



中國恒大集團

CHINA EVERGRANDE GROUP

China Evergrande Group

中國恒大集團

(incorporated in the Cayman Islands with limited liability)

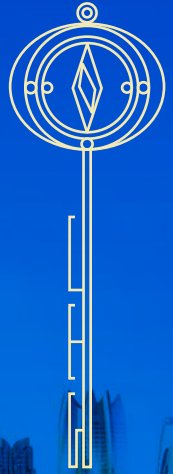
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ANNUAL  
REPORT  
2017

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# NATIONAL LAYOUT MAP

## BEIJING

- 1 Evergrande Palace Beijing
- 2 Evergrande Metropolis Beijing
- 3 Evergrande Emerald Court Beijing
- 4 Evergrande Left Riverbank Beijing
- 5 Evergrande Elite Shadow Creek Beijing
- 6 Evergrande International Hotspring Tourist City Baoding
- 7 Evergrande Royal Scenic Peninsula Beijing
- 8 Evergrande Culture Tourist City Beijing
- 9 Evergrande the Great Wall Village Chengde

## SHANGHAI

- 10 Evergrande Palace Shanghai
- 11 Evergrande Royal Scenic Bay Shanghai
- 12 Evergrande Royal Palace Sheshan Shanghai
- 13 Evergrande Royal View Garden Shanghai
- 14 Evergrande Metropolis Shanghai
- 15 Evergrande Royal Seaview Garden Qingpu
- 16 Evergrande Bay Palace Shanghai
- 17 Evergrande Venice On the Sea Qidong
- 18 Evergrande Fairyland Suzhou

## GUANGZHOU

- 19 The Third Jinbi Garden Guangzhou
- 20 Evergrande Royal Palace Guangzhou
- 21 Evergrande Jewelry Guangzhou
- 22 Evergrande Scenic Garden Zengcheng
- 23 Evergrande Royal Scenic Peninsula Foshan
- 24 Evergrande Royal Scenic Bay Foshan
- 25 Evergrande Metropolis Foshan
- 26 Evergrande Top Mansion Foshan
- 27 Evergrande Splendor Qingyuan
- 28 Evergrande Silverlake City Qingyuan
- 29 Evergrande Royal Creek Valley Qingyuan

## SHENZHEN

- 30 Caiwuwei Project Shenzhen
- 31 Evergrande Gentleman Hill Shenzhen
- 32 Huaqiangbei Project Shenzhen
- 33 Evergrande Sky Tower Shenzhen
- 34 Evergrande City Shenzhen
- 35 Evergrande Fashion Withub Shenzhen
- 36 Evergrande City Lights Shenzhen
- 37 Evergrande Metropolis Square Shenzhen
- 38 Evergrande Royal Scenic Peninsula Dongguan
- 39 Evergrande Oasis Dongguan
- 40 Evergrande Xiaogui Bay Shenzhen
- 41 Evergrande Palm Islands Huiyang
- 42 Evergrande Yi Shan Hai Wan Huizhou
- 43 Evergrande Emerald Court Huizhou
- 44 Evergrande Yue Long Mansion Huizhou
- 45 Evergrande Shuangyuewan Huizhou
- 46 Evergrande Yu Long Bay Huizhou
- 47 Evergrande Lake of General Huizhou
- 48 Evergrande Royal Lake County Huizhou
- 49 Evergrande Royal Palace Huizhou

## Wuhan

- 50 Evergrande City Wuhan
- 51 Evergrande Metropolis Wuhan
- 52 Evergrande Royal Scenic Bay Wuhan
- 53 Evergrande Royal Palace Wuhan
- 54 Evergrande Capital Wuhan
- 55 Evergrande Rainbow Town Wuhan
- 56 Evergrande Dragon City Wuhan
- 57 Evergrande Evergreen Garden Wuhan
- 58 Evergrande Emerald Court Wuhan
- 59 Evergrande Tourism Tech City Wuhan
- 60 Evergrande Splendor Ezhou

## Changsha

- 61 Evergrande City Changsha
- 62 Evergrande Oasis Changsha
- 63 Evergrande Atrium Changsha
- 64 Evergrande Bay Changsha
- 65 Evergrande Royal Scenic Peninsula Changsha
- 66 Evergrande Emerald Court Changsha
- 67 Evergrande Royal Scenic Bay Changsha
- 68 Evergrande Royal View Splendor Changsha
- 69 Evergrande Financial Plaza Changsha
- 70 Changsha Huangxing Road North Project
- 71 Evergrande Forest creek County Changsha
- 72 Evergrande Fairy Tale World Changsha
- 73 Evergrande Palace Liuyang
- 74 Evergrande Jade Palace Changsha
- 75 Evergrande Shanglin Garden Changsha
- 76 Evergrande Palace of Glory Changsha
- 77 Evergrande Royal View Splendor Ningxiang

## Nanjing

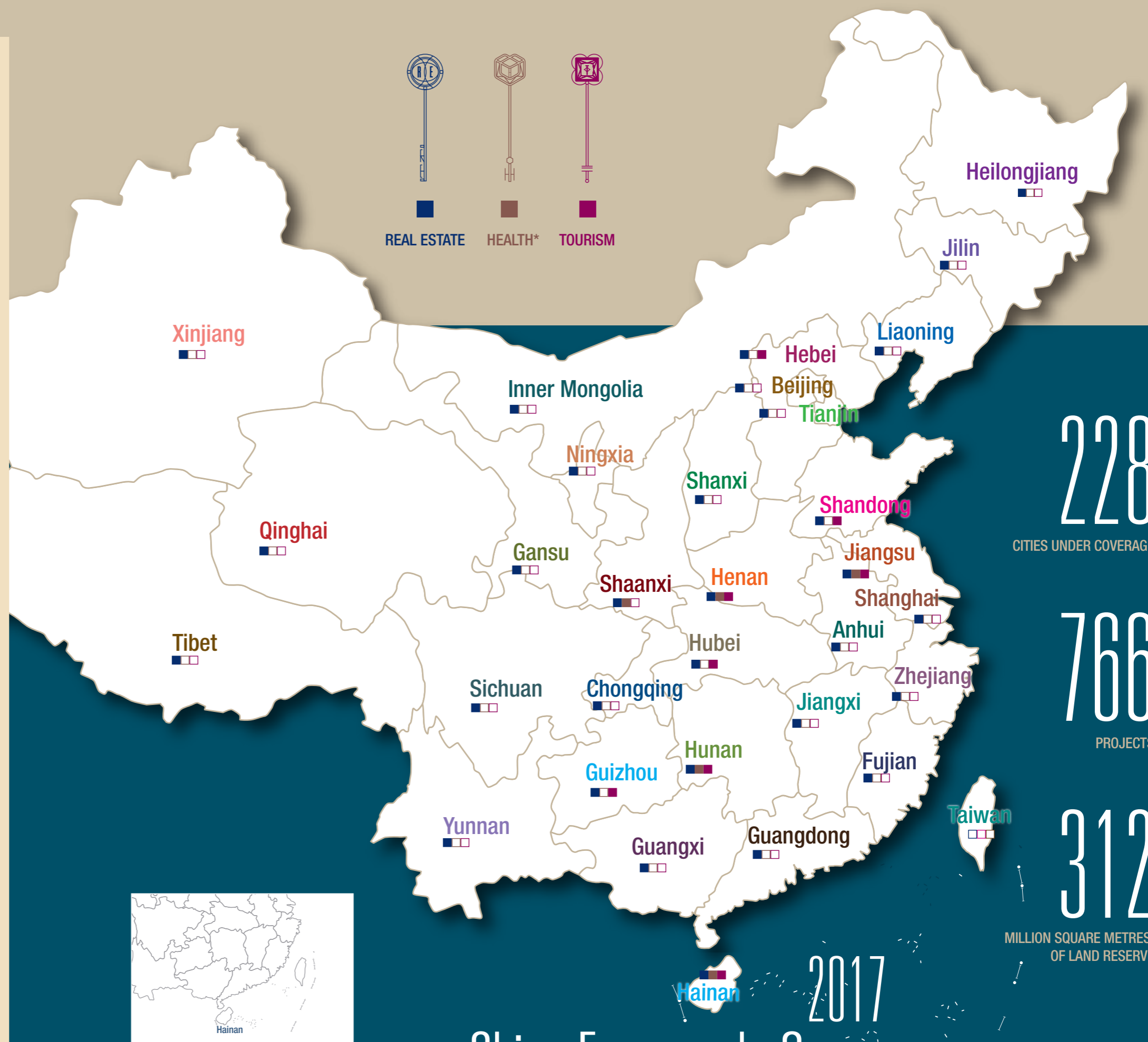
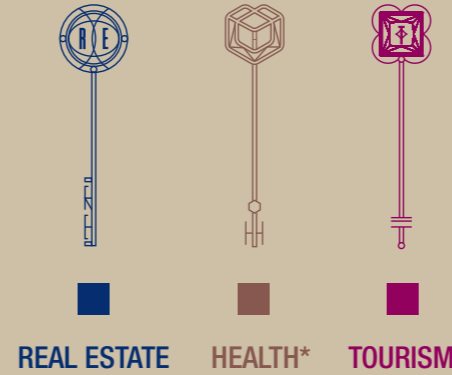
- 78 Evergrande Splendor Nanjing
- 79 Evergrande Palace Nanjing
- 80 Evergrande Emerald Court Nanjing
- 81 Evergrande Riverside Nanjing
- 82 Evergrande Dragon Garden Nanjing
- 83 Evergrande Khe Sanh Residence Nanjing
- 84 Evergrande Forest Creek County Nanjing
- 85 Evergrande Riverside Mansion Nanjing
- 86 Evergrande Fairyland Zhenjiang

