2018	2017
(a) Derivative financial instruments – foreign currency option contracts		
Carrying amount (RMB million)	384	52
Notional amount (RMB million)	13,688	11,261
Maturity date	15 January 2019– 14 January 2022	08 March 2018– 31 March 2021
Hedge ratio*	1:1	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	560	(770)
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	(549)	717
Strike rate (USD: RMB range)	6.4600–6.4900	6.4800–6.8200

	2018	2017
(b) Derivative financial instruments – foreign exchange structured derivatives contracts (note (i))		
Carrying amount (RMB million)	3	(224)
Notional amount (RMB million)	14,481	14,799
Maturity date	09 July 2019– 25 July 2022	17 December 2018– 25 July 2022
Hedge ratio*	1:1	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	864	(897)
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	(868)	870
Strike rate (USD: RMB range)	6.4930–6.9370	6.4930–6.9370

(i) Foreign exchange structured derivatives contracts are cross-currency swaps with options against exchange rate risk of interest and principal repayment.


23 Derivative financial instruments (Continued)

	2018	2017
(c) Derivative financial instruments – Foreign exchange forward contracts		
Carrying amount (RMB million)	(185)	–
Notional amount (RMB million)	21,276	
Maturity date	24 September 2020– 17 January 2022	–
Hedge ratio*	1:1	–
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	74	–
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	(38)	–
Strike rate (USD: RMB range)	6.5900–6.9950	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Derivative financial instruments (Continued)**(d) Reserves**

	2018	2017
	RMB million	RMB million
<u>Cash flow hedge reserve</u>		
Opening balance	(14)	90
Change in fair value of hedging instrument recognised in other comprehensive income for the year (effective portion)	1,552	(1,745)
Reclassified to profit or loss (note 35)	(1,517)	1,641
Closing balance	21	(14)
<u>Deferred costs of hedging reserve — deferred time value</u>		
Opening balance	455	(296)
(Losses)/gains of hedging deferred for the year	(1,143)	608
Reclassified to profit or loss (note 35)	44	143
Closing balance	(644)	455

- * The foreign currency option contracts, foreign exchange structured derivatives contracts, foreign exchange forward contracts and cross currency swap contracts are denominated in the same currency as the highly probable future debt payments (USD and HKD), therefore the hedge ratio is 1:1.

24 Senior notes

	2018	2017
	RMB million	RMB million
As at 1 January	31,913	29,264
Additions	16,324	7,747
Early redemption (note (a))	(4,757)	(3,662)
Repayment on maturity (note (a))	(3,464)	–
Interest expenses	2,646	2,222
Coupon interest paid	(2,130)	(2,001)
Currency translation differences	1,184	(1,657)
	41,716	31,913
Less: current portion included in current liabilities	(2,238)	(3,795)
Included in non-current liabilities	39,478	28,118

Senior notes were repayable as follows:

	2018	2017
	RMB million	RMB million
Within 1 year	2,238	3,795
Between 1 and 2 years	6,156	1,633
Between 2 and 5 years	22,206	15,202
Over 5 years	11,116	11,283
	41,716	31,913

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Senior notes *(Continued)*

(a) The Group has issued the following senior notes:

Name of notes	Par value Million	Interest rate	Issue date	Term of the notes
Carried forward from prior years and remained outstanding at 31 December 2018:				
2021 Notes	USD750	7.250%	4 October 2013	7.5 years
2019 Notes II	USD250	7.500%	5 June 2014	5 years
2020 Notes	USD900	7.500%	9 March 2015	5 years
2023 Notes II	USD650	4.750%	28 September 2016	7 years
2026 Notes	USD350	5.625%	15 December 2016	10 years
2022 Notes	USD700	4.750%	25 July 2017	5 years
Issued during the year:				
2023 Notes III — tranche I	USD250	4.750%	17 January 2018	5 years
2023 Notes III — tranche II *	USD375	4.750%	31 July 2018	4.5 years
2025 Notes — tranche I	USD600	5.125%	17 January 2018	7 years
2025 Notes — tranche II **	USD150	5.125%	4 September 2018	6.4 years
2021 Notes II	RMB950	5.800%	12 March 2018	3 years
2022 Notes II	USD425	7.125%	27 September 2018	3.5 years
2024 Notes	USD550	8.000%	27 September 2018	5.5 years
Repaid during the year on maturity:				
2018 Notes	USD500	3.875%	22 November 2017	1 year
Early redeemed during the year (note (i)):				
2023 Notes I	USD750	7.500%	10 January 2013	10 years

* 2023 Notes III — tranche II was consolidated and form a single series with the 2023 Notes III — tranche I.

** 2025 Notes — tranche II was consolidated and form a single series with the 2025 Notes — tranche I.

24 Senior notes (Continued)

- (a) The Group has issued the following senior notes (Continued):
- (i) On 20 February 2018 (the “Redemption Date”), all the outstanding 2023 Notes I were early redeemed at a redemption price equal to 103.75% of the principal amount thereof, plus accrued and unpaid interest of approximately USD6 million up to the Redemption Date. The total redemption price paid by the Company on the redemption date was approximately USD784 million. The difference between the redemption price and the carrying amount of the 2023 Notes I on the Redemption Date, amounting to approximately USD28 million (equivalent to approximately RMB185 million), was charged to profit or loss under ‘finance income – net’.

The redemption price is calculated as below:

	USD Million
Principal amount	750
Premium price (3.75% of the principal amount)	28
Accrued and unpaid interest	6
	784

- (ii) The weighted average effective interest rate of the senior notes is 7.25% (2017: 7.26%).
- (b) Except for the 2019 Notes II, all senior notes are listed on the Singapore Exchange Securities Trading Limited.

Except for the 2019 Notes II, all senior notes contain various early redemption options and put option.

Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2018 and 2017.

Except for the above early redemption options, the holders of the 2026 Notes have a put option to request the Company to repurchase the 2026 Notes on 15 December 2021 at the price equal to 100% of the principle amounts of the 2026 Notes. The directors of the Company consider that the fair value of this put option was insignificant on initial recognition and at 31 December 2018 and 2017.

The fair values of the senior notes at 31 December 2018 were approximately RMB40,105 million (2017: RMB32,224 million). The fair value is calculated using the market prices of the senior notes on the date of consolidated statement of financial position. The fair value measurement of the 2019 Notes II is categorised within level 3 of the fair value hierarchy as they are private placements. The fair value measurement of other senior notes is categorised within level 1 of the fair value hierarchy as they are listed on Singapore Exchange Securities Trading Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Senior notes *(Continued)*

- (c) The Group's senior notes are guaranteed by certain subsidiaries of the Group and are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2018, none of these covenants had been breached.

25 Corporate bonds

	2018	2017
	RMB million	RMB million
As at 1 January	47,334	37,710
Acquisitions of subsidiaries (note 44)	3,475	—
Other additions	5,732	10,663
Repayment upon maturity	(14,534)	(1,125)
Interest expenses	2,389	1,961
Coupon interest paid	(2,492)	(1,875)
Currency translation differences	4	—
	41,908	47,334
Less: current portion included in current liabilities	(23,964)	(16,814)
Included in non-current liabilities	17,944	30,520

The Group's corporate bonds are repayable as follows:

	2018	2017
	RMB million	RMB million
Within 1 year	23,964	16,814
Between 1 and 2 years	9,805	17,025
Between 2 and 5 years	8,139	13,495
	41,908	47,334

25 Corporate bonds *(Continued)*

(a) The Group's corporate bonds comprised the followings as at 31 December 2018:

Name of bond	Par value RMB million	Interest rate	Issue date	Term of the bond
RMB Corporate bonds of the Company issued in 2015	1,000	6.30%	29 December 2015	5 years
RMB Corporate bonds tranche I of the Company issued in 2016 (note (c))	4,000	4.75%	2 March 2016	5 years
RMB Corporate bonds tranche II of the Company issued in 2016	200	4.55%	29 March 2016	4 years
RMB Corporate bonds tranche III of the Company issued in 2016 (note (c))	1,000	4.60%	2 August 2016	5 years
RMB Corporate bonds tranche IV of the Company issued in 2016 – series I	3,110	6.80%	2 September 2016	4 years
RMB Corporate bonds tranche IV of the Company issued in 2016 – series II (note (c))	5,830	5.65%	2 September 2016	7 years
RMB Corporate bonds II tranche I of Zengcheng Country Garden issued in 2015 (note (b))	3,700	6.50%	9 November 2015	4 years
RMB Corporate bonds II tranche II of Zengcheng Country Garden issued in 2015 (note (b))	3,360	6.50%	7 December 2015	4 years
RMB Corporate bonds of Giant Leap issued in 2016 – series I (note (b))	801	6.80%	21 October 2016	4 years
RMB Corporate bonds of Giant Leap issued in 2016 – series II (notes (b) and (c))	2,000	3.90%	21 October 2016	7 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Corporate bonds (Continued)

(a) The Group's corporate bonds comprised the followings as at 31 December 2018: (Continued)

Name of bond	Par value RMB million	Interest rate	Issue date	Term of the bond
RMB Corporate bonds I of Giant Leap issued in 2017 — tranche I (note (b))	1,500	6.00%	28 August 2017	3 years
RMB Corporate bonds I of Giant Leap issued in 2017 — tranche II (note (b))	1,500	5.90%	20 October 2017	3 years
RMB Corporate bonds II of Giant Leap issued in 2017 — tranche I (notes (b) and (c))	3,800	6.90%	24 October 2017	4 years
RMB Corporate bonds II of Giant Leap issued in 2017 — tranche II (notes (b) and (c))	1,200	6.90%	10 November 2017	4 years
RMB Corporate bonds of Giant Leap issued in 2018 — tranche I (notes (b) and (c))	3,000	6.80%	26 October 2018	3 years
RMB Private Corporate bonds of Giant Leap issued in 2018 — tranche I (notes (b) and (c))	2,100	6.90%	19 December 2018	3 years
RMB Private Corporate bonds I of Country Garden Property Co., Ltd. ("Country Garden Property") issued in 2017 — tranche I	2,000	6.50%	10 October 2017	3 years
RMB Private Corporate bonds I of Country Garden Property issued in 2017 — tranche II	700	6.00%	23 November 2017	3 years
RMB Private Corporate bonds of Country Garden Property issued in 2018 — tranche I (note (c))	328	6.60%	16 November 2018	3 years
RM Private Corporate bonds of Country Garden Real Estate Sdn. Bhd. issued in 2018 (note (b))	325	6.60%	23 February 2018	5 years

The weighted average effective interest rate of the corporate bonds is 5.71% (2017: 5.38%).