## Chengdu

- 87 Evergrande Oasis Chengdu
- 88 Evergrande Scenic Garden Chengdu
- 89 Evergrande Royal Scenic Peninsula Chengdu
- 90 Evergrande Royal View Garden Chengdu
- 91 Evergrande New City Chengdu
- 92 Evergrande Caojiaxiang Plaza Chengdu
- 93 Evergrande Central Square Chengdu
- 94 Evergrande Metropolis Court Chengdu
- 95 Evergrande Plaza Chengdu
- 96 Evergrande Royal Peninsula Chengdu
- 97 Evergrande Metropolis Chengdu
- 98 Evergrande Central Plaza Chengdu
- 99 Evergrande Jincheng Chengdu
- 100 Evergrande Wangjiang Palace Chengdu
- 101 Evergrande Shanglinyuan Atrium Chengdu
- 102 Evergrande Future City Chengdu
- 103 Evergrande The Coronation Chengdu
- 104 Evergrande Royal Palace Chengdu
- 105 Evergrande Royal Scenic Chengdu
- 106 Evergrande Emerald Court Qionglai
- 107 Evergrande Jade Pavilion Chengdu
- 108 Evergrande Forest River Town Chengdu
- 109 Evergrande Xichen Oasis Chengdu
- 110 Evergrande Left Riverside Chengdu
- 111 Evergrande Splendor Pengshan
- 112 Evergrande Splendor Emei

## Hangzhou

- 113 Evergrande Royal View Garden Hangzhou
- 114 Evergrande Crystal International Plaza Hangzhou
- 115 Evergrande Yue Long Mansion Hangzhou



228  
CITIES UNDER COVERAGE

766  
PROJECTS

312  
MILLION SQUARE METRES  
OF LAND RESERVE



2017  
China Evergrande Group

\* The specific development strategy is developed by the listed company, Evergrande Health (00708.HK).

## Xi'an

- 116 Evergrande Royal Scenic Xi'an
- 117 Evergrande Royal View Garden Xi'an
- 118 Evergrande Bay Xi'an
- 119 Evergrande Emerald Court Xi'an
- 120 Evergrande Royal Dragon Bay Xi'an
- 121 Evergrande Emerald Dragon Court Xi'an
- 122 Evergrande City Plaza Xi'an
- 123 Evergrande International City Xi'an
- 124 Evergrande Atrium Gaoling
- 125 Evergrande Yue Long Mansion Xi'an

## Jinan

- 126 Evergrande Metropolis Jinan
- 127 Evergrande Oasis Jinan
- 128 Evergrande City Jinan
- 129 Evergrande Atrium Jinan
- 130 Evergrande Royal View Garden Jinan
- 131 Evergrande Emerald Court Jinan
- 132 Evergrande Longao Regency Jinan
- 133 Evergrande Longao East New Metropolis Jinan
- 134 Evergrande City Jinan
- 135 Evergrande Left Bank Riverfront Jinan
- 136 Evergrande Century Plaza Jinan
- 137 Evergrande Palace Jinan
- 138 Evergrande Jinbi New Town Jinan
- 139 Evergrande Royal Summit Jinan
- 140 Evergrande Fortune Center Jinan

## Taiyuan

- 141 Evergrande Oasis Taiyuan
- 142 Evergrande Metropolis Taiyuan
- 143 Evergrande Scenic Garden Taiyuan
- 144 Evergrande Palace Taiyuan
- 145 Evergrande Royal Scenic Bay Taiyuan
- 146 Evergrande Emerald Court Taiyuan
- 147 Evergrande Left Bank Riverfront Taiyuan
- 148 Evergrande Atrium Taiyuan
- 149 Evergrande Future City Taiyuan
- 150 Evergrande City Taiyuan
- 151 Evergrande Bay Taiyuan
- 152 Evergrande Forest County Taiyuan
- 153 Evergrande Royal Palace Taiyuan
- 154 Evergrande Tian Chen Taiyuan

## Hefei

- 155 Evergrande City Hefei
- 156 Evergrande Royal View Garden Hefei
- 157 Evergrande International Center Hefei
- 158 Evergrande Plaza Hefei
- 159 Evergrande Crystal International Plaza Hefei
- 160 Evergrande Yue Long Mansion Hefei
- 161 Evergrande Royal View Garden Chaohu
- 162 Evergrande Oasis Feidong

## Nanchang

- 163 Evergrande City Nanchang
- 164 Evergrande Oasis Nanchang
- 165 Evergrande Metropolis Nanchang
- 166 Evergrande Royal View Garden Nanchang
- 167 Evergrande Emerald Court Nanchang
- 168 Evergrande Palace Nanchang
- 169 Evergrande Emerald Imperial Court Nanchang
- 170 Evergrande Emerald Garden Nanchang
- 171 Evergrande Creek Mansion Nanchang
- 172 Evergrande Grande Palace Nanchang
- 173 Evergrande Light of Times Nanchang
- 174 Evergrande Yue Long Mansion Nanchang
- 175 Evergrande Jiangxing Project Nanchang

## Fuzhou

- 176 Evergrande Scenic Garden Fuzhou
- 177 Evergrande City Fuqing

## Harbin

- 178 Evergrande Oasis Harbin
- 179 Evergrande Metropolis Harbin
- 180 Evergrande City Harbin
- 181 Evergrande Royal View Garden Harbin
- 182 Evergrande Royal Scenic Bay Harbin
- 183 Evergrande Emerald Court Harbin
- 184 Evergrande Royal Garden Harbin
- 185 Evergrande Atrium Harbin
- 186 Evergrande International Center Harbin
- 187 Evergrande Jinyuan Harbin
- 188 Evergrande Clover County Harbin
- 189 Evergrande Royal Summit Harbin
- 190 Evergrande Royal Palace Harbin
- 191 Evergrande Central Plaza Harbin
- 192 Evergrande Times Square Harbin
- 193 Evergrande Jincheng Harbin

## Changchun

- 194 Evergrande Oasis Changchun
- 195 Evergrande City Changchun
- 196 Evergrande International Center Changchun
- 197 Evergrande Royal Scenic Changchun
- 198 Evergrande Metropolis Changchun
- 199 Evergrande City Plaza Changchun
- 200 Evergrande Royal Summit Changchun
- 201 Evergrande Atrium Changchun
- 202 Evergrande Royal View Garden Changchun
- 203 Evergrande Bay Changchun
- 204 Evergrande Moon Residence Changchun
- 205 Evergrande Royal Palace Changchun
- 206 Evergrande Sandal River Changchun
- 207 Evergrande North Lake Plaza Changchun
- 208 Evergrande Aquatic Manor Changchun

## Shenyang

- 209 Evergrande Oasis Shenyang
- 210 Evergrande City Shenyang
- 211 Evergrande Metropolis Shenyang
- 212 Evergrande Atrium Shenyang
- 213 Evergrande Emerald Court Shenyang
- 214 Evergrande Royal Scenic Bay Shenyang
- 215 Evergrande Left Bank Riverfront Shenyang
- 216 Evergrande Royal Summit Shenyang
- 217 Evergrande Shengjing Plaza Shenyang
- 218 Evergrande Central Plaza Shenyang
- 219 Evergrande Yue Long Mansion Shenyang
- 220 Evergrande Yihe&Shengjing Family
- 221 Evergrande Shengjing Jade Garden Shenyang
- 222 Evergrande Royal View Garden Shenyang

## Hohhot

- 223 Evergrande Atrium Hohhot
- 224 Evergrande Metropolis Hohhot
- 225 Evergrande Palace Hohhot
- 226 Evergrande Oasis Hohhot
- 227 Evergrande Emerald Court Hohhot

## Shijiazhuang

- 228 Evergrande Royal Scenic Peninsula Shijiazhuang
- 229 Evergrande Splendor Shijiazhuang
- 230 Evergrande Forest River Town Shijiazhuang
- 231 Evergrande Central Plaza Shijiazhuang
- 232 Evergrande Ten Miles Pond Shijiazhuang

## Lanzhou

- 233 Evergrande Oasis Lanzhou
- 234 Evergrande City Plaza Lanzhou
- 235 Evergrande Scenic Garden Lanzhou
- 236 Evergrande Metropolis Lanzhou
- 237 Evergrande Emerald Court Lanzhou
- 238 Evergrande Royal View Garden Lanzhou

## Xining

- 239 Evergrande Metropolis Xining

## Yinchuan

- 240 Evergrande Metropolis Yinchuan
- 241 Evergrande Royal Scenic Yinchuan
- 242 Evergrande Royal View Garden Yinchuan
- 243 Evergrande Royal Scenic Peninsula Yinchuan

## Zhengzhou

- 244 Evergrande Oasis Zhengzhou
- 245 Evergrande Metropolis Zhengzhou
- 246 Evergrande Scenic Garden Zhengzhou
- 247 Evergrande Emerald Court Zhengzhou
- 248 Evergrande Mansion Zhengzhou
- 249 Evergrande Atrium Zhengzhou
- 250 Evergrande City Zhengzhou
- 251 Evergrande Yue Long Mansion Zhengzhou
- 252 Evergrande Future City Zhengkai
- 253 Evergrande Fairyland Kaifeng
- 254 Evergrande Splendor Xinxiang
- 255 Evergrande Royal Scenic Bay Xinxiang

## Guiyang

- 256 Evergrande City Guiyang
- 257 Evergrande Metropolis Guiyang
- 258 Evergrande Atrium Guiyang
- 259 Evergrande Emerald Court Guiyang
- 260 Evergrande Royal View Garden Guiyang
- 261 Evergrande Golden Sun City Guiyang
- 262 Evergrande Central Park Guiyang
- 263 Evergrande Central Square Guiyang
- 264 Evergrande Metropolis Square Guiyang
- 265 Evergrande Fairyland Guiyang
- 266 Evergrande Left Riverfront Guiyang
- 267 Evergrande Future City Guiyang
- 268 Evergrande Royal Palace Guiyang

## Kunming

- 269 Evergrande Splendor Kunming
- 270 Evergrande Cloud Palace Kunming
- 271 Evergrande Metropolis Kunming
- 272 Evergrande Jiu Long Bay Kunming
- 273 Evergrande Left Bank Riverfront Kunming
- 274 Evergrande Emerald Court Kunming

## Nanning

- 275 Evergrande Oasis Nanning
- 276 Evergrande International Center Nanning
- 277 Evergrande Metropolis Nanning
- 278 Evergrande Royal View Garden Nanning
- 279 Evergrande Metropolis Nanning
- 280 Evergrande Palace Nanning
- 281 Evergrande Atrium Nanning
- 282 Evergrande Scenic View Garden Nanning

## Haikou

- 283 Evergrande Culture Tourist City Haikou
- 284 Evergrande Bay Haikou
- 285 Evergrande Bund Haikou
- 286 Evergrande Elissa Haikou
- 287 Evergrande Royal Scenic Bay Hainan
- 288 Evergrande Royal Sea Hainan
- 289 Evergrande Dingan Royal Lake Manor Haikou
- 290 Evergrande Yue Long Bay Wanning

## Urumchi

- 291 Evergrande Oasis Urumchi
- 292 Evergrande Green City Urumchi
- 293 Evergrande Splendor Urumchi
- 294 Evergrande City Lights Urumchi

## Chongqing

- 295 Evergrande Metropolis Chongqing
- 296 Evergrande Atrium Chongqing
- 297 Evergrande Splendor Chongqing
- 298 Evergrande Emerald Court Chongqing
- 299 Evergrande Royal Scenic Peninsula Chongqing
- 300 Evergrande Scenic Garden Chongqing
- 301 Evergrande Scenic Garden Fuling
- 302 Evergrande Royal Scenic Bay Chongqing
- 303 Evergrande Royal Palace Chongqing
- 304 Evergrande Century City Chongqing
- 305 Evergrande C C Land Plaza
- 306 Evergrande The Coronation Chongqing
- 307 Evergrande Central Square Chongqing
- 308 Evergrande Emerald Bay Chongqing
- 309 Evergrande Gentleman Hill Palace Chongqing
- 310 Evergrande New City Chongqing
- 311 Evergrande Lushan Lake Chongqing
- 312 Evergrande Future City Chongqing
- 313 Evergrande Excellent Live City Chongqing
- 314 Evergrande Verakin New Park City Chongqing
- 315 Evergrande Smart Eco-city Chongqing
- 316 Evergrande Green Island Chongqing
- 317 Evergrande Left Lakefront Chongqing
- 318 Evergrande Top Mansion Chongqing

## Tianjin

- 319 Evergrande Oasis Tianjin
- 320 Evergrande Scenic Garden Tianjin
- 321 Evergrande Splendor Tianjin
- 322 Evergrande Metropolis Tianjin
- 323 Evergrande Royal Scenic Peninsula Tianjin
- 324 Evergrande Royal View Garden Tianjin
- 325 Evergrande Royal Scenic Bay Tianjin
- 326 Evergrande Top Mansion Tianjin
- 327 Evergrande Flower Creek Town Tianjin
- 328 Evergrande Phoenix Manor Tianjin
- 329 Evergrande Royal Palace Tianjin

## Dalian

- 330 Evergrande Sandal River Dalian
- 331 Evergrande Royal View Garden Dalian
- 332 Evergrande Royal Scenic Bay Dalian
- 333 Evergrande Harbor City Dalian
- 334 Evergrande City Lights Dalian
- 335 Evergrande Four Seasons Dalian
- 336 Evergrande Atrium Dalian
- 337 Evergrande Park Avenue Dalian

## Qingdao

- 338 Evergrande Golden Beach Qingdao
- 339 Evergrande Yue Long Mansion Qingdao
- 340 Evergrande Royal Dragon Bay Qingdao
- 341 Evergrande Royal Billow International Qingdao

## Ningbo

- 342 Evergrande City Lights Ningbo
- 343 Evergrande Scenic Garden Ningbo
- 344 Evergrande Peninsula On The Sea Xiangshan
- 345 Evergrande Guanlan Palace Yuyao
- 346 Fenghua Xikou Project
- 347 Evergrande Royal Scenic Ningbo
- 348 Evergrande Harbour Town Ningbo

## Xiamen

- 349 Evergrande Royal View Garden Xiamen

## Suzhou

- 350 Evergrande Jewelry Suzhou
- 351 Evergrande Yue Long Bay Suzhou
- 352 Evergrande Atrium Zhangjiagang

## Wuxi

- 353 Evergrande Oasis Wuxi
- 354 Evergrande Royal Seaview Bay Wuxi
- 355 Evergrande Yue Long Mansion Wuxi
- 356 Evergrande Royal View Garden Jiangyin
- 357 Evergrande Royal Scenic Jiangyin
- 358 Evergrande Dongjiu Court Yixing
- 359 Evergrande Paradise Palace Wuxi
- 360 Evergrande Billow Palace Wuxi
- 361 Evergrande Qizi Bay Jiangyin
- 362 Evergrande Royal View Splendor Wuxi
- 363 Evergrande Yue Long Mansion Wuxi
- 364 Evergrande Royal Mansion Wuxi
- 365 Evergrande Royal Lake Yixing
- 366 Evergrande Scenic Garden Yixing

## Foshan

- 367 Evergrande Royal Scenic Bay Foshan
- 368 Evergrande Royal Garden Shunde
- 369 Evergrande Emerald Court Foshan
- 370 Evergrande City Foshan
- 371 Evergrande Royal Lake Bay Foshan
- 372 Evergrande Royal Lake County Foshan
- 373 Evergrande Li Lake City Foshan
- 374 Evergrande Longjiang Emerald Shunde
- 375 Evergrande Scenic Palace Foshan
- 376 Evergrande Royal Riverfront Palace Foshan
- 377 Evergrande Lake County Foshan
- 378 Evergrande Yundonghai Project Foshan
- 379 Evergrande Royal Mansion Foshan
- 380 Evergrande Bay Foshan
- 381 Evergrande Atrium Foshan
- 382 Evergrande Left Riverside Foshan

## Dongguan

- 383 Evergrande Royal Scenic Dongguan
- 384 Evergrande Emerald Court Dongguan
- 385 Evergrande Bay Dongguan
- 386 Evergrande Left Riverside Dongguan
- 387 Evergrande Royal Garden Dongguan

## Wenzhou

- 388 Evergrande Billow Bay Wenzhou
- 389 Evergrande Palace of Pleasure Wenzhou
- 390 Evergrande Yue Long Mansion Wenzhou

## Quanzhou

- 391 Evergrande Royal Scenic Bay Quanzhou
- 392 Evergrande Emerald Dragon Court Quanzhou
- 393 Evergrande City Plaza Quanzhou
- 394 Evergrande Metropolis Shishi
- 395 Evergrande Royal Scenic Anxi
- 396 Evergrande Atrium Quanzhou
- 397 Evergrande New Town Quanzhou

## Nantong

- 398 Evergrande Royal Seaview Garden Nantong
- 399 Evergrande Yue Long Bay Nantong

## Tangshan

- 400 Evergrande Palace Tangshan
- 401 Evergrande Dragon Court Tangshan
- 402 Evergrande School Tangshan
- 403 Evergrande Royal Sea Tangshan
- 404 Evergrande Peach Blossom Spring Town Tangshan

## Weifang

- 405 Evergrande Metropolis Weifang
- 406 Evergrande Emerald Court Weifang

## Xuzhou

- 407 Evergrande Left Bank Riverfront Xuzhou
- 408 Evergrande Forest Creek Town Xuzhou
- 409 Evergrande Pan Lake Town Xuzhou

## Zhongshan

- 410 Evergrande Oasis Zhongshan
- 411 Evergrande Metropolis Zhongshan
- 412 Evergrande Royal Palace Zhongshan
- 413 Evergrande Royal Scenic Zhongshan

## Shantou

- 414 Evergrande Royal Scenic Bay Shantou
- 415 Evergrande Bund Shantou
- 416 Evergrande Jinbi Golden Shantou

## Zhuhai

- 417 Evergrande Ocean Spring Zhuhai
- 418 Evergrande Emerald Court Zhuhai
- 419 Zhuhai Zhuofu Project

## Sanya

- 420 Evergrande Royal Ocean View Garden Sanya
- 421 Evergrande Royal Palace Sanya

## Guangdong Province

- 422 Evergrande City Yunfu
- 423 Evergrande City Shaoguan
- 424 Evergrande City Chaozhou
- 425 Evergrande Scenic Garden Chaozhou
- 426 Evergrande Metropolis Chaozhou
- 427 Evergrande Metropolis Heyuan
- 428 Evergrande Left Riverfront Heyuan
- 429 Evergrande Royal Scenic Peninsula Jiangmen
- 430 Evergrande Spring City Enping
- 431 Evergrande Yue Long Bay Kaiping
- 432 Evergrande Oasis Jieyang
- 433 Evergrande Emerald Court Jieyang
- 434 Evergrande Palace Jieyang
- 435 Evergrande Royal Scenic Peninsula Meizhou
- 436 Evergrande Hawaii on the Sea Yangjiang
- 437 Evergrande Metropolis Yangjiang
- 438 Evergrande Royal View Garden Yangjiang
- 439 Evergrande Yue Long Mansion Yangjiang