25 Corporate bonds (Continued)

- (b) The corporate bonds issued by Zengcheng Country Garden, Giant Leap and Country Garden Real Estate Sdn. Bhd. were guaranteed by certain subsidiaries of the Group.
- (c) RMB Corporate bonds tranche I of the Company issued in 2016, RMB Corporate bonds tranche III of the Company issued in 2016, RMB Corporate bonds tranche IV of the Company issued in 2016 — series II, RMB corporate bonds of Giant Leap issued in 2016 — series II, RMB corporate bonds II of Giant Leap issued in 2017, RMB corporate bonds of Giant Leap issued in 2018 and RMB corporate bonds issued in 2018 by Country Garden Property contain a debt component, put options and coupon rate adjustment options.

Debt component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The directors of the Company consider that the fair values of the above coupon rate adjustment options were insignificant on initial recognition and at 31 December 2018 and 2017.

- (d) Certain corporate bonds will mature within one year to the contractual repricing dates, which is included in current liabilities of the consolidated statement of financial position.

The fair values of the corporate bonds at 31 December 2018 were RMB43,894 million (2017: RMB49,651 million). Except for RMB Private Corporate bonds of Giant Leap issued in 2018 — tranche I, the fair value measurement of all RMB Public corporate bonds issued by Giant Leap are categorised within level 1 of the fair value hierarchy as they are listed on Shanghai Stock Exchange. The fair value measurement of other corporate bonds is categorised within level 3 of the fair value hierarchy as they are private placements. The fair values of these corporate bonds are calculated based on the discounted cash flows of the principal and interest payments.

26 Convertible bonds

On 16 January 2018, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD15,600 million (equivalent to approximately RMB12,634 million) due 27 January 2019 (the “2019 Convertible Bonds”), with an initial conversion price of HKD20.556 per share. The conversion price was subsequently modified to HKD18.29 per share as a result of payment of dividend and distribution in specie. On 30 January 2018, the 2019 Convertible Bonds were issued. The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Convertible bonds (Continued)

On 21 November 2018, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD7,830 million (equivalent to approximately RMB6,868 million) due 5 December 2023 (the “2023 Convertible Bonds”), with an initial conversion price of HKD12.584 per share. On 5 December 2018, the 2023 Convertible Bonds were issued. The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Company.

Movement of the 2019 Convertible Bonds and the 2023 Convertible Bonds is set out as follows:

	RMB million
Face value of the convertible bonds on the issue dates	19,502
Less: Transaction costs	(180)
Net proceeds	19,322
Less: equity component	(375)
Less: derivative liability at FVTPL component	(1,700)
Liability component on initial recognition	17,247
Currency translation differences	976
Interest accrued (note (a))	596
Early redemption during the year (note (b))	(5,651)
Liability component at 31 December 2018	13,168
Less: current portion included in current liabilities	(8,051)
Included in non-current liabilities	5,117

- (a) Interest expenses on the liability component of the 2019 Convertible Bonds and the 2023 Convertible Bonds are calculated using the effective interest method, with the weighted average effective interest rate of 4.97% per annum.
- (b) The Group partially repurchased the 2019 Convertible Bonds in the aggregate amount of HKD6,450 million during the year. The gain on the early redemption was approximately RMB65 million and the redemption price allocated to equity component was approximately RMB100 million. The aggregate principal amount of the 2019 Convertible Bonds that yet to be redeemed as at 31 December 2018 was HKD9,150 million.
- (c) The 2019 Convertible Bonds and the 2023 Convertible Bonds are guaranteed by the Company and certain subsidiaries of the Group and secured by the equity interests in certain subsidiaries of the Group.
- (d) As at 31 December 2018, there has been no conversion of the 2019 Convertible Bonds and the 2023 Convertible Bonds.

27 Bank and other borrowings

	2018	2017
	RMB million	RMB million
Non-current liabilities:		
– secured	108,300	48,338
– unsecured	89,779	70,496
Less: current portion of non-current liabilities	(58,240)	(30,989)
	139,839	87,845
Included in current liabilities:		
– secured	10,775	4,138
– unsecured	22,829	12,545
Current portion of non-current liabilities	58,240	30,989
	91,844	47,672
Total bank and other borrowings	231,683	135,517

The Group's borrowings as at 31 December 2018 of RMB119,075 million (2017: RMB52,476 million) were secured by certain properties, land use rights and equipment of the Group (notes 7, 8, 9 and 10) with total carrying values of RMB80,098 million (2017: RMB35,016 million) and/or secured by the equity interests of certain group companies.

At 31 December 2018, the Group's bank and other borrowings were repayable as follows:

	2018	2017
	RMB million	RMB million
Within 1 year	91,844	47,672
Between 1 and 2 years	72,900	36,994
Between 2 and 5 years	60,163	50,099
Over 5 years	6,776	752
	231,683	135,517

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27 Bank and other borrowings (continued)

The weighted average effective interest rate for the year ended 31 December 2018 was 6.52% per annum (2017: 5.67% per annum).

The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are mainly floating-rate borrowings.

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2018	2017
	RMB million	RMB million
RMB	190,139	103,873
HKD	10,121	9,970
USD	23,114	18,306
RM	2,539	1,465
Other	5,770	1,903
	231,683	135,517

Certain of the Group's bank and other borrowings are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2018, none of these covenants had been breached.

28 Share capital and premium

	Number of ordinary shares million	Nominal value of ordinary shares HKD million	Equivalent nominal value of ordinary shares RMB million	Share premium RMB million	Total RMB million	Treasury shares RMB million	Group total RMB million
Authorised							
At 1 January 2017, 31 December 2017 and 2018, HKD0.10 per share	100,000	10,000					
Issued and fully paid							
At 1 January 2017	21,607	2,161	2,032	24,430	26,462	(785)	25,677
Buy-back of shares (note (b))	–	–	–	–	–	(1,216)	(1,216)
Cancellation of shares	(327)	(33)	(29)	(1,592)	(1,621)	1,621	–
At 31 December 2017 and 1 January 2018	21,280	2,128	2,003	22,838	24,841	(380)	24,461
Issue of shares	465	46	37	6,348	6,385	–	6,385
– Issue of shares as a result of placing (note (a))	460	46	37	6,293	6,330	–	6,330
– Issue of shares as a result of scrip dividend (note 37(a))	1	–	–	9	9	–	9
– Issue of shares pursuant to share option scheme	4	–	–	46	46	–	46
Buy-back of shares (note (b))	–	–	–	–	–	(2,965)	(2,965)
Cancellation of shares	(99)	(10)	(8)	(985)	(993)	993	–
At 31 December 2018	21,646	2,164	2,032	28,201	30,233	(2,352)	27,881

(a) Placing of shares

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

(b) Buy-back of shares

The Group bought back a total of 284 million (2017: 222 million) of the Company's shares during 2018. The total consideration paid to buy back these shares was RMB2,965 million (2017: RMB1,216 million), which has been deducted from equity attributable to the owners of the Company.

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29 Employee share schemes

The share-based compensation expenses recognised during the year are as follows:

	2018	2017
	RMB million	RMB million
Share option scheme	38	26
Share award scheme	316	239
	354	265

(a) Share option scheme

On 30 November 2012, the Group granted 3,000,000 share options (adjusted to 3,044,358 as a result of a rights issue in 2014) with an exercise price of HKD3.7 per share (adjusted to HKD3.646 per share as a result of a rights issue in 2014) to certain independent non-executive directors of the Company. The options were vested immediately after the grant date and have a contractual option term of 10 years. The Group has no legal or contractual obligation to repurchase or settle the options in cash. All of the above share options were exercised in 2018.

Since 13 December 2013, the Group granted certain share options to certain directors of the Company and employees in connection with a profit sharing incentive scheme (the "Incentive Scheme") adopted by the Group. Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company's shares as the consideration for the costs to exercise the share options. The vesting period of the share options is 5 years from their respective grant dates. The fair value of the share options at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

29 Employee share schemes (continued)**(a) Share option scheme** (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Weighted-average exercise price (HKD per share)	Number of options	Weighted-average exercise price (HKD per share)	Number of options
At 1 January	5.299	18,595,503	3.997	14,061,871
Granted	16.059	8,546,799	9.338	4,533,632
Exercised	3.904	(3,949,002)	–	–
At 31 December	9.502	23,193,300	5.229	18,595,503

Particulars of share options outstanding as at 31 December 2018 are as follows:

Date of grant	Expiry date	Exercise price in HKD per share	Number of share options granted	Number of share options lapsed	Number of share options exercised	Number of share options outstanding
30 November 2012	29 November 2022	3.646	3,044,358	–	3,044,358	–
13 December 2013	12 December 2023	4.773	6,264,738	544,070	904,644	4,816,024
16 March 2016	15 March 2026	3.332	2,431,903	–	–	2,431,903
11 May 2016	10 May 2026	3.106	1,599,861	–	–	1,599,861
19 August 2016	18 August 2026	3.740	1,265,081	–	–	1,265,081
22 May 2017	21 May 2027	8.250	2,895,406	–	–	2,895,406
24 August 2017	23 August 2027	10.100	978,409	–	–	978,409
8 December 2017	7 December 2027	12.980	659,817	–	–	659,817
21 March 2018	20 March 2028	16.460	948,535	–	–	948,535
10 May 2018	9 May 2028	16.280	258,092	–	–	258,092
18 May 2018	17 May 2018	16.720	6,517,965	–	–	6,517,965
22 August 2018	21 August 2028	12.240	202,300	–	–	202,300
6 December 2018	5 December 2028	9.654	619,907	–	–	619,907
						23,193,300

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29 Employee share schemes *(continued)***(a) Share option scheme** *(continued)*

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods (the “Expected Retention Rate”) of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2018, the Expected Retention Rate was assessed to be 100% (2017: 100%).

(b) Share award scheme

Pursuant to the Incentive Scheme, certain portion of the bonus to certain senior management and employees, calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company’s shares (the “Awarded Shares”). The vesting period of the Awarded Shares is 5 years from their respective grant dates.