- 440 Evergrande Oasis Zhanjiang
- 441 Evergrande Royal View Garden Zhanjiang
- 442 Evergrande Atrium Huizhou (Phase I)  
/ Evergrande Atrium Huizhou (Phase II)
- 443 Evergrande Century Dreamlike City Zhaoqing
- 444 Evergrande Royal Lake City Zhaoqing
- 445 Evergrande Emerald Court Zhaoqing
- 446 Evergrande Royal Lake Zhaoqing
- 447 Evergrande City Zhaoqing
- 448 Evergrande Oasis Zhaoqing

## Zhejiang Province

- 449 Evergrande Yue Long Bay Huzhou
- 450 Evergrande Yue Long Mansion Huzhou
- 451 Evergrande Royal Garden Huzhou
- 452 Evergrande Royal Summit Huzhou
- 453 Evergrande An Ji Town Huzhou
- 454 Evergrande Royal Lakeside Mano Jiande
- 455 Evergrande Left Shianghu Jiaxing
- 456 Evergrande Royal Scenic Bay Jiaxing
- 457 Evergrande Royal Scenic Peninsula Quzhou
- 458 Evergrande Jewelry Palace Shaoxing
- 459 Evergrande Oi Hu Tao Project Shengzhou
- 460 Evergrande Royal Mansion Shaoxing
- 461 Evergrande Future City Shaoxing
- 462 Evergrande Yue Long Mansion Shaoxing
- 463 Evergrande River Royal Palace Shaoxing
- 464 Evergrande Royal Palace Shaoxing
- 465 Evergrande Royal Scenic Bay Shaoxing
- 466 Evergrande City Galaxy Project Taizhou
- 467 Evergrande Royal Scenic Peninsula Taizhou
- 468 Evergrande Royal Scenic Bay Zhoushan

## Jiangsu Province

- 469 Evergrande Scenic View Garden Changzhou
- 470 Evergrande Jintan Golden Bay Project Changzhou
- 471 Evergrande Metropolis Huai'an
- 472 Evergrande City Lianyungang
- 473 Evergrande Forest River Town Lianyungang
- 474 Evergrande Royal Peak Lianyungang
- 475 Evergrande Royal Scenic Peninsula Jingjiang
- 476 Evergrande Palace Taizhou
- 477 Evergrande Top Mansion Taizhou
- 478 Evergrande Palace Suqian
- 479 Evergrande Emerald Court Suqian
- 480 Evergrande Metropolis Yancheng
- 481 Evergrande Royal View Garden Yancheng
- 482 Evergrande Emerald County Yancheng
- 483 Evergrande Billow Bay Yancheng
- 484 Evergrande Left Riverfront Yizheng
- 485 Evergrande Yue Long Mansion Yangzhou
- 486 Evergrande Emerald Court Yangzhou
- 487 Evergrande Palace Yangzhou
- 488 Evergrande Atrium Zhenjiang
- 489 Evergrande Oasis Zhenjiang
- 490 Evergrande Metropolis Danyang
- 491 Evergrande City Danyang
- 492 Evergrande Royal Palace Zhenjiang
- 493 Evergrande Palace Zhenjiang

## Henan Province

- 494 Evergrande Oasis Anyang
- 495 Evergrande Metropolis Hebi
- 496 Evergrande City Jiaozuo
- 497 Evergrande Royal View Garden Kaifeng
- 498 Evergrande Royal View Garden Lankao
- 499 Evergrande Oasis Luoyang
- 500 Evergrande Metropolis Luohe
- 501 Evergrande Royal Scenic Luohe
- 502 Evergrande Royal View Garden Nanyang

- 503 Evergrande Royal Scenic Bay Nanyang
- 504 Evergrande Emerald Court Nanyang
- 505 Evergrande Metropolis Pingdingshan
- 506 Evergrande Royal Scenic Peninsula Pingdingshan
- 507 Evergrande Jewelry Palace Pingdingshan
- 508 Evergrande Yue Long Mansion Puyang
- 509 Evergrande Yue Long Bay Puyang
- 510 Evergrande Metropolis Shangqiu
- 511 Evergrande Emerald Court Shangqiu
- 512 Evergrande Shangtong Road Shangqiu
- 513 Evergrande Jewelry Palace Xixiang
- 514 Evergrande Metropolis Xinyang
- 515 Evergrande Emerald Court Xinyang
- 516 Evergrande Royal Scenic Bay Xinyang
- 517 Evergrande Oasis Xuchang
- 518 Evergrande Emerald Court Xuchang
- 519 Evergrande Palace of Pleasure Xuchang
- 520 Evergrande Yue Long Mansion Xuchang
- 521 Evergrande Metropolis Zhoukou
- 522 Evergrande Royal View Garden Taikang
- 523 Evergrande Metropolis Zhumadian

## Hebei Province

- 524 Evergrande City Cangzhou
- 525 Evergrande Palace of Pleasure Cangzhou
- 526 Evergrande Fairyland Cangzhou
- 527 Evergrande Metropolis Handan
- 528 Evergrande Emerald Court Handan
- 529 Evergrande Beihai Manor Handan
- 530 Evergrande Oasis Handan
- 531 Evergrande Seine River Handan
- 532 Taihongsen Mall Project (Phase I)  
/ Evergrande Dragon Court (Phase II)  
/ Evergrande Blooming Garden Handan  
/ Evergrande Rainbow Town Handan
- 533 Evergrande Splendid Mansion Handan
- 534 Evergrande Royal Scenic Peninsula Handan
- 535 Evergrande City Hengshui
- 536 Evergrande Oasis Hengshui
- 537 Evergrande Metropolis Langfang
- 538 Evergrande Zhongding Project Langfang
- 539 Evergrande Emerald Court Langfang
- 540 Evergrande City Qinhuangdao
- 541 Evergrande City Xingtai
- 542 Evergrande Royal View Garden Xingtai
- 543 Evergrande Metropolis Xingtai
- 544 Evergrande Scenic Garden Xingtai
- 545 Evergrande Top Mansion Xingtai

## Hunan Province

- 546 Evergrande Palace Changde
- 547 Evergrande Royal Scenic Bay Changde
- 548 Evergrande Coronation Changde
- 549 Evergrande Oasis Changde
- 550 Evergrande Palace Chenzhou
- 551 Evergrande Royal View Garden Chenzhou
- 552 Evergrande Oasis Hengyang
- 553 Evergrande Royal View Garden Huaihua
- 554 Evergrande Wanquan Bay Project Huaihua
- 555 Evergrande Palace Shaoyang
- 556 Evergrande Future City Shaoyang
- 557 Evergrande Emerald Court Xiangtan
- 558 Evergrande Royal Scenic Peninsula Xiangtan
- 559 Evergrande Literary Xiangtan
- 560 Evergrande Palace Xiangtan
- 561 Evergrande Oasis Yiyang
- 562 Evergrande Nanhui Peninsula Yueyang
- 563 Evergrande Oasis Yueyang
- 564 Evergrande Royal Scenic Bay Yueyang
- 565 Evergrande Future City Yueyang

- 566 Evergrande Metropolis Zhuzhou
- 567 Evergrande Palace Zhuzhou
- 568 Evergrande Royal Scenic Bay Zhuzhou
- 569 Evergrande Forest River Town Zhuzhou
- 570 Evergrande Yu Jing Garden Zhuzhou
- 571 Evergrande Yue Long Mansion Zhuzhou

## Hubei Province

- 572 Evergrande Sky Capital Ezhou
- 573 Evergrande Fairyland Ezhou
- 574 Evergrande Royal Mansion Enshi
- 575 Evergrande Royal View Garden Huangshi
- 576 Evergrande Metropolis Huangshi
- 577 Evergrande Royal View Garden Jingmen
- 578 Evergrande Metropolis Jingzhou
- 579 Evergrande Golden Metropolis Jingzhou
- 580 Evergrande Emerald Court Jingzhou
- 581 Evergrande Royal Scenic Valley Jinzhou
- 582 Evergrande City Shiyan
- 583 Evergrande Metropolis Suizhou
- 584 Evergrande Golden Metropolis Suizhou
- 585 Evergrande Yue Long Mansion Suizhou
- 586 Evergrande Metropolis Xiangyang
- 587 Evergrande Emerald Court Xiangyang
- 588 Evergrande Royal Scenic Xiangyang
- 589 Evergrande Royal Palace Xiangyang
- 590 Evergrande Oasis Yichang
- 591 Evergrande Royal View Garden Yichang
- 592 Evergrande Scenic Garden Yichang
- 593 Evergrande Metropolis Yichang
- 594 Evergrande Forest River Town Yichang

## Sichuan Province

- 595 Evergrande Yonghe Bay Dazhou
- 596 Evergrande Royal Scenic Bay Luzhou
- 597 Evergrande Palace Luzhou
- 598 Evergrande Bay Luzhou
- 599 Evergrande City Luzhou
- 600 Evergrande Top Mansion Meishan
- 601 Evergrande Emerald Court Mianyang
- 602 Evergrande Emerald Bay Mianyang
- 603 Evergrande City Nanchong
- 604 Evergrande Yue Long Mansion Nanchong
- 605 Evergrande Fengya Court Nanchong
- 606 Evergrande City Panzhihua
- 607 Evergrande City Ziyang
- 608 Evergrande Metropolis Ziyang
- 609 Evergrande Oasis Zigong
- 610 Evergrande Metropolis Zigong
- 611 Evergrande Future City Zigong