The Group planned to use treasury shares to award the grantees of the Awarded Shares. The Awarded Shares are held by a wholly-owned subsidiary of the Company, on behalf of these senior management and employees until the end of vesting periods.

The fair value of these Awarded Shares at the grant date approximated the portion of bonus which is to be settled in the Company’s shares.

Movements in the number of Awarded Shares are as follows:

	2018	2017
At 1 January	85,968,288	51,706,175
Granted	40,607,223	38,025,132
Lapsed	(2,491,828)	(3,763,019)
At 31 December	124,083,683	85,968,288

The Group has to estimate the Expected Retention Rate of the share award scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2018, the Expected Retention Rate was assessed to be 100% (2017: 100%).

30 Other reserves and retained earnings

	Merger reserve	Statutory reserve	Share option reserve	FVOCI reserve	Currency translation reserve	Revaluation reserve	Cash flow hedge reserve	Deferred costs of hedging reserve	Others	Total other reserves	Retained earnings	Total
	RMB million (note (a))	RMB million (note (b))	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2018	(150)	5,342	396	3	(521)	869	(14)	455	(437)	5,943	63,267	69,210
Profit for the year	-	-	-	-	-	-	-	-	-	-	34,618	34,618
Transfer to statutory reserve (note (b))	-	2,022	-	-	-	-	-	-	-	2,022	(2,022)	-
2017 final and 2018 interim dividends	-	-	-	-	-	-	-	-	-	-	(9,441)	(9,441)
Distribution in specie (note 37(b))	-	(107)	-	-	-	-	-	-	(383)	(490)	(1,275)	(1,765)
Employee share scheme												
– Value of employee services (note 29)	-	-	354	-	-	-	-	-	-	354	-	354
– Issue of shares pursuant to share option scheme	-	-	(33)	-	-	-	-	-	-	(33)	-	(33)
Change in fair value of financial assets at FVOCI	-	-	-	107	-	-	-	-	-	107	-	107
Equity component of convertible bonds (note 26)	-	-	-	-	-	-	-	-	375	375	-	375
Early redemption of convertible bonds (note 26(b))	-	-	-	-	-	-	-	-	(155)	(155)	55	(100)
Issue of written call options (note (c))	-	-	-	-	-	-	-	-	1,357	1,357	-	1,357
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	-	(127)	(127)	-	(127)
Currency translation differences	-	-	-	-	(42)	-	-	-	-	(42)	-	(42)
Deferred gains on cash flow hedges	-	-	-	-	-	-	35	-	-	35	-	35
Deferred costs of hedging	-	-	-	-	-	-	-	(1,099)	-	(1,099)	-	(1,099)
Balance at 31 December 2018	(150)	7,257	717	110	(563)	869	21	(644)	630	8,247	85,202	93,449

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30 Other reserves and retained earnings (continued)

	Merger reserve RMB million (note (a))	Statutory reserve RMB million (note (b))	Share option reserve RMB million	FVOCI reserve RMB million	Currency translation reserve RMB million	Revaluation reserve RMB million	Cash flow hedge reserve RMB million	Deferred costs of hedging reserve RMB million	Others RMB million	Total other reserves RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2017	(150)	4,213	131	59	(642)	1,464	90	(296)	(385)	4,484	43,120	47,604
Profit for the year	-	-	-	-	-	-	-	-	-	-	26,064	26,064
Transfer to statutory reserve (note (b))	-	1,129	-	-	-	-	-	-	-	1,129	(1,129)	-
2016 final and 2017 interim dividends	-	-	-	-	-	-	-	-	-	-	(5,383)	(5,383)
Reclassification of revaluation reserve upon disposal	-	-	-	-	-	(595)	-	-	-	(595)	595	-
Employee share scheme												
– Value of employee services (note 29)	-	-	265	-	-	-	-	-	-	265	-	265
Change in fair value of financial assets at FVOCI	-	-	-	(56)	-	-	-	-	-	(56)	-	(56)
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	-	(52)	(52)	-	(52)
Currency translation differences	-	-	-	-	121	-	-	-	-	121	-	121
Deferred losses on cash flow hedges	-	-	-	-	-	-	(104)	-	-	(104)	-	(104)
Deferred gains of hedging	-	-	-	-	-	-	-	751	-	751	-	751
Balance at 31 December 2017	(150)	5,342	396	3	(521)	869	(14)	455	(437)	5,943	63,267	69,210

Notes:

- (a) Merger reserve of the Group represented the difference between the share capital of subsidiaries acquired pursuant to a group reorganisation undertaken for the listing of Company on the Main Board of The Stock Exchange of Hong Kong Limited in 2007 over the nominal value of shares of the Company issued in exchange thereof.
- (b) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the Mainland China and the articles of association of certain subsidiaries in Mainland China of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.
- (c) In November 2018, the Group entered into call option transactions involving i) the sale of call options by certain third parties to the Group with a strike price equal to the conversion price of the 2023 Convertible Bonds (note 26) at a total premium of approximately HKD2,793 million (the "Purchased Call Options"), out of which approximately HKD972 million has been paid by the Group as at 31 December 2018 pursuant to the premium payment schedule; and ii) the sale of call options by the Group to certain third parties with a strike price of HKD17.908 at a total premium of approximately HKD1,528 million (the "Written Call Options"), out of which approximately HKD532 million has been received by the Group as at 31 December 2018 pursuant to the premium payment schedule. The Purchased Call Options and the Written Call Options are expected generally to reduce or offset the potential dilution upon conversion of the 2023 Convertible Bonds and/or offset any cash payments the Group is required to make in excess of the principal amount of the 2023 Convertible Bonds being converted, as the case may be. The Purchased Call Options and the Written Call Options will cover, subject to anti-dilution adjustments substantially similar to those applicable to the 2023 Convertible Bonds, the equivalent number of ordinary shares of the Company underlying the 2023 Convertible Bonds. The premium paid for the Purchased Call Options and the premium received and receivable for the Written Call Options are accounted for as derivative financial assets (note 23) and other reserve within equity respectively in the consolidated statement of financial position.

31 Deferred income tax

The analysis of deferred income tax assets and liabilities is as follows:

	2018	2017
	RMB million	RMB million
Deferred income tax assets:		
– to be realised after more than 12 months	9,943	4,988
– to be realised within 12 months	8,758	7,210
	18,701	12,198
Deferred income tax liabilities:		
– to be settled after more than 12 months	(26,742)	(14,758)
– to be settled within 12 months	(5,482)	(1,690)
	(32,224)	(16,448)
	(13,523)	(4,250)

The movement on the net deferred income tax account is as follows:

	2018	2017
	RMB million	RMB million
Beginning of the year	(4,250)	(786)
Acquisitions of subsidiaries (note 44)	(12,191)	(3,833)
(Charged)/credited to other comprehensive income	(14)	5
Credited to profit or loss (note 36)	2,932	364
End of the year	(13,523)	(4,250)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Deferred income tax (continued)

Movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

	Impairment of assets RMB million	Business combinations RMB million	Recognition of expenses RMB million	Elimination of unrealised profits RMB million	Tax losses RMB million	Prepaid income tax RMB million	Total RMB million
At 1 January 2017	188	83	83	1,251	4,404	1,814	7,823
Acquisitions of subsidiaries	-	33	-	-	-	-	33
Credited/(charged) to profit or loss	74	-	235	(361)	3,032	1,362	4,342
At 31 December 2017	262	116	318	890	7,436	3,176	12,198
At 1 January 2018	262	116	318	890	7,436	3,176	12,198
Acquisitions of subsidiaries (note 44)	-	511	-	-	-	-	511
Credited/(charged) to profit or loss	364	-	375	(119)	4,348	1,024	5,992
At 31 December 2018	626	627	693	771	11,784	4,200	18,701

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets as at 31 December 2018 of RMB39 million (2017: RMB14 million) in respect of accumulated tax losses amounting to RMB154 million as at 31 December 2018 (2017: RMB55 million).

31 Deferred income tax (continued)

Deferred income tax liabilities:

	Business combinations	Recognition of revenue over time	Withholding income tax on profit to be distributed in future	Fair value changes on investment properties	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2017	(2,807)	(3,912)	(584)	(1,240)	(66)	(8,609)
Acquisitions of subsidiaries	(3,866)	–	–	–	–	(3,866)
Charged to other comprehensive income	–	–	–	–	5	5
Credited/(charged) to profit or loss	579	(4,477)	(357)	420	(143)	(3,978)
At 31 December 2017	(6,094)	(8,389)	(941)	(820)	(204)	(16,448)
At 1 January 2018	(6,094)	(8,389)	(941)	(820)	(204)	(16,448)
Acquisitions of subsidiaries (note 44)	(12,702)	–	–	–	–	(12,702)
Credited to other comprehensive income	–	–	–	–	(14)	(14)
Credited/(charged) to profit or loss	2,747	(4,435)	(578)	(433)	(361)	(3,060)
At 31 December 2018	(16,049)	(12,824)	(1,519)	(1,253)	(579)	(32,224)

As at 31 December 2018, the retained earnings of the Group's subsidiaries not yet remitted to holding companies incorporated outside Mainland China, for which no deferred income tax liability had been provided, were approximately RMB81,679 million (2017: RMB57,639 million). Such earnings are expected to be retained by the subsidiaries in Mainland China for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

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32 Other income and gains — net

	2018	2017
	RMB million	RMB million
Other income		
— Management and consulting service income	1,395	849
— Forfeiture of deposits received from property buyers	54	42
— Government subsidy income	303	29
	1,752	920
Other gains/(losses)		
— Gains arising from negative goodwill (note 44)	1,102	1,936
— Changes in fair value of derivative financial instruments	22	(401)
— Gains/(losses) on disposal of subsidiaries (note 43)	455	(170)
— Gains on disposals of joint ventures and associates	337	204
— Gains on disposals of property, plant and equipment (note 38(b))	28	18
— Others	648	104
	2,592	1,691
Total other income and gains — net	4,344	2,611

33 Expenses by nature

	2018	2017
	RMB million	RMB million
Costs of properties sold	272,608	162,752
Other taxes and levies	2,788	3,649
Contract acquisition costs	2,168	1,263
Advertising costs	3,604	3,438
Employee benefit expenses (note 34)	17,580	9,483
Donations (note (a))	1,369	793
Depreciation (note 7)	909	725
Rental expenses	636	510
Amortisation of intangible assets	72	26
Amortisation of land use rights (note 9)	63	74
Auditor's remuneration	31	29
— Audit services	20	18
— Non-audit services	11	11
Others	5,133	3,337
Total cost of sales, selling and marketing costs, administrative expenses and research and development expenses	306,961	186,079

Notes:

- (a) During the year, RMB150 million (2017: RMB79 million) of the Group's donations were made through Guoqiang Public Welfare Foundation of Guangdong Province. Certain directors of the Company are also directors of that foundation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Expenses by nature (continued)

- (b) The subsidiaries in Mainland China of the Group are subject to value added tax ("VAT") on their revenues. The applicable tax rates are as follows:

Category	Rate of VAT
Sale of properties (i)	5%,10%
Property construction (i)	3%,10%
Property investment (i)	5%,10%
Property management (ii)	3%, 6%
Hotel service (ii)	3%, 6%

- (i) VAT for sales of properties and income from property investment, in the case that the construction of properties commenced or the investment property was acquired before 1 May 2016, is calculated at a tax rate of 5% based on a simple method. VAT for small-scale VAT payer of property construction is 3%. According to the relevant regulations about Adjustment of the Value-Added Tax Rate issued by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2018] No.32), since 1 May 2018, tax rate on VAT taxable sales or imported goods adjust from 17% and 11% to 16% and 10%, respectively. VAT for income from sales of properties, property investment and property construction is calculated at a tax rate of 10%.
- (ii) The rates of VAT for general VAT payers and small-scale VAT payers of property management and hotel service are 6% and 3%, respectively.
- (c) Research and development expenses represented the inputs in the improvement of construction techniques. Research and development expenses were included in administrative expenses in previous year. During the year, they were presented as a separate line item in the consolidated income statement and the comparative figures have been reclassified accordingly.

34 Employee benefit expenses

	2018 RMB million	2017 RMB million
Wages and salaries	25,412	15,221
Contributions to pension plans (note (a))	177	106
Staff welfare	404	243
Medical benefits	353	212
Share-based compensation expenses (note 29)	354	265
Other allowances and benefits	101	61
	26,801	16,108
Less: capitalised in properties under development	(9,221)	(6,625)
	17,580	9,483

34 Employee benefit expenses (Continued)

Notes:

(a) Contributions to pension plans

Employees in the Group's subsidiaries in Mainland China are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's subsidiaries in Mainland China contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2017: one) directors of the Company whose emoluments are reflected in the analysis shown in note 48. The emoluments payable to the remaining three (2017: four) individuals during the year are as follows:

	2018	2017
	RMB million	RMB million
Salaries	8	9
Discretionary bonuses	110	193
Other benefits and share-based compensation	72	27
	190	229

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
HKD51 million to HKD52 million	—	1
HKD53 million to HKD54 million	—	1
HKD55 million to HKD56 million	—	1
HKD58 million to HKD59 million	1	—
HKD62 million to HKD63 million	1	—
HKD104 million to HKD105 million	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Finance income – net

	2018 RMB million	2017 RMB million
Finance income:		
– Interest income on short-term deposits and others	2,445	1,620
– Net foreign exchange gains:		
– Net foreign exchange gains on financing activities before hedging	–	3,587
– Reclassified from cash flow hedge reserves	–	(1,641)
– Reclassified from deferred costs of hedging reserves	–	(143)
	–	1,803
	2,445	3,423
Finance costs:		
– Interest expenses:		
– Bank and other borrowings	(13,415)	(6,553)
– Senior notes (note 24)	(2,646)	(2,222)
– Corporate bonds (note 25)	(2,389)	(1,961)
– Convertible bonds (note 26)	(596)	–
– Receipts under securitisation arrangements	(83)	(304)
	(19,129)	(11,040)
Less: amounts capitalised on qualifying assets	19,129	11,040
	–	–
– Net foreign exchange losses:		
– Net foreign exchange losses on financing activities before hedging	(2,450)	–
– Reclassified from cash flow hedge reserves	1,517	–
– Reclassified from deferred costs of hedging reserves	(44)	–
	(977)	–
– Net losses on early redemption of senior notes and convertible bonds (notes 24 and 26)	(120)	(147)
	(1,097)	(147)
Finance income – net	1,348	3,276

36 Income tax expenses

	2018	2017
	RMB million	RMB million
Current income tax		
– Corporate income tax	20,031	9,851
– Land appreciation tax (note (c))	13,922	8,283
	33,953	18,134
Deferred income tax (note 31)		
– Corporate income tax	(3,351)	(383)
– Land appreciation tax (note (c))	(159)	(338)
– Withholding income tax (note (d))	578	357
	(2,932)	(364)
	31,021	17,770

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group companies as follows:

	2018	2017
	RMB million	RMB million
Profit before income tax	79,563	46,522
Tax calculated at Mainland China corporate income tax rate of 25% (2017: 25%)	19,891	11,630
Different tax rates applicable to different subsidiaries of the Group	18	8
Land appreciation tax deductible for calculation of income tax purpose	(3,441)	(1,986)
Utilisation of tax losses not previously recognised as deferred income tax assets	(25)	(5)
Effects of share of post-tax results of joint ventures and associates	(299)	88
Income not subject to tax	(556)	(986)
Expenses not deductible for tax purpose	1,092	719
	16,680	9,468
Withholding income tax on profit to be distributed in future (note (d))	578	357
Land appreciation tax (note (c))	13,763	7,945
Income tax expenses	31,021	17,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Income tax expenses (continued)

Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2017:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) Mainland China corporate income tax has been provided at corporate income tax rate of 25%.
- (c) Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.
- (d) Withholding income tax is provided on the dividends to be distributed by the Mainland China subsidiaries of the Group. The relevant overseas holding companies have successfully obtained endorsement from various Mainland China tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the Mainland China subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the Mainland China subsidiaries of the Group.

37 Dividends**(a) Dividends**

	2018	2017
	RMB million	RMB million
Proposed final dividend of RMB30.32 cents (2017: RMB24.95 cents) per share	6,563	5,424
Interim dividend of RMB18.52 cents (2017: RMB15.02 cents) per share	4,017	3,205
	10,580	8,629

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

On 21 August 2018, the Board of Directors of the Company declared the payment of a 2018 interim dividend of RMB18.52 cents per share (2017 interim dividend: RMB15.02 cents per share) with the shareholders being given an option to elect to receive such interim dividend all in new shares or partly in new shares and partly in cash or all in cash. This interim dividend was paid partly in cash and partly in new shares in November 2018. The number of ordinary shares settled and issued as scrip dividends was 924,647 and the total amount of dividend paid as scrip dividends was RMB9 million while cash dividend amounted to RMB4,008 million.

The Board of Directors recommended the payment of a 2018 final dividend of RMB30.32 cents per share, totalling RMB6,563 million. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These consolidated financial statements do not reflect this dividend payable.

37 Dividends (continued)**(b) Distribution in specie**

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

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

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

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

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

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38 Cash flow information

(a) Cash generated from operations

	Note	2018 RMB million	2017 RMB million
Profit for the year		48,542	28,752
Adjustments for:			
Income tax expenses	36	31,021	17,770
Interest income	35	(2,445)	(1,620)
Net loss on early redemption of senior notes and convertible bonds	35	120	147
Net foreign exchange losses/(gains)	35	977	(1,803)
Depreciation	7	909	725
Amortisation of land use rights	9	63	74
Amortisation of intangible assets		72	26
Gains on disposals of property, plant and equipment	32	(28)	(18)
Provision for impairment of trade and other receivables		1,176	339
Share of results of joint ventures and associates	11	(1,197)	352
Gains arising from changes in fair value of and transfer to investment properties	8	(1,732)	(505)
Share-based compensation expense	34	354	265
Gains arising from negative goodwill	44	(1,102)	(1,936)
Changes in fair value of financial assets at FVTPL		49	65
Changes in fair value of derivative financial instruments	32	(22)	401
(Gains)/losses on disposals of subsidiaries	32	(455)	170
		76,302	43,204
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries and currency exchange differences on consolidation):			
Properties under development and completed properties held for sale		(177,629)	(134,747)
Inventories		(4,578)	(2,048)
Restricted cash		(1,761)	1,887
Trade and other receivables		(95,420)	(151,974)
Contract assets and contract acquisition costs		(1,356)	(8,981)
Contract liabilities		117,437	176,865
Trade and other payables		170,152	129,795
Cash generated from operations		83,147	54,001

38 Cash flow information (Continued)

(b) In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment comprise:

	2018 RMB million	2017 RMB million
Property, plant and equipment		
Net book amount disposed of (note 7)	124	336
Gains on disposals (note 32)	28	18
Proceeds	152	354

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings RMB million	Senior notes RMB million	Corporate bonds RMB million	Convertible bonds RMB million	Receipts under securitisation arrangements RMB million	Derivative financial instruments RMB million	Total RMB million
Net debt as at 31 December 2017	135,517	31,913	47,334	-	1,805	408	216,977
Cash flows							
– Net cash flows from financing activities	65,893	7,918	(8,802)	13,636	(1,011)	(1,246)	76,388
– Interest paid	(13,363)	(2,130)	(2,492)	-	(83)	-	(18,068)
– Acquisitions of subsidiaries	37,276	-	3,475	-	-	-	40,751
– Disposals of subsidiaries	(8,321)	-	-	-	-	-	(8,321)
Non-cash movements							
– Interest expenses	13,415	2,646	2,389	596	83	-	19,129
– Loss/(gains) on early redemption	-	185	-	(65)	-	-	120
– Changes in fair value of derivative financial instruments	-	-	-	-	-	(22)	(22)
– Foreign exchange adjustments	1,266	1,184	4	976	-	-	3,430
– Equity component of convertible bonds	-	-	-	(275)	-	-	(275)
– Derivative liability component of convertible bonds	-	-	-	(1,700)	-	1,700	-
– Other non-cash movements	-	-	-	-	-	58	58
Net debt as at 31 December 2018	231,683	41,716	41,908	13,168	794	898	330,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Cash flow information (Continued)**(c) Reconciliation of liabilities arising from financing activities (Continued)**

	Bank and other borrowings RMB million	Senior notes RMB million	Corporate bonds RMB million	Receipts under securitisation arrangements RMB million	Derivative financial instruments RMB million	Total RMB million
Net debt as at						
31 December 2016	69,222	29,264	37,710	7,043	(1,180)	142,059
Cash flows						
– Net cash flows from financing activities	67,100	3,938	9,538	(5,238)	(374)	74,964
– Interest paid	(6,622)	(2,001)	(1,875)	(304)	–	(10,802)
Acquisitions of subsidiaries	9,372	–	–	–	–	9,372
Disposals of subsidiaries	(8,576)	–	–	–	–	(8,576)
Non-cash movements						
– Interest expenses	6,553	2,222	1,961	304	–	11,040
– Loss on early redemption of senior notes	–	147	–	–	–	147
– Changes in fair value of derivative financial instruments	–	–	–	–	401	401
– Foreign exchange adjustments	(1,601)	(1,657)	–	–	–	(3,258)
– Other non-cash movements	69	–	–	–	1,561	1,630
Net debt as at						
31 December 2017	135,517	31,913	47,334	1,805	408	216,977

(d) Non-cash investing and financing activities

Major non-cash transaction during year was the distribution in specie of CG Services (note 37(b)).