## Shandong Province

- 612 Evergrande Yellow River Ecological City Dongying
- 613 Evergrande Palm Islands Dongying
- 614 Evergrande Metropolis Jining
- 615 Evergrande Splendor Laiwu
- 616 Evergrande Palace Linyi
- 617 Evergrande Oasis Linyi
- 618 Evergrande Emerald Court Linyi
- 619 Evergrande Central Square Linyi
- 620 Evergrande City Tai'an
- 621 Evergrande Royal Seaview Garden Weihai
- 622 Evergrande Royal Mansion Weihai
- 623 Laiyang Dingzi Bay Project
- 624 Evergrande Fairyland Yantai
- 625 Evergrande Royal View Garden Zibo
- 626 Evergrande Emerald Court Zibo
- 627 Evergrande ZengCheng Family Project Zibo

## Shanxi Province

- 628 Evergrande Oasis Datong
- 629 Evergrande Top Mansion Datong
- 630 Evergrande Emerald Court Datong
- 631 Evergrande Palace Jinzhong
- 632 Evergrande Palace Linfen
- 633 Evergrande Yue Long Mansion Linfen
- 634 Evergrande Palace Lvliang
- 635 Evergrande Royal Palace Lvliang
- 636 Evergrande Royal View Garden Yangquan
- 637 Evergrande Oasis Yuncheng
- 638 Evergrande Metropolis Yuncheng

## Shaanxi Province

- 639 Evergrande Royal Scenic Peninsula Ankang
- 640 Evergrande Future City Ankang
- 641 Evergrande Royal Scenic Baoji
- 642 Evergrande City Hanzhong
- 643 Evergrande Royal View Garden Hanzhong
- 644 Evergrande Jewelry Palace Weinan
- 645 Evergrande City Yangling
- 646 Evergrande Royal View Garden Xianyang

## Jiangxi Province

- 647 Evergrande Emerald Court Ganzhou
- 648 Evergrande Metropolis Ganzhou
- 649 Evergrande Royal Garden Ganzhou
- 650 Evergrande Royal Palace Ganzhou
- 651 Evergrande Palace of Pleasure Ganzhou
- 652 Evergrande Yue Long Mansion Ganzhou
- 653 Evergrande Bay Ganzhou
- 654 Evergrande Royal Scenic Ganzhou
- 655 Evergrande City Ganzhou
- 656 Evergrande Royal View Garden Ji'an
- 657 Evergrande Royal Scenic Peninsula Ji'an
- 658 Evergrande Royal Scenic Bay Jingdezhen
- 659 Evergrande Royal Scenic Jiujiang
- 660 Evergrande Bay Jiujiang
- 661 Evergrande Royal Palace Pingxiang
- 662 Evergrande Metropolis Shangrao
- 663 Evergrande Atrium Xinyu
- 664 Evergrande City Xinyu
- 665 Evergrande Oasis Yichun
- 666 Evergrande Royal Scenic Yichun
- 667 Evergrande Oasis Yingtan
- 668 Evergrande Royal Scenic Yingtan

## Anhui Province

- 669 Evergrande Oasis Anqing
- 670 Evergrande Unique One Project Anqing
- 671 Evergrande Emerald Court Bengbu
- 672 Evergrande Left Bank Riverfront Bengbu
- 673 Evergrande City Bozhou
- 674 Evergrande Emerald Court Bozhou
- 675 Evergrande Royal Scenic Bozhou
- 676 Evergrande Royal View Garden Chuzhou
- 677 Evergrande Oasis Fuyang
- 678 Evergrande Royal Scenic Fuyang
- 679 Evergrande Forest River Town Fuyang
- 680 Evergrande Metropolis Huaibei
- 681 Evergrande Atrium Huaibei
- 682 Evergrande Royal Scenic Bay Huaibei
- 683 Evergrande Oasis Huainan
- 684 Evergrande Left Riverside Huangshan
- 685 Evergrande Top Mansion Huangshan
- 686 Evergrande Royal Scenic Bay Lu'an
- 687 Evergrande Oasis Maanshan
- 688 Evergrande Oasis Tongling
- 689 Evergrande Royal Palace Wuhu
- 690 Evergrande Royal Scenic Bay Suzhou
- 691 Evergrande Metropolis Suzhou
- 692 Evergrande Royal City Project Xuancheng

## Fujian Province

- 693 Evergrande Oasis Longyan
- 694 Evergrande Royal Scenic Nanping
- 695 Evergrande Scenic Garden Wuyishan
- 696 Evergrande Royal Scenic Peninsula Ningde
- 697 Evergrande Future City Fuding
- 698 Evergrande Royal Scenic Peninsula Putian
- 699 Evergrande Royal Palace Sanming
- 700 Evergrande Royal Scenic Peninsula Zhangzhou
- 701 Evergrande Royal View Garden Zhangzhou

## Guangxi Zhuang Autonomous Region

- 702 Evergrande Royal Scenic Peninsula Beihai
- 703 Evergrande Metropolis Beihai
- 704 Evergrande Royal Seaview Garden Beihai
- 705 Evergrande Atrium Beihai
- 706 Evergrande Royal Scenic Bay Fangchenggang
- 707 Evergrande City Fangchenggang
- 708 Evergrande City Guigang
- 709 Evergrande Plaza Guilin
- 710 Evergrande Bay Guilin
- 711 Evergrande City Guilin
- 712 Evergrande Emerald Court Liuzhou
- 713 Evergrande City Liuzhou
- 714 Evergrande Palace Liuzhou
- 715 Evergrande Royal Palace Liuzhou
- 716 Evergrande Atrium Liuzhou
- 717 Evergrande Royal Scenic Bay Liuzhou
- 718 Evergrande Oasis Qinzhou
- 719 Evergrande Royal Scenic Peninsula Qinzhou
- 720 Evergrande Scholastic Mansion Qinzhou
- 721 Evergrande Scenic Garden Wuzhou
- 722 Evergrande Oasis Wuzhou
- 723 Evergrande City Yulin
- 724 Evergrande Royal Scenic Yulin
- 725 Evergrande Yue Long Mansion Yulin

## Guizhou Province

- 726 Evergrande City Kaili
- 727 Evergrande City Zunyi
- 728 Evergrande Emerald Court Zunyi

## Jilin Province

- 729 Evergrande Palace Jilin
- 730 Evergrande Left Riverside Jilin
- 731 Evergrande Palace One Siping
- 732 Evergrande Royal Scenic Bay Songyuan

## Liaoning Province

- 733 Evergrande Oasis Benxi
- 734 Evergrande Oasis Anshan
- 735 Evergrande Metropolis Anshan
- 736 Evergrande Palace Fushun
- 737 Evergrande Plaza Fushun
- 738 Evergrande Royal Scenic Bay Huludao
- 739 Evergrande Oasis Liaoyang
- 740 Evergrande Palace Panjin
- 741 Evergrande Riverside Panjin
- 742 Evergrande Oasis Yingkou
- 743 Evergrande City Yingkou
- 744 Evergrande Bay Yingkou

## Heilongjiang Province

- 745 Evergrande Royal Lakeside Manor Daqing
- 746 Evergrande Oasis Mudanjiang
- 747 Evergrande Emerald Court Tsitsihar
- 748 Evergrande Metropolis Tsitsihar
- 749 Evergrande Royal Scenic Tsitsihar

## Hainan Province

- 750 Evergrande Qizi Bay Changjiang
- 751 Evergrande Splendor Danzhou
- 752 Hainan Ocean Flower Island

## Gansu Province

- 753 Evergrande Oasis Wuwei

## Yunnan Province

- 754 Evergrande Metropolis Qujing
- 755 Evergrande Oasis Qujing

## Inner Mongolia Autonomous Region

- 756 Evergrande Palace Baotou
- 757 Evergrande Metropolis Baotou
- 758 Evergrande Emerald Court Baotou
- 759 Evergrande City Tongliao
- 760 Evergrande Oasis Wuhai
- 761 Evergrande Oasis Ulanhot

## Ningxia Hui Autonomous Region

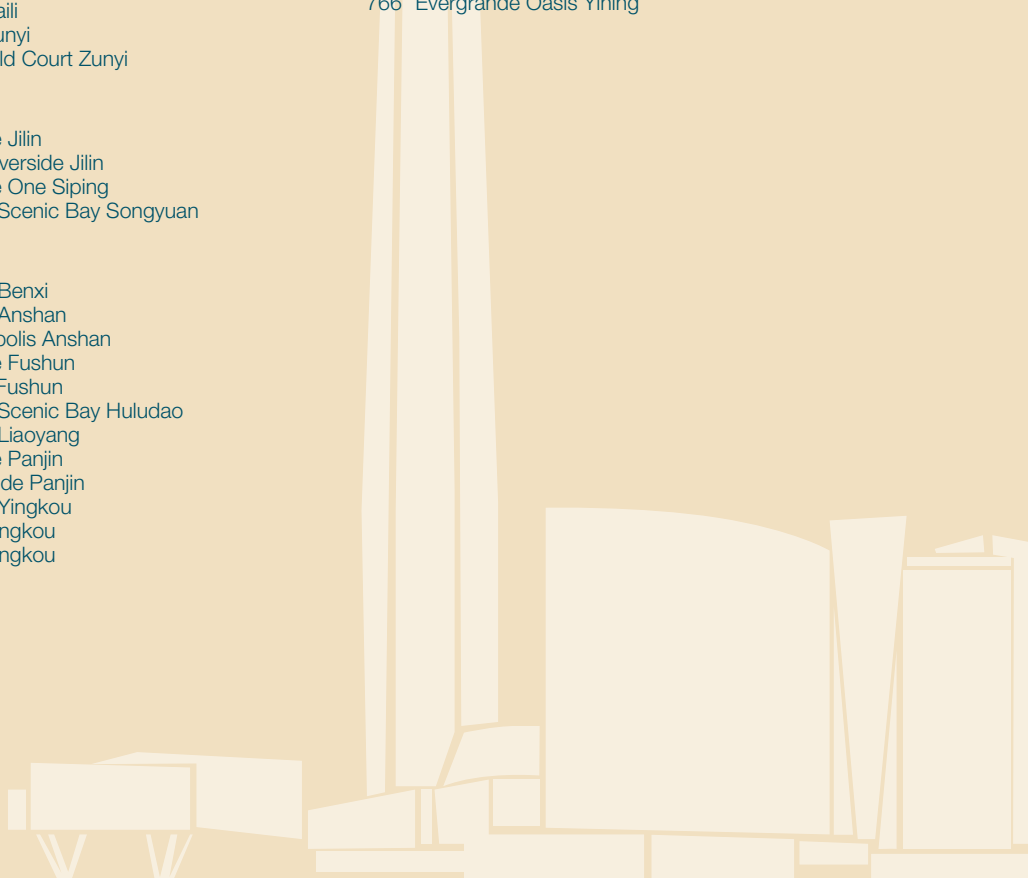
- 762 Evergrande Oasis Shizuishan
- 763 Evergrande Metropolis Wuzhong

## Tibet Autonomous Region

- 764 Aiding Tibet Project Linzhi

## Xinjiang Uygur Autonomous Region

- 765 Evergrande Atrium Yining
- 766 Evergrande Oasis Yining







NEW EVERGRANDE

NEW START

NEW STRATEGIES

NEW BLUEPRINT

CHANEL

VERSACE

OGLADYS

TOSHIBA

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# BOARD OF DIRECTORS AND COMMITTEES

## Chairman of the Board of Directors

Professor Hui Ka Yan

## Executive Directors

Professor Hui Ka Yan

Dr. Xia Haijun

Ms. He Miaoling

Mr. Shi Junping

Mr. Pan Darong

Mr. Huang Xiangui

## Nomination Committee

Professor Hui Ka Yan (*Chairman*)

Mr. He Qi

Mr. Chau Shing Yim, David

## Authorised Representatives

Professor Hui Ka Yan

Mr. Fong Kar Chun, Jimmy

## Independent Non-Executive Directors

Mr. Chau Shing Yim, David

Mr. He Qi

Ms. Xie Hongxi

## Audit Committee

Mr. Chau Shing Yim, David (*Chairman*)

Mr. He Qi

Ms. Xie Hongxi

## Remuneration Committee

Mr. He Qi (*Chairman*)

Professor Hui Ka Yan

Ms. Xie Hongxi

# CORPORATE AND SHAREHOLDER INFORMATION

## Head Office

No.1126 Haide 3rd Road  
Nanshan District, Shenzhen  
Guangdong Province  
The PRC  
Postal code: 518054

## Place of Business in Hong Kong

23rd Floor, China Evergrande Centre,  
38 Gloucester Road,  
Wanchai, Hong Kong

## Website

www.evergrande.com

## Company Secretary

Mr. Fong Kar Chun, Jimmy  
Hong Kong solicitor

## Auditor

PricewaterhouseCoopers

## Principal Bankers

China CITIC Bank Corporation Limited  
China Minsheng Banking Corp., Ltd.  
China Merchants Bank Co., Ltd.  
China Bohai Bank Co., Ltd.  
China Everbright Bank Company Limited  
Industrial and Commercial Bank of China Limited  
Agricultural Bank of China Limited  
Hua Xia Bank Company Limited  
Bank of Beijing Co., Ltd.  
China Zheshang Bank Co., Ltd.  
Bank of Tianjin Co., Ltd.  
Shanghai Pudong Development Bank Co., Ltd.  
China Development Bank Corporation  
Yingkou Coastal Bank Co. Ltd  
Industrial Bank Co., Ltd.  
Bank of Jiujiang Co., Ltd.  
Bank of China Limited  
Bank of Hangzhou Co., Ltd.  
Bank of Gansu Co., Ltd.  
Bank of China Travel Service Co, Ltd. Jiaozuo

## Shareholder Information

### Listing Information

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

## Securities Codes

### Stock

HKEX: 3333

### Bonds

US\$500,000,000 7.00% Senior Notes due 2020  
Common Code: 158043068  
ISIN: XS1580430681

US\$598,181,000 6.25% Senior Notes due 2021  
Common Code: 162759914  
ISIN: XS1627599142

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

US\$1,344,921,000 7.50% Senior Notes due 2023  
Common Code: 162759949  
ISIN: XS1627599498

US\$1,000,000,000 9.50% Senior Notes due 2024  
Common Code: 158786753  
ISIN: XS1587867539

US\$4,680,476,000 8.75% Senior Notes due 2025  
Common Code: 162759965  
ISIN: XS1627599654

HK\$18,000,000,000 4.25% convertible bonds due 2023  
Common Code: 176780096  
ISIN: XS1767800961

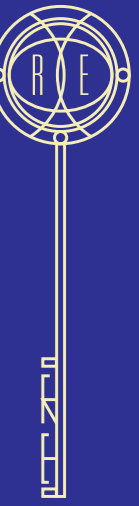
## Investor Relations

For enquiries, please contact:  
Investor Relations Department  
Email: evergrandelR@evergrande.com  
Telephone: (852) 2287 9229

## Financial Calendar

Announcement of final results:	26 March 2018
Closure of register of members to ascertain shareholders' entitlement to attend the annual general meeting ("AGM"):	5 June 2018 to 8 June 2018
AGM:	8 June 2018

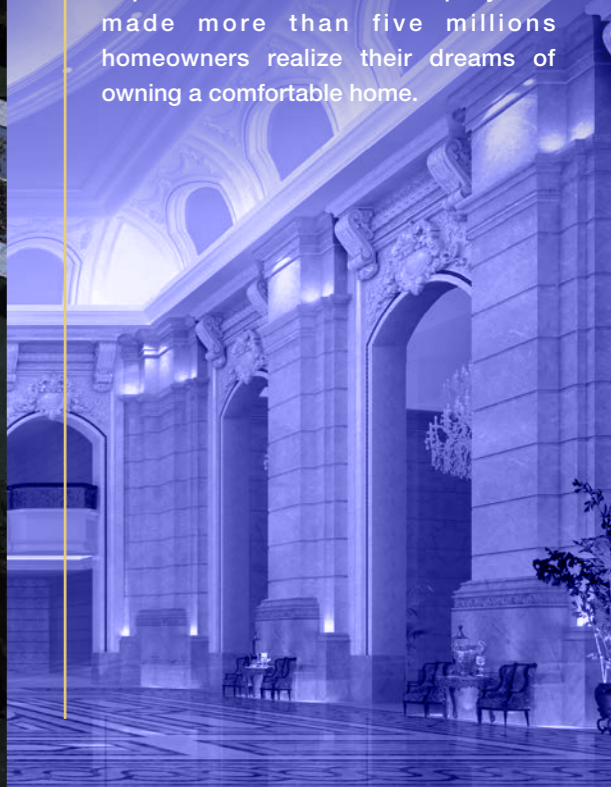




# Real Estate

China Evergrande Group was ranked No. 1 in the industry in terms of comprehensive strength in 2017.

The Company has been adhering to the principle of “real estate of people’s livelihood” since its incorporation. The Company now has more than 700 projects in over 200 Chinese cities, including Beijing, Shanghai, Guangzhou and Shenzhen. Land reserves in first- and second-tier cities account for approximately 70% of total land reserves based on original value. It has established strategic cooperation with more than 800 well-known enterprises worldwide. The Company focuses on building top-quality products and aims to produce quality homes at competitive costs, and was the first to implement policies of “fully-fitted out homes on delivery” and “return with no reasons required”. To date the Company has made more than five millions homeowners realize their dreams of owning a comfortable home.