39 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares (note 28).

	2018	2017
Profit attributable to owners of the Company (RMB million)	34,618	26,064
Weighted average number of ordinary shares in issue (millions)	21,472	21,224
Earnings per share — Basic (RMB yuan per share)	1.61	1.23

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had four categories of dilutive potential ordinary shares: share options, awarded shares, written call options and convertible bonds. For the share options, awarded shares and written call options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options, awarded shares and written call options. The convertible bonds are assumed to have been converted into ordinary shares. Interest savings on convertible bonds are adjusted to the extent of the amount charged to the profit attributable to owners of the Company. 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, awarded shares and written call options and conversion of convertible bonds. Written call options were excluded from the computation of diluted earnings per share as they are anti-dilutive for the year ended 31 December 2018.

	2018	2017
Profit attributable to owners of the Company (RMB million)	34,618	26,064
Weighted average number of ordinary shares in issue (million)	21,472	21,224
Adjustments — share options, awarded shares and convertible bonds (million)	838	59
Weighted average number of ordinary shares for diluted earnings per share (million)	22,310	21,283
Earnings per share — Diluted (RMB yuan per share)	1.55	1.22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Guarantees

	2018 RMB million	2017 RMB million
Guarantees in respect of mortgage facilities for certain property buyers (note (a))	319,239	214,909
Guarantees to joint ventures, associates and certain third parties in respect of borrowings (note (b))	58,090	33,500
	377,329	248,409

Notes:

- (a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issue of the real estate ownership certificates which are generally available within three months after the buyers taking possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the property buyers.

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

- (b) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.

41 Commitments**(a) Commitments for capital expenditures**

	2018 RMB million	2017 RMB million
Contracted but not provided for: Property, plant and equipment	36	86

41 Commitments *(Continued)***(b) Operating lease commitments**

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market price. The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	2018	2017
	RMB million	RMB million
Not later than one year	104	82
Later than one year and not later than five years	164	127
Later than five years	49	33
	317	242

(c) Operating lease rentals receivable

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market price. The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	2018	2017
	RMB million	RMB million
Not later than one year	263	208
Later than one year and not later than five years	634	722
Later than five years	668	427
	1,565	1,357

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42 Transactions with non-controlling interests

The aggregate effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2018 are as follows:

	2018 RMB million
Changes in equity attributable to owners of the Company arising from:	
– Acquisitions of additional interests in subsidiaries (note (a))	(197)
– Disposals of interests in subsidiaries without loss of control (note (b))	118
– Deemed disposals of interests in subsidiaries without loss of control (note (c))	(48)
	(127)

- (a) The Group acquired additional equity interests of certain subsidiaries from the respective non-controlling interests for a total cash consideration of RMB286 million.

The following table summarises the effect of these acquisitions.

	2018 RMB million
Total carrying amounts of non-controlling interests acquired	89
Total consideration paid	(286)
Total difference recognised within equity	(197)

- (b) The Group disposed of certain equity interests of certain subsidiaries for a total cash consideration of RMB160 million.

The following table summarises the effect of these disposals.

	2018 RMB million
Total carrying amounts disposed to non-controlling interests	(42)
Proceeds from disposals	160
Total difference recognised within equity	118

- (c) Certain third parties injected capital which resulted in passive dilution of interests in certain subsidiaries without loss of control. The Group recognised a decrease in equity and an increase in non-controlling interests of RMB48 million.

43 Disposals of subsidiaries

During the year, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposals are as follows:

	RMB million
Disposal consideration	
– Cash received	724
– Outstanding and included in other receivables	1,851
– Fair value of investments in joint ventures and associates held after disposal of certain subsidiaries	2,009
	4,584
Less:	
– Total net assets of subsidiaries disposed of	(4,626)
– Non-controlling interest disposed of	497
Gains on disposals	455
Cash proceeds from disposals, net of cash disposed of	
– Cash consideration received	724
– Less: cash and cash equivalents in the subsidiaries disposed of	(1,172)
Net cash outflow on disposals	(448)

44 Business combinations

Business combinations during the year mainly included the acquisitions of interest in property development companies and acquisitions of additional interests in joint ventures and associates. The directors of the Company consider that none of these subsidiaries acquired during the year was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition dates was not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 Business combinations (Continued)

The acquired companies' principal activities are property development and construction. The financial information of these acquired companies on the acquisition dates is summarised as follows:

	RMB million
Total purchase consideration	
— Cash paid	15,062
— Fair value of investments in joint ventures and associates held before business combinations	3,452
	18,514
Total recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	12,628
Restricted cash	1,121
Investment in joint ventures	25
Property, plant and equipment	751
Investment properties	2,862
Intangible assets	8
Land use rights	132
Properties under development and completed properties held for sale	142,553
Trade and other receivables	82,970
Prepaid income taxes	4,909
Deferred income tax assets	511
Bank and other borrowings	(37,276)
Corporate bonds	(3,475)
Trade and other payables	(56,720)
Contract liabilities	(101,618)
Current income tax liabilities	(7,674)
Deferred income tax liabilities	(12,702)
Total identifiable net assets	29,005
Non-controlling interests	(9,522)
Negative goodwill	(1,102)
Goodwill	133
	18,514
Outflow of cash to acquire business, net of cash acquired	
— cash considerations	(15,062)
— cash and cash equivalents in the subsidiaries acquired	12,628
Net cash outflow on acquisitions	(2,434)

44 Business combination (Continued)

Gains arising from negative goodwill was mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons or other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

The goodwill arose from the acquisitions was mainly attributable to economies of scales expected from combining the operations of the Group and the acquired entities.

The acquired businesses contributed total revenues of RMB47,355 million and net profit of RMB6,695 million to the Group for the period from their respective acquisition dates to 31 December 2018. Had these companies been consolidated from 1 January 2018, the consolidated statement income statement would show pro-forma revenue of RMB379,312 million and profit for the year of RMB47,245 million.

45 Related party transactions

The Company is ultimately controlled by Ms. Yang Huiyan (the “Ultimate Controlling Shareholder”).

Apart from those related party transactions disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties.

(a) Transactions with related parties

	2018 RMB million	2017 RMB million
(i) Entities controlled by certain shareholders, certain directors and/or their close family members		
Sales of properties	1,686	2,647
Purchase of design service	4,464	2,171
Construction service income	81	15
Purchase of property management services, consultancy and other services	510	–
Other transactions	93	21
	6,834	4,854
(ii) Joint ventures		
Provision of guarantee in respect of borrowings	32,969	19,956
Sales of properties	–	1,224
Construction service income	2,008	1,043
Other transactions	789	293
	35,766	22,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 Related party transactions *(Continued)***(a) Transactions with related parties** *(Continued)*

	2018	2017
	RMB million	RMB million
(iii) Associates		
Provision of guarantee in respect of borrowings	24,229	11,901
Construction service income	2,197	434
Other transactions	407	117
	26,833	12,452

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

(b) Key management compensation

Key management includes directors and chief executive officer of the Company.

	2018	2017
	RMB million	RMB million
Fees and salaries	69	54
Discretionary bonuses	145	168
Employer's contribution to retirement benefit	–	1
Other benefits and share-based compensation	60	13
	274	236

45 Related party transactions (Continued)**(c) Balances with related parties**

Saved as disclosed in other notes above, the Group had the following significant balances with its related parties:

	2018	2017
	RMB million	RMB million
(i) Entities controlled by certain shareholder, certain directors and/or their close family members		
Trade and other receivables	2,435	463
Contract assets and contract acquisition costs	48	73
Trade and other payables	3,248	2,707
(ii) Joint ventures		
Trade and other receivables	51,446	30,504
Contract assets and contract acquisition costs	910	590
Trade and other payables	34,903	52,093
Loans to related parties	–	54
(iii) Associates		
Trade and other receivables	33,446	22,973
Contract assets and contract acquisition costs	895	396
Trade and other payables	27,388	32,785

The above balances due from/to related parties are mainly interest free, unsecured and to be settled according to the contract terms.

(d) Senior notes

As at 31 December 2018, senior notes with principle amount of USD81 million (equivalent to approximately RMB556 million) and USD2 million (equivalent to approximately RMB14 million) were held by Mr. YEUNG Kwok Keung and Mr. MO Bin respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 Statement of financial position and reserve movement of the Company

	As at 31 December	
	2018	2017
	RMB million	RMB million
Non-current assets		
Investments in subsidiaries	47,598	43,652
Derivative financial instruments	391	113
Financial assets at fair value through other comprehensive income	859	783
	48,848	44,548
Current assets		
Amounts due from subsidiaries	110,381	75,775
Other receivables	674	405
Cash and cash equivalents	3,667	3,332
Financial assets at fair value through profit or loss	–	196
Derivative financial instruments	250	47
	114,972	79,755
Current liabilities		
Amounts due to subsidiaries	29,659	13,327
Other payables	468	394
Senior notes	2,238	3,795
Bank and other borrowings	17,985	5,925
Derivative financial instruments	111	212
	50,461	23,653
Net current assets	64,511	56,102
Total assets less current liabilities	113,359	100,650

46 Statement of financial position and reserve movement of the Company (Continued)

	As at 31 December	
	2018 RMB million	2017 RMB million
Non-current liabilities		
Senior notes	39,478	28,118
Bank and other borrowings	16,505	20,203
Corporate bonds	15,486	20,438
Derivative financial instruments	511	356
	71,980	69,115
Equity		
Share capital and premium	30,260	24,869
Other reserves (note)	196	865
Retained earnings (note)	10,923	5,801
Total equity	41,379	31,535
Total equity and non-current liabilities	113,359	100,650

The statement of financial position of the Company was approved by the Board of Directors on 18 March 2019 and were signed on its behalf.

MO Bin
Director

YANG Ziyang
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 Statement of financial position and reserve movement of the Company (Continued)**Note:****Reserve movement of the Company**

	Other reserves RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2018	865	5,801	6,666
Profit for the year	–	14,563	14,563
Deferred gains on cash flow hedges	35	–	35
Deferred costs of hedging	(1,099)	–	(1,099)
Dividends	–	(9,441)	(9,441)
Employee share schemes			
– Value of employee services	354	–	354
– Issue of shares pursuant to share option scheme	(33)	–	(33)
Change in fair value of financial assets at FVOCI	74	–	74
At 31 December 2018	196	10,923	11,119
At 1 January 2017	(47)	2,484	2,437
Profit for the year	–	8,700	8,700
Deferred losses on cash flow hedges	(104)	–	(104)
Deferred gains of hedging	751	–	751
Dividends	–	(5,383)	(5,383)
Employee share schemes			
– Value of employee services	265	–	265
At 31 December 2017	865	5,801	6,666

47 Particulars of principal subsidiaries

The following is a list of principal subsidiaries at 31 December 2018, all of these are limited liability companies:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Directly held by the Company:					
Incorporated in the BVI and operates in Mainland China:					
Smart World Development Holdings Ltd	28 March 2006	USD300	100%	0%	Investment holding
Indirectly held by the Company:					
Incorporated in Hong Kong and operates in Hong Kong:					
Country Garden (Hong Kong) Development Company Limited	21 September 2005	HKD20,000,001	100%	0%	Investment holding
Incorporated in the BVI and operates in Hong Kong:					
Estonia Development Ltd	21 March 2006	USD200	100%	0%	Investment holding and rendering of property related sales services
Angel View International Limited	7 April 2006	USD200	100%	0%	Investment holding and rendering of property related sales services
Incorporated in the BVI and operates in Mainland China:					
Falcon Investments Development Ltd	21 March 2006	USD300	100%	0%	Investment holding
Wise Fame Group Ltd	28 March 2006	USD300	100%	0%	Investment holding
Boavista Investments Limited	7 April 2006	USD200	100%	0%	Investment holding
Impreza Group Limited	7 April 2006	USD300	100%	0%	Investment holding
Infiniti Holdings Development Limited	7 April 2006	USD300	100%	0%	Investment holding
Power Great Enterprises Limited	10 December 2007	USD1	100%	0%	Investment holding
Great Favour Holdings Limited	16 July 2013	USD1	100%	0%	Investment holding
Silver Dawn Holdings Limited	23 January 2014	USD1	100%	0%	Investment holding
Tin Spring Limited	15 June 2015	USD1	100%	0%	Investment holding
Scenic Reserve Limited	2 October 2015	USD1	100%	0%	Investment holding
Smart Insight International Limited	15 February 2017	USD1	100%	0%	Investment holding

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47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Established and operates in Mainland:					
Guangdong Bright Dream Robotics Co., Ltd. (i) 廣東博智林機器人有限公司	17 July 2018	RMB2,000,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Bright Dream Industrial Investment Co., Ltd. (i) 佛山市順德區博智林實業投資有限公司	9 August 2018	RMB10,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Bright Dream Robotics Industrial Investment Co., Ltd. (i) 佛山市順德區博智林機器人產業投資有限公司	15 August 2018	RMB1,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Bright Dream Intelligent Manufacturing Co., Ltd. (i) 廣東博智林智能製造有限公司	23 August 2018	RMB50,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Bright Dream Intelligent Technology Co., Ltd. (i) 廣東博智林智能技術有限公司	23 August 2018	RMB50,000,000	100%	0%	Research and development of robot intelligence
Guangdong Bright RuiEn Metal Technology Co., Ltd. (i) 廣東博睿恩金屬科技有限公司	19 November 2018	RMB100,000,000	60%	40%	Research and development of robot intelligence
Country Garden Agricultural Holding Co., Ltd. (i) 碧桂園農業控股有限公司	8 May 2018	RMB100,000,000	100%	0%	Agriculture and animal husbandry
Foshan Shunde Country Garden Real Estate Co., Ltd. 佛山市順德區碧桂園房產置業有限公司	10 July 2017	RMB0	100%	0%	Property development
Anqing Country Garden Property Development Co., Ltd. 安慶碧桂園房地產開發有限公司	27 September 2007	RMB740,000,000	100%	0%	Property development
Country Garden Real Estate Group Co., Ltd. 碧桂園地產集團有限公司	20 April 2015	RMB13,292,986,520	100%	0%	Property development
Changshu Chengdong Country Garden Real Estate Development Co., Ltd. 常熟市城東碧桂園房地產開發有限公司	30 November 2017	RMB50,000,000	88%	12%	Property development
Chaohu Country Garden Property Development Co., Ltd. 巢湖市碧桂園房地產開發有限公司	18 December 2006	RMB1,115,200,000	100%	0%	Property development
Dongguan Country Garden Property Development Co., Ltd. 東莞市碧桂園房地產開發有限公司	25 September 2009	RMB666,810,000	90%	10%	Property development

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Dongguan Hehe Industrial Investment Co., Ltd.* 東莞市合和實業投資有限公司	30 March 2011	RMB50,000,000	48%	52%	Property development
Dongguan Machong Country Garden Real Estate Development Co., Ltd. 東莞市麻涌碧桂園房地產開發有限公司	31 July 2015	RMB50,000,000	90%	10%	Property development
Dongguan Qishi Jindi Country Garden Real Estate Development Co., Ltd. (i) 東莞市企石金地碧桂園房地產開發有限公司	29 December 2016	RMB0	87%	13%	Property development
Dongguan Shijie Country Garden Real Estate Development Co., Ltd. 東莞市石碣碧桂園房地產開發有限公司	18 February 2016	RMB10,000,000	65%	35%	Property development
Dongguan Zhuangshi Real Estate Development Co., Ltd. 東莞莊士房地產開發有限公司	9 February 1999	RMB300,000,000	87%	13%	Property development
Foshan Gaoming Country Garden Property Development Co., Ltd. 佛山市高明區碧桂園房地產開發有限公司	13 January 2004	RMB1,162,500,000	100%	0%	Property development
Foshan Green Lake Industrial Development Co., Ltd. 佛山市綠湖實業發展有限公司	30 November 1999	RMB70,000,000	85%	15%	Property development
Foshan Nanhai Danzao Country Garden Real Estate Development Co., Ltd. 佛山市南海區丹灶碧桂園房地產開發有限公司	26 February 2016	RMB0	94%	6%	Property development
Foshan Shunde Country Garden Property Development Co., Ltd. 佛山市順德區碧桂園物業發展有限公司	2 April 1997	RMB1,387,500,000	100%	0%	Property development
Foshan Shunde Zhouyu Country Garden Property Development Co., Ltd. 佛山市順德區宙華投資諮詢有限公司	12 November 2012	RMB13,241,966,520	100%	0%	Property development
Foshan Xin Ya Real Estate Co., Ltd.* 佛山信雅房地產有限公司	29 October 2015	RMB100,000,000	50%	50%	Property development
Foshan Yuankang Property Development Co., Ltd. 佛山源康房地產發展有限公司	29 February 2008	RMB1,310,000,000	94%	6%	Property development
Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd. 廣州南沙經濟技術開發區碧桂園物業發展有限公司	2 August 2001	RMB1,764,473,626	100%	0%	Property development
Guangzhou Rongchuang Industrial Investment Co., Ltd. (i) 廣州融創實業投資有限公司	17 December 2014	RMB450,000,000	77%	23%	Property development
Guangzhou Zhengbi Real Estate Development Co., Ltd. (i) 廣州市鄭碧房地產開發有限公司	28 May 2015	RMB1,000,000	85%	15%	Property development
Guiyang Huaxi Country Garden Property Development Co., Ltd. 貴陽花溪碧桂園物業發展有限公司	31 October 2012	RMB50,000,000	100%	0%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Hainan Baolian City (Bo'ao) Real Estate Co., Ltd.* 海南寶連城(博鰲)實業有限公司	26 May 2003	RMB61,224,500	43%	57%	Property development
Hainan Lingshui Country Garden Runda Property Investment Co., Ltd.* 海南陵水碧桂園潤達投資置業有限責任公司	11 April 2014	RMB200,000,000	49%	51%	Property development
Hangzhou Country Garden Jiutai Real Estate Co., Ltd. 杭州碧桂園久泰置業有限公司	14 September 2015	RMB300,000,000	94%	6%	Property development
Henan Country Garden Property Co., Ltd. 河南碧桂園置業有限公司	27 August 2015	RMB500,000,000	100%	0%	Property development
Heshan Country Garden Property Development Co., Ltd. 鶴山市碧桂園物業發展有限公司	22 June 2006	RMB963,000,000	100%	0%	Property development
Hubei Country Garden Property Development Co., Ltd. 湖北省碧桂園房地產開發有限公司	13 August 2015	RMB1,000,000,000	100%	0%	Property development
Huidong Country Garden Real Estate Development Co., Ltd. 惠東碧桂園房地產開發有限公司	23 January 2008	RMB449,000,000	100%	0%	Property development
Huizhou Minghui Investment Development Co., Ltd. 惠州明輝投資發展有限公司	12 January 2011	RMB20,000,000	91%	9%	Property development
Huizhou Taidong Real Estate Co., Ltd. 惠州市太東地產有限公司	21 June 2007	RMB277,669,055	51%	49%	Property development
Huizhou Taidong International Logistics Park Co., Ltd.* (i) 惠州市太東國際物流園有限公司	9 April 2007	RMB523,502,589	45%	55%	Property development
Jitian Construction and Development (Kunshan) Co., Ltd. 吉田建設開發(昆山)有限公司	10 September 2002	RMB104,256,603	85%	15%	Property development
Jiangsu Baohua Country Garden Real Estate Co., Ltd. 江蘇寶華碧桂園置業有限公司	9 March 2016	RMB20,000,000	77%	23%	Property development
Jiangyin Jingyu Property Development Co., Ltd. 江陰景裕房地產開發有限公司	12 April 2013	RMB2,300,000,000	85%	15%	Property development
Jinzhong Country Garden Real Estate Development Co., Ltd.(i) 晉中碧桂園房地產開發有限公司	4 August 2016	RMB100,000,000	51%	49%	Property development
Jurong Baobi Real Estate Development Co., Ltd. 句容寶碧房地產開發有限公司	14 March 2016	RMB20,000,000	76%	24%	Property development
Jurong Country Garden Property Development Co., Ltd. 句容碧桂園房地產開發有限公司	12 August 2010	RMB3,789,622,034	100%	0%	Property development
Jurong Jinbi Real Estate Development Co., Ltd. 句容金碧房地產開發有限公司	5 August 2015	RMB20,000,000	90%	10%	Property development