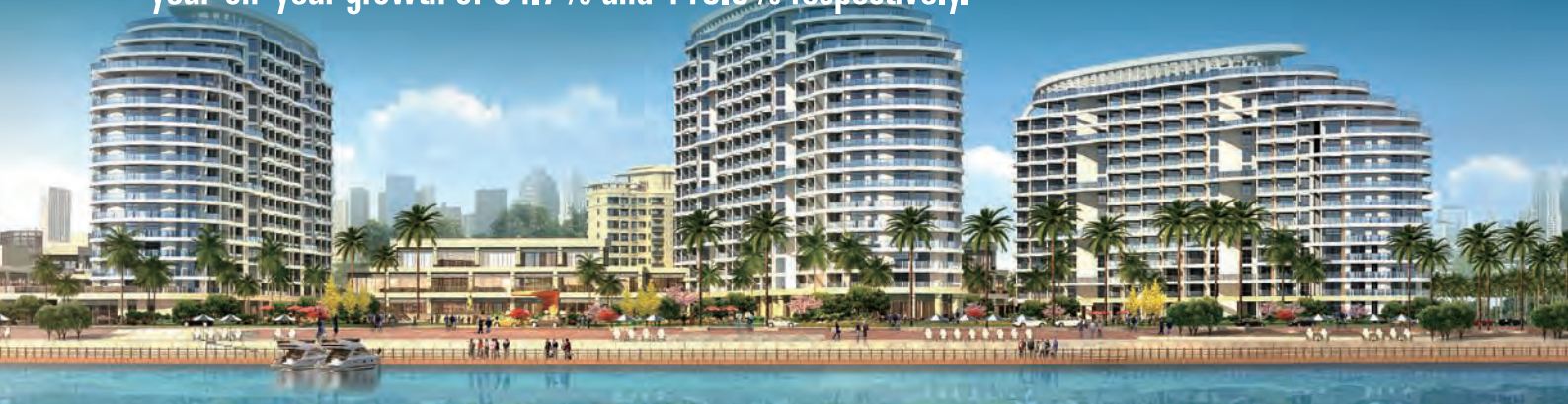
# REPORT OF CHAIRMAN



**Hui Ka Yan**  
Chairman

Dear Shareholders,

I am pleased to present the reports of China Evergrande Group (“Evergrande” or the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2017. The Group’s turnover and gross profit for the year amounted to RMB311.02 billion and RMB112.26 billion respectively, representing year-on-year growth of 47.1% and 88.9% respectively. Core business profit was RMB40.51 billion. The net profit was RMB37.05 billion, representing year-on-year growth of 94.7% and 110.3% respectively.



### Business Review

In 2017, the global economy sustained modest growth supported by the policies of the central banks around the world. Economic recovery continued in various developed and emerging economies and international trade and cross-border capital flows significantly increased. According to the World Economic Outlook released in autumn of 2017, the International Monetary Fund expected that the global growth rate to rise to 3.6% in 2017 and 3.7% in 2018, higher than 3.2% in 2016, as the global economy entered an upturn cycle with strengthening upswing.

The Chinese economy maintained a robust GDP growth rate ranging from 6.7% to 6.9% for ten consecutive quarters with an expected 6.9% growth

rate for the year 2017. With further enforcement of the supply-side reform and the orderly implementation of capacity reduction, destocking and deleveraging, further organic economic growth was expected to continue.

For the real estate market in 2017, the Chinese government continued to issue category-based policy guidance and to implement different policies according to specific situations of different cities. As a result, differentiated regulatory policies emerged across different regions, with tightening measures in overheated cities becoming persistent and various home purchase restrictions and lending restrictions escalating and being strictly enforced. As a result, the commodity housing transaction volume fluctuated across regions and industry consolidation intensified. In spite of the

pressure from different aspects, the industry still delivered record high transaction volumes and values due to strong demand of urban housing from end-users, upgraders in and around city clusters. For 2017, the sales of commodity housing reached RMB13.4 trillion, representing a year-on-year increase of 13.7%. 1.7 billion square meters of commodity housing was sold, representing a year-on-year increase of 7.7%. Inventories were further reduced across the country. As at the end of the year, there were 590 million square meters of properties available for sale, representing a year-on-year decrease of 15.3%. The sales of the top 100 real estate companies amounted to RMB7.34 trillion in aggregate, representing a growth of 41.8% from 2016, with a market share of 54.9%, representing an increase of 10.9 percentage points.



Facing the changes of global and domestic markets and industry competition, the Board made a series of strategic decisions in early 2017. The development strategy transition from “scale” to “scale + profitability” to achieve high quality growth showed initial success, while the operating model transition from “three-high, one-low” to “three-low, one-high” delivered remarkable results. During 2017, the Board persisted in seeking growth amid stability and capturing market opportunities in order to achieve stable growth in scale, meaningful improvement in profitability and significant lower leverage.

### The Group further optimized the distribution of projects and supplemented its high quality land reserves.

As the Group shifted its development model from “scale” to “scale + profitability” in 2017, it placed a greater emphasis on growth of efficiency and quality. In particular, in view of rapid sales in third- and fourth-tier cities, the Group put an emphasis on absorbing high quality land reserves in third-tier cities to further optimize the existing distribution of projects. During the year, the Group acquired 226 new pieces of land and acquired land surrounding 39

existing projects. New land parcels acquired are evenly distributed among first-tier, second-tier and third-tier cities, such as Shanghai, Shenzhen, Changsha, Nanjing, Chengdu, Hangzhou, Wuhan, Jinan, Taiyuan, Chongqing, Zhengzhou, Zhuhai, Zhongshan, Wuxi and Wenzhou. The newly acquired land reserves had a total GFA of 126 million square meters and an average cost of RMB1,889 per square meter.

As at 31 December 2017, the Group had a total of 766 projects located in 228 cities across China, covering all first-tier cities, municipalities and provincial capitals (except Taipei and Lhasa), as well as a majority of economically developed prefecture-level cities with high growth potential. Such projects had a total planned GFA of 312 million square meters with an average land cost of RMB1,711 per square meter. The original value of the land reserves was RMB533.6 billion, and RMB410.4 billion had been paid and RMB123.2 billion was undue and remained outstanding as at end of 2017. The original value of land reserves in first-tier and second-tier cities amounted to RMB367.5 billion, representing 69% of the total value with an average land cost of RMB2,210 per

square meter. The original value of land reserves in third-tier cities amounted to RMB166.1 billion, representing 31% of the total value with an average cost of RMB1,141 per square meter.

### Contracted sales increased from both price and volume growth, hitting record highs of the Group.

During 2017, the Group achieved accumulated contracted sales of RMB500.96 billion, an increase of 34.2% year on year, contracted sales GFA of 50.299 million square meters, which increased by 12.6% year on year, and average contracted selling price of RMB9,960 per square meter, which increased by 19.2% year on year. During the year, the Group launched 178 new projects for sale in dozens of cities including Beijing, Shenzhen, Hefei, Changsha, Chengdu, Chongqing, Haikou, Sanya, Dalian, and Changchun, and had a total of 656 projects for sale. The strong contracted sales performance was mainly attributable to the Group’s strong ability to continuously enhance the value-add features of its products, the Group’s large number of projects for sale and available projects for sale, as well as its flexible and practical sales strategies and execution of sales.



### **The Group carefully planned construction cycles and focused on the coordination among sales, construction, completion and delivery with precision.**

The Group had new construction starts of 96.31 million square meters during the year, an increase of 87.4% as compared to that 2016. As at 31 December 2017, there were 132 million square meters under construction across 628 projects, representing an increase of 64.2% as compared to that of 2016. The completed GFA was 45.14 million square meters, representing a year-on-year increase of 52.3%.

During 2017, the Group delivered products in 498 projects with total revenue of RMB302.38 billion. The Board believes that the large scale of development and construction has not only ensured ample saleable resources to support contracted sales, but has also laid a solid foundation for subsequent delivery and revenue recognition.

### **The Group significantly reduced debt and improved its capital structure.**

The Group adopted various measures to fully implement its “three-low, one-high” operating model. In particular, the Group successfully reduced gearing ratio through the introduction of strategic investment, increasing profit and cost control. The Group’s net assets increased to RMB242.2 billion as at end of 2017.

During 2017, the Group, through a series of capital markets transactions, improved its offshore debt structure, extended its maturity profile and

reduced financing costs. The Group issued US\$6.3 billion new senior notes in 2017, including: US\$500 million of 7% senior notes due 2020, US\$1 billion of 8.25% senior notes due 2022, both issued on 23 March 2017; US\$1 billion of 9.5% senior notes due 2024 issued on 29 March 2017; and US\$3.8 billion, in aggregate, of 6.25% senior notes due 2021, 7.5% senior notes due 2023, and 8.75% senior notes due 2025, all issued on 28 June 2017. Proceeds raised from the issue of the aforesaid senior notes were used to repay the indebtedness of the Group with higher interest rates and as general working capital.

Meanwhile, on 8 June 2017, the Group conducted an exchange offer for its existing senior notes with maturities from 2018 to 2020 totaling US\$3.2 billion (the “**Old Notes**”). On 28 June 2017, the Group successfully exchanged US\$2.54 billion, representing 79.3% of the total Old Notes, for US\$2.82 billion in aggregate of its new notes maturing in 2021, 2023 and 2025 respectively taking into account exchange premiums and the accrued interest payables for the exchanges. The Group fully redeemed the remaining US\$660 million of the Old Notes in August 2017 and currently does not have any offshore senior notes due before 2020. All of the new notes issued as described above are listed and traded on the Singapore Stock Exchange.

### **The Group further enhanced its business diversification.**

The Group began its business diversification eight years ago, and identified cultural tourism as a growing industry. Evergrande Tourism Group, with Fairyland as its flagship product,

promotes the essence of Chinese culture and builds and operates large-scale cultural tourism projects centered with large mythical themed parks by using world’s top entertainment equipment and rides. At present, Evergrande Tourism Group has a total of 11 cultural tourism projects situated in Ocean Flower Island, Qidong, Changsha, Guiyang, Kaifeng, Zhenjiang, Suzhou, Cangzhou, Yantai, Ezhou and Wuhan. The total area of land reserve for tourism projects was 43.07 million square meters, with total area under construction of 10.93 million square meters.

The Group set foot in the RMB10 trillion healthcare industry three years ago, through its subsidiary Evergrande Health. Evergrande Health actively implements the strategy of “Healthy China” and is dedicated to “enhance the healthy living standards for the general public” by optimizing medical services, improving healthcare protection, facilitating the implementation of new technologies and promoting comprehensive healthcare industry. Evergrande Healthy Land, through its unique rent-purchase-travel membership subscriptions, provides various health management and services including all-age healthcare, elderly care and health insurance. It’s currently developing seven resort-like projects, namely Sanya, Ocean Flower Island, Xi’an, Zhengzhou, Yangzhong, Chang-Zhu-Tan and Yuntaishan. Boao Evergrande International Hospital is the only affiliated hospital of Brigham and Women’s Hospital overseas. Built to the highest standards, the hospital specialized in oncology and provides internationally leading screening, diagnoses, treatments and rehabilitation services.

Evergrande Life recorded total assets of RMB102.2 billion as of end of 2017, representing year-on-year growth of 40%; original premium income for 2017 was RMB28.1 billion, representing year-on-year growth of 710% and accounting for 77% of the total premium income; regular premium income for 2017 was RMB4.6 billion, representing year-on-year growth of 20 times. The Group also holds 17.28% equity interest in Shengjing Bank as the largest shareholder. The bank's total assets as at end of 2017 and net profit for 2017 amounted to RMB1.03 trillion and RMB7.57 billion respectively, representing year-on-year growth of 13.8% and 10.1% respectively.

### Corporate Social Responsibility

The Group, while maintaining focus on its steady and rapid growth, continued to commit itself to charity and public welfare work relating to people's livelihood, poverty alleviation, education, environmental protection, sports and others and fulfilled corporate social responsibility and made contributions to the harmony and progress of society.

With respect to people's livelihood, the Group adhered to its philosophy of properties for the people and provided high quality and affordable homes to the general public. In addition to keeping in place the measure of "return with no reason required" to protect home-buyers' interests, the Group had established strategic alliance with 861 renowned domestic and overseas supplier companies, and held the 2017 strategic cooperation — management summit in March 2017 to foster the strategic cooperation between leading

upstream and downstream companies, integrate strong industry chains and support the healthy development of the real estate market.

With regard to poverty alleviation, the Group has initiated its poverty alleviation plan for 貴州省畢節市大方縣 (Dafang County, Bijie City, Guizhou Province) since December 2015 under the support and encouragement of the CPPCC National Committee. The plan was to ensure all of the 180,000 people in poverty in Dafang are lifted out of poverty by the end of 2018 through a charitable donation plan of RMB3.0 billion in three years. As at 31 December 2017, all the 103 featured poverty alleviation projects were completed, helping 306,700 people out of poverty at the first stage. Apart from Dafang, the Group further committed to the poverty alleviation work for six counties and three areas in Bijie, namely Nayong County, Weining County, Hezhang County, Zhijin County, Qianxi County, Jinsha County, Qixingguan District, Jinhaihu New District and Baili Azalea Management District, commencing from 3 May 2017, with an additional RMB8.0 billion donation plan for a total of RMB11.0 billion to ensure all of the existing 924,300 people in poverty in Bijie are lifted out of poverty by 2020. In addition, the Group donated RMB400 million in "2017廣東扶貧濟困日 (2017 Guangdong Poverty Alleviation Day)" for the targeted poverty alleviation in Guangdong.

Regarding education, the Group continued to support education through donations of RMB8 million to 杭州西湖區教育基金會 (the Hangzhou Xihu Education Foundation) in January 2017, RMB3 million to 深圳市教育發展基金

會 (the Shenzhen Education Fund) in February, RMB20 million to 武漢科技大學教育發展基金會 (the Wuhan University of Science and Technology Education & Development Foundation) in June and RMB10 million to Tsinghua University. The Group also continued to cooperate with top institutions around the world such as Harvard University and Tsinghua University to encourage the research, application and promotion of green architecture.

In respect of employment, the Group joined placement programs of universities and communities and offered promising positions and opportunities of career development to professionals.





As for sports, the Group continued to make contributions to China's sports development. Guangzhou Evergrande Taobao Football Club won the champion of the Chinese Super League in season 2017, achieving unprecedented seven consecutive championships. Evergrande Football School had approximately 3,000 students. It is of the largest scale and has the best facilities in the world, and obtained a total of 17 champions in various competitions in 2017, delivering excellent comprehensive performance. The Group also successfully organized the Evergrande 2017 World Snooker China Championship, which is an A-grade international snooker championship.

### Awards

During 2017, the Group won multiple awards. It ranked 338th in the Fortune Global 500 and 29th in the China Top 500. The Group ranked first in industry competitiveness in the Top 500 China Real Estate Developers and was awarded first place in Top 100 China Real Estate Developers. It also ranked first in Top 10 Comprehensive Developers, Top 10 Tourism Real Estate Enterprises, Top 10 Responsible Real Estate Enterprises, Top 10 City Coverage Enterprises and Top 10 Innovation Capability Enterprises.

With respect to social responsibility, the Group was selected as the Best Corporate Citizen Behavior in China for the third consecutive year, and obtained a series of awards including the Most Socially Responsible Company in China, the Advanced Private Enterprises in Targeted Poverty Alleviation Operations in China, the Outstanding Contribution Award of the Chinese Women and Children Charity Award and the 2017 Livelihood Demonstration Projects.

### Business Outlook

Looking forward, the Board believes that the economic development in China has entered into a new era focusing on quality of growth rather than speed. As the economy develops towards an overall moderately prosperous society and implements the "Belt and Road" initiative, the Chinese economy will continue to generate organic and sustained growth. Along with further in-depth reforms in key areas, the formation of new growth factors and transformation of traditional growth factors will together generate synergy for the Chinese economy to become a major driver of growth and stabilizer for the world economy.

The Chinese government is expected to continue the differentiated policy measures in the real estate industry to promote the stable and healthy development of the market. It will emphasize the nature of residence for housing rather than for speculation, delegate more responsibilities to local governments, accelerate the establishment and improvement of long-term mechanism for the industry, establish a housing system with leasing and purchasing options, diversified supply and multiple protections in order to satisfy the needs at different levels in the market and provide basic support to the population. It is anticipated that the stringent regulations will remain in place to achieve the continuity and stability of the real estate market and to prevent and mitigate risks in the market.

The Board will continue to review the development trends and changing conditions of the economy and the real estate market in China in a prudent and pragmatic manner. It will resolutely continue to implement the "scale + profitability" development model, the "three-low, one-high" operating model and to further the Group's business diversification, and will seek new opportunities with a pioneering spirit and innovative mind.

### Implementation of the "scale + profitability" development model

The Group looks to maintain a reasonable growth in scale with a 2018 contracted sales target of RMB550 billion. The Group will pursue various measures to increase operational efficiency, including improving profits, reducing costs and controlling expenses. Cost-control at various stages include detailed analysis of

## REPORT OF CHAIRMAN

project profitability at the land acquisition phase, practical and effective marketing plans and adoption of information technology to increase management efficiency and reduce labor costs. The Group also plans to utilize systematic macro-economic and industry research to guide its general capital planning and utilization and to capitalize on its brand and credit history to further control financing costs.

### Implementation of the “three-low, one-high” operating model

The Group intends to further reduce its net gearing ratio in 2018. To this end, the Group will systematically plan its business development for the year through prudent land acquisitions, emphasis on promoting sales and controlling costs and expenses.

With respect to high-turnover, the Group will continue to implement the

current standardized systems and processes to effectively manage the development cycles and speed up sales and cash collections.

### Implementation of the business diversification.

In 2018, while further growing its major diversified segments, the Group will focus on the building and enhancement of systems, teams and culture of the segments. The Group has formulated a training plan for a thousand of its employees in its diversified businesses to strengthen its management personnel at various levels and to further enhance its highly efficient operations.

### Final Dividend

As the Group is undergoing a spin-off reorganisation, in accordance with Question 10 of the “Revised Frequently

Asked Questions and Answers for Laws and Regulations for the Regulation of Listed Issuers” 《上市公司監管法律法規常見問題與解答修訂彙編》 of China Securities Regulatory Commission, no final dividend for 2017 has been declared at this time. Upon completion of the spin-off reorganisation, the Company will declare a special dividend in respect of 50% of the accumulated distributable profits of the Company since 2016 before the reorganisation.

### Annual General Meeting

A notice convening the annual general meeting of the Company will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

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

During 2017, the Company repurchased from the market a total of 722,972,000 shares. All the repurchased shares have been cancelled. The Directors believe that the repurchase of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Details of the repurchases of the shares of the Company are as follows:

Month of repurchase	Number of shares repurchased	Highest price per share (HK\$)	Lowest price per share (HK\$)	Aggregate purchase price (HK\$)
March 2017	33,692,000	6.80	6.21	221,855,930
April 2017	689,280,000	9.31	8.00	6,066,505,690
	722,972,000			6,288,361,620

Save as disclosed above and the section “The Group significantly reduced debt and improved its capital structure” on page 9, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

## REPORT OF CHAIRMAN

### Subsequent Event

In February 2018, the Group issued 4.25% convertible bonds due 2023 with a principal amount of approximately HK\$18 billion, the proceeds of which were used for refinancing the indebtedness of the Group and for general corporate purposes.

### Model Code on Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the directors. Having made due and careful enquiries with the directors, the Company confirmed that for the year ended 31 December 2017, all directors always abided by the Model Code.

### Review of Consolidated Financial Information

The Audit Committee of the Company consists of all of the independent non-executive directors of the Company, namely Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi. The Audit Committee assists the Board in



providing an independent review of the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group’s operations and internal controls. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2017.

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

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

### Acknowledgement

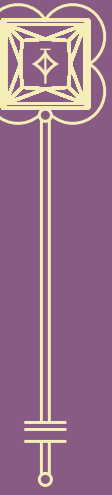