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Kunshan Country Garden Real Estate Development Co., Ltd. 昆山市碧桂園房地產開發有限公司	13 January 2016	RMB20,000,000	85%	15%	Property development
Lanzhou Country Garden Real Estate Development Co., Ltd. 蘭州碧桂園房地產開發有限公司	1 February 2013	RMB630,000,000	100%	0%	Property development
Qingyuan Country Garden Xinya Real Estate Development Co., Ltd. 清遠碧桂園新亞房地產開發有限公司	25 January 2011	RMB300,000,000	100%	0%	Property development
Qingyuan Bi Sheng Real Estate Development Co., Ltd. 清遠市碧盛房地產開發有限公司	9 January 2017	RMB0	81%	19%	Property development
Qingyuan Bishun Real Estate Development Co., Ltd. (i) 清遠市碧順房地產開發有限公司	20 January 2017	RMB0	85%	15%	Property development
Shantou Country Garden Investment Co., Ltd. 汕頭市碧桂園投資有限公司	6 September 2016	RMB10,000,000	66%	34%	Property development
Shantou Country Garden Property Co., Ltd. 汕頭市碧桂園置業有限公司	11 August 2016	RMB10,000,000	94%	6%	Property development
Shanghai Xinbi Garden Property Development Co., Ltd. 上海新碧房地產開發有限公司	26 August 2015	RMB20,000,000	100%	0%	Property development
Shaoguan Bihong Real Estate Investment and Development Co., Ltd.* 韶關市碧鴻房地產投資開發有限公司	22 December 2016	RMB820,370,722	43%	57%	Property development
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB747,800,000	100%	0%	Property development
Shenzhen Country Garden Property Investment Co., Ltd. 深圳市碧桂園房地產投資有限公司	25 August 2015	RMB761,000,000	100%	0%	Property development
Shenyang Hunnan Xincheng Country Garden Property Development Co., Ltd. 瀋陽渾南新城碧桂園房地產開發有限公司	25 April 2007	RMB1,540,000,000	100%	0%	Property development
Shenyang Country Garden Property Development Co., Ltd. 瀋陽市碧桂園房地產開發有限公司	11 January 2007	RMB1,350,000,000	100%	0%	Property development
Taizhou Country Garden Property Development Co., Ltd. 泰州市碧桂園房地產開發有限公司	5 January 2007	RMB548,300,000	100%	0%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Taizhou Xinbi Real Estate Development Co., Ltd. 泰州新碧房地產開發有限公司	12 January 2017	RMB200,000,000	89%	11%	Property development
Wengyuan Country Garden Real Estate Development Co., Ltd. (i) 翁源縣碧桂園房地產開發有限公司	17 August 2016	RMB1,000,000	60%	40%	Property development
Wuhu Jinzhi Country Garden Property Development Co., Ltd. 蕪湖晉智房地產開發有限公司	5 November 2007	RMB800,000,000	100%	0%	Property development
Xi'an Bajie Real Estate Development Co., Ltd. (i) 西安灑界房地產開發有限公司	7 August 2017	RMB10,000,000	90%	10%	Property development
Yinchuan Country Garden Real Estate Development Co., Ltd. 銀川碧桂園房地產開發有限公司	24 January 2017	RMB12,000,000	87%	13%	Property development
Xingyang Bixi Real Estate Co., Ltd. (i) 榮陽碧璽置業有限公司	22 September 2016	RMB240,000	94%	6%	Property development
Yunnan Bicheng Real Estate Development Co., Ltd.(i) 雲南碧城房地產開發有限公司	29 June 2016	RMB403,000,000	94%	6%	Property development
Zengcheng Country Garden Property Development Co., Ltd. 增城市碧桂園物業發展有限公司	22 September 2000	RMB1,448,200,000	100%	0%	Property development
Zhongshan Bilang Real Estate Development Co., Ltd.* 中山市碧朗房地產開發有限公司	20 January 2017	RMB100,000,000	48%	52%	Property development
Zhongshan Shengdu Property Development Co., Ltd. 中山市聖都房地產開發有限公司	8 November 2001	RMB26,350,000	72%	28%	Property development
Guangdong Giant Leap Construction Co., Ltd. 廣東騰越建築工程有限公司	25 March 1997	RMB5,200,000,000	100%	0%	Construction
Guangdong Yaokang Investment Co., Ltd. 廣東耀康投資有限公司	20 April 2015	RMB1,200,000,000	100%	0%	Construction
Zengcheng Country Garden Phoenix City Hotel Co., Ltd. 增城市碧桂園鳳凰城酒店有限公司	13 January 2004	RMB500,700,000	100%	0%	Hotel operation
Shenzhen Bisheng Development Co., Ltd. 深圳碧盛發展有限公司	19 November 2015	RMB62,500,000	100%	0%	Investment consulting
Shenyang Shenbeixincheng Yidong Real Estate Co., Ltd. 瀋陽瀋北新城伊東置業有限公司	18 May 2007	RMB750,000,000	100%	0%	Property development
Guangdong Shunde Phoenix Optimal Commercial Co., Ltd. (i) 廣東順德鳳凰優選商業有限公司	24 January 2017	RMB425,000,000	100%	0%	Retail

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Foshan Shunde Longjiang Country Garden Real Estate Development Co., Ltd. 佛山市順德區龍江碧桂園房地產開發有限公司	20 July 2015	RMB0	73%	27%	Property development
Foshan Shunde Lunjiao Country Garden Real Estate Development Co., Ltd. 佛山市順德區倫教碧桂園房地產開發有限公司	18 March 2016	RMB1,000,000	95%	5%	Property development
Foshan Shunde Panpu Culture Co., Ltd. (i) 佛山市順德區洋浦文化有限公司	19 June 2018	RMB0	100%	0%	Cultural activity planning
Foshan Shunde Xingtian Country Garden Real Estate Development Co., Ltd. (i) 佛山市順德區杏壇碧桂園房地產開發有限公司	28 April 2018	RMB0	100%	0%	Property development
Foshan Jinzhonghuan Real Estate Co. Ltd. 佛山市金中環房地產有限公司	11 December 2013	RMB10,000,000	92%	8%	Property development
Foshan Shunde Daliang Country Garden Property Development Co., Ltd. 佛山市順德區大良碧桂園房地產開發有限公司	11 April 2014	USD40,000,000	100%	0%	Property development
Foshan Shunde Jun An Country Garden Property Development Co., Ltd. 佛山市順德區均安碧桂園物業發展有限公司	28 June 2000	RMB10,000,000	90%	10%	Property development
Foshan Shunde Jun An Country Garden Property Co., Ltd. 佛山市順德區均安碧桂園置業有限公司	1 September 2017	RMB5,000,000	51%	49%	Property development
Foshan Shunde Leliu Country Garden Real Estate Development Co., Ltd. 佛山市順德區勒流碧桂園房地產開發有限公司 (i)	18 September 2017	RMB1,000,000	57%	43%	Property development
Foshan Shunde Longjiang Country Garden Real Estate Co., Ltd. 佛山市順德區龍江碧桂園置業有限公司	3 January 2017	RMB1,000,000	91%	9%	Property development
Guangdong Country Garden Real Estate Information Consulting Co., Ltd. 廣東碧桂園房地產信息諮詢有限公司	26 July 2013	RMB2,000,000	100%	0%	Real estate consulting
Foshan Shunde Bijing Electronic Technology Co., Ltd. 佛山市順德區碧晶電子科技有限公司	19 November 2008	RMB10,000,000	100%	0%	Electronic hardware development
Foshan Shunde Biri Security Engineering Co., Ltd. 佛山市順德區碧日安防工程有限公司	8 July 2008	RMB8,000,000	100%	0%	Construction
Foshan Shunde Longshun Construction Project Management Co., Ltd. 佛山市順德區龍順建築項目管理有限公司	14 March 2017	RMB34,659,000	100%	0%	Construction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Guangdong Biri Science & Technology Co., Ltd. 廣東碧日科技有限公司	6 March 2014	RMB10,000,000	100%	0%	Biomass energy development
Guangdong Cheng Jia Decoration Design Engineering Co., Ltd. 廣東誠加裝飾設計工程有限公司	9 August 1999	RMB300,000,000	100%	0%	Construction
Guangdong Longyue Construction Engineering Co., Ltd. 廣東龍越建築工程有限公司	14 April 2011	RMB300,000,000	100%	0%	Construction
Guangdong Tengan Mechanical and Electrical Installation Engineering Co., Ltd. 廣東騰安機電安裝工程有限公司	30 September 2004	RMB200,000,000	100%	0%	Construction
Foshan Fengxi Food Co., Ltd. 佛山市鳳禧食品有限公司	18 March 2016	RMB5,000,000	100%	0%	Food sales
Guangdong Excellent Landscape design Engineering Co., Ltd. 廣東卓越景觀設計工程有限公司	24 July 2013	RMB10,000,000	100%	0%	Landscape design
Foshan Juzhele Real Estate Agent Co., Ltd. 佛山市居者樂房地產代理有限公司	30 May 2016	RMB0	100%	0%	Real estate consulting
Established and operate overseas:					
BGY North Ryde Pty Ltd. 碧桂園北萊德私人有限公司	1 October 2013	AUD1	100%	0%	Property development
BGY Cityview Holdings LLC* 碧桂園城市天際控股有限責任公司	6 July 2017	USD227,996,201	46%	54%	Property development
Country Garden Danga Bay Sdn. Bhd. 碧桂園金海灣有限公司	16 October 2012	RM150,000,100	100%	0%	Property development
Country Garden Real Estate Sdn. Bhd. 馬來西亞碧桂園房產有限公司	16 December 2013	RM1,000,000	100%	0%	Property development

(i) These subsidiaries are newly established or acquired by the Group during the year.

* As the Group has the rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position of the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the Mainland China companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

48 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and chief executive officer of the Company is set out below:

For the year ended 31 December 2018:

Name of director	Fees RMB'000	Salary (note) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman						
Mr. YEUNG Kwok Keung	-	10,000	-	-	15	10,015
Co-Chairman						
Ms. YANG Huiyan (re-designated on 7 December 2018)	-	15,000	-	-	15	15,015
Executive directors						
Mr. MO Bin*	-	15,000	16,321	37,509	15	68,845
Ms. YANG Ziyang	-	10,000	-	-	15	10,015
Mr. YANG Zhicheng	-	4,000	24,834	6,278	44	35,156
Mr. XIE Shutai (resigned on 2 March 2018)	-	658	3,638	51	13	4,360
Mr. SONG Jun	-	4,000	37,127	13,223	71	54,421
Mr. LIANG Guokun	-	4,000	43,918	-	20	47,938
Mr. SU Baiyuan	-	4,000	19,235	3,232	19	26,486
Non-executive director						
Mr. CHEN Chong	-	370	1	-	15	386
Independent non-executive directors						
Mr. LAI Ming, Joseph	330	-	-	-	-	330
Mr. SHEK Lai Him, Abraham	330	-	-	-	-	330
Mr. TONG Wui Tung, Ronald	330	-	-	-	-	330
Mr. HUANG Hongyan	240	-	-	-	-	240
Mr. MEI Wenjue (resigned on 2 March 2018)	39	-	-	-	-	39
Mr. YEUNG Kwok On	240	-	-	-	-	240
	1,509	67,028	145,074	60,293	242	274,146

* Chief executive officer of the Company

i Ms. YANG Huiyan was re-designated from a Vice Chairman to a Co-Chairman of the Company on 7 December 2018, and remain as an executive Director of the Company.

ii Mr. XIE Shutai resigned on 2 March 2018 as executive director of the Company, and Mr. MEI Wenjue resigned on 2 March 2018 as independent non-executive director of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Benefits and interests of directors (Continued)

(a) Directors' emoluments (continued)

For the year ended 31 December 2017:

Name of director	Fees RMB'000	Salary (note) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman						
Mr. YEUNG Kwok Keung	–	10,000	190	–	14	10,204
Executive directors						
Ms. YANG Huiyan	–	6,000	–	–	48	6,048
Mr. MO Bin*	–	6,000	27,828	–	67	33,895
Mr. ZHU Rongbin (resigned on 1 June 2017)	–	2,292	19,526	–	40	21,858
Mr. WU Jianbin (resigned on 1 April 2017)	–	1,250	3,260	–	106	4,616
Ms. YANG Ziyi	–	4,000	220	–	48	4,268
Mr. SU Rubo (resigned on 1 April 2017)	–	1,000	865	190	12	2,067
Mr. OU Xueming (resigned on 1 April 2017)	–	1,000	722	729	12	2,463
Mr. YANG Zhicheng	–	4,000	18,155	5,075	43	27,273
Mr. XIE Shutai (resigned on 2 March 2018)	–	4,000	2,361	190	86	6,637
Mr. SONG Jun	–	4,000	31,945	5,670	86	41,701
Mr. LIANG Guokun	–	4,000	25,266	–	43	29,309
Mr. SU Baiyuan	–	4,000	37,836	1,188	12	43,036
Non-executive director						
Mr. CHEN Chong	–	370	–	–	–	370
Independent non-executive directors						
Mr. LAI Ming, Joseph	330	–	–	–	–	330
Mr. SHEK Lai Him, Abraham	330	–	–	–	–	330
Mr. TONG Wui Tung, Ronald	330	–	–	–	–	330
Mr. HUANG Hongyan	240	–	–	–	–	240
Ms. HUANG Xiao (resigned on 1 April 2017)	60	–	–	–	–	60
Mr. MEI Wenjue (resigned on 2 March 2018)	240	–	–	–	–	240
Mr. YEUNG Kwok On	240	–	–	–	–	240
	1,770	51,912	168,174	13,042	617	235,515

48 Benefits and interests of directors *(Continued)*

(a) Directors' emoluments *(continued)*

- * Chief executive officer of the Company
- i. Mr. ZHU Rongbin resigned on 1 June 2017 as executive director of the Company.
- ii. Mr. WU Jianbin, Mr. SU Rubo, and Mr. OU Xueming resigned on 1 April 2017 as executive director of the Company.
- iii. Ms. HUANG Xiao resigned on 1 April 2017 as independent non-executive director of the Company.

Note: Salary paid to a director of the Company is generally an emolument paid or payable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries.

(b) Directors' retirement benefits

During the year ended 31 December 2018, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries (2017: nil).

(c) Directors' termination benefits

During the year ended 31 December 2018, no payments to the directors of the Company as compensation for the early termination of the appointment (2017: nil).

(d) Consideration provided to or receivable by third parties for making available directors' services

During the year ended 31 December 2018, there were no considerations provided to or receivable by any third party for making available the services of a person as a director of the Company (2017: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2018, there were, no loans quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2017: nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: nil).

GLOSSARY

“2007 Share Option Scheme”	the share option scheme of the Company adopted on 20 March 2007 and which had expired on 19 March 2017
“2017 AGM”	the annual general meeting of the Company held on Thursday, 18 May 2017
“2017 Construction Services Agreement”	the construction services agreements dated 30 December 2016 entered into between Giant Leap and Qingyuan CG which renewed the construction services agreement dated 16 December 2014 entered into between Giant Leap and Qingyuan CG in respect of the provision of construction services by Giant Leap to Qingyuan CG
“2017 Share Option Scheme”	the share option scheme of the Company adopted on 18 May 2017
“2018 AGM”	the annual general meeting of the Company held on Thursday, 17 May 2018
“2019 AGM”	the annual general meeting of the Company to be held on Thursday, 16 May 2019
“Articles of Association”	the articles of association of the Company
“Attributable contracted sales”	the contracted sales of the Group’s subsidiaries, joint ventures and associates attributable to shareholders of the Company
“AUD”	Australian dollar, the lawful currency of Australia
“Audit Committee”	audit committee of the Company
“available cash”	the sum of cash and cash equivalents and restricted cash
“Beijiao Construction Co.”	Shunde Beijiao Construction Company Limited
“Board”	the board of Directors
“CG Services”	Country Garden Services Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 6098), ceased to be a subsidiary of the Company since its spin-off was completed on 19 June 2018
“Chairman”	the chairman of the Board
“Chief Financial Officer”	chief financial officer of the Company
“China Construction”	China State Construction Engineering Corporation
“China Construction Fifth Division”	China Construction Fifth Engineering Division Corp., Ltd.
“CIMA”	Chartered Institute of Management Accountants
“Co-Chairman”	Co-Chairman of the Board
“Company” or “Country Garden”	Country Garden Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2007)
“core net profit attributable to the owners of the Company”	profit attributable to owners of the Company excluding the post-tax gains arising from changes in fair value of and transfer to investment properties, net exchange gains/losses on financing activities, net losses on early redemption of senior notes and convertible bonds and changes in fair value of derivative financial instruments

“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Corporate Governance Committee”	corporate governance committee of the Company
“CPD”	continuous professional development
“current ratio”	a ratio calculated by dividing current assets by current liabilities
“2018 Design Services Supplemental Agreement”	the supplemental agreement dated 21 March 2018 entered into between Shunde Country Garden and Elite Architectural which further extended the design services agreement dated 27 March 2007 (as amended and supplemented by the design services supplemental agreements dated 20 June 2008, 17 December 2010, 31 October 2012, 13 December 2013, 30 December 2016 and 22 August 2017) entered into between Shunde Country Garden and Elite Architectural in respect of the provision of survey work, property design and interior design services by Elite Architectural to the Group
“Director(s)”	director(s) of the Company
“Eligible Shareholders”	the Shareholders whose names appear on the register of members of the Company on Friday, 24 May 2019
“Elite Architectural”	Guangdong Elite Architectural Co., Ltd.
“Employee Incentive Scheme”	employee incentive scheme of the Group adopted on 20 December 2012
“Executive Committee”	executive committee of the Company
“Finance Committee”	finance committee of the Company
“GDV”	gross development value
“GFA”	gross floor area
“Giant Leap”	Guangdong Giant Leap Construction Co., Ltd.
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Hong Kong/HKSAR”	the Hong Kong Special Administrative Region of the PRC
“LAT”	land appreciation tax
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mainland China”	the People’s Republic of China, for the purpose of this annual report, excluding Hong Kong, Macau and Taiwan
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Net current assets”	the value of total current assets after its current liabilities have been subtracted
“net debt”	the value of total debt net of available cash



GLOSSARY

“Net gearing ratio”	a financial leverage calculated as dividing net debt by total equity
“Nomination Committee”	nomination committee of the Company
“PRC/China”	the People’s Republic of China
“President”	president of the Company
“Qingyuan CG”	Qingyuan Country Garden Property Development Co., Ltd.
“Remuneration Committee”	remuneration committee of the Company
“RM”	Ringgit Malaysia, the lawful currency of Malaysia
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGX”	Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) in the capital of the Company with a par value of HKD0.10 each
“Share Option Schemes”	2007 Share Option Scheme and 2017 Share Option Scheme
“Shareholder(s)”	shareholder(s) of the Company
“Shunde Country Garden”	Foshan Shunde Country Garden Property Development Co., Ltd.
“Shunde Sanhe Co.”	Shunde Sanhe Property Development Co., Ltd.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	US dollar, the lawful currency of the United States of America
“Zengcheng Country Garden”	Zengcheng Country Garden Property Development Co., Ltd.
“%”	per cent



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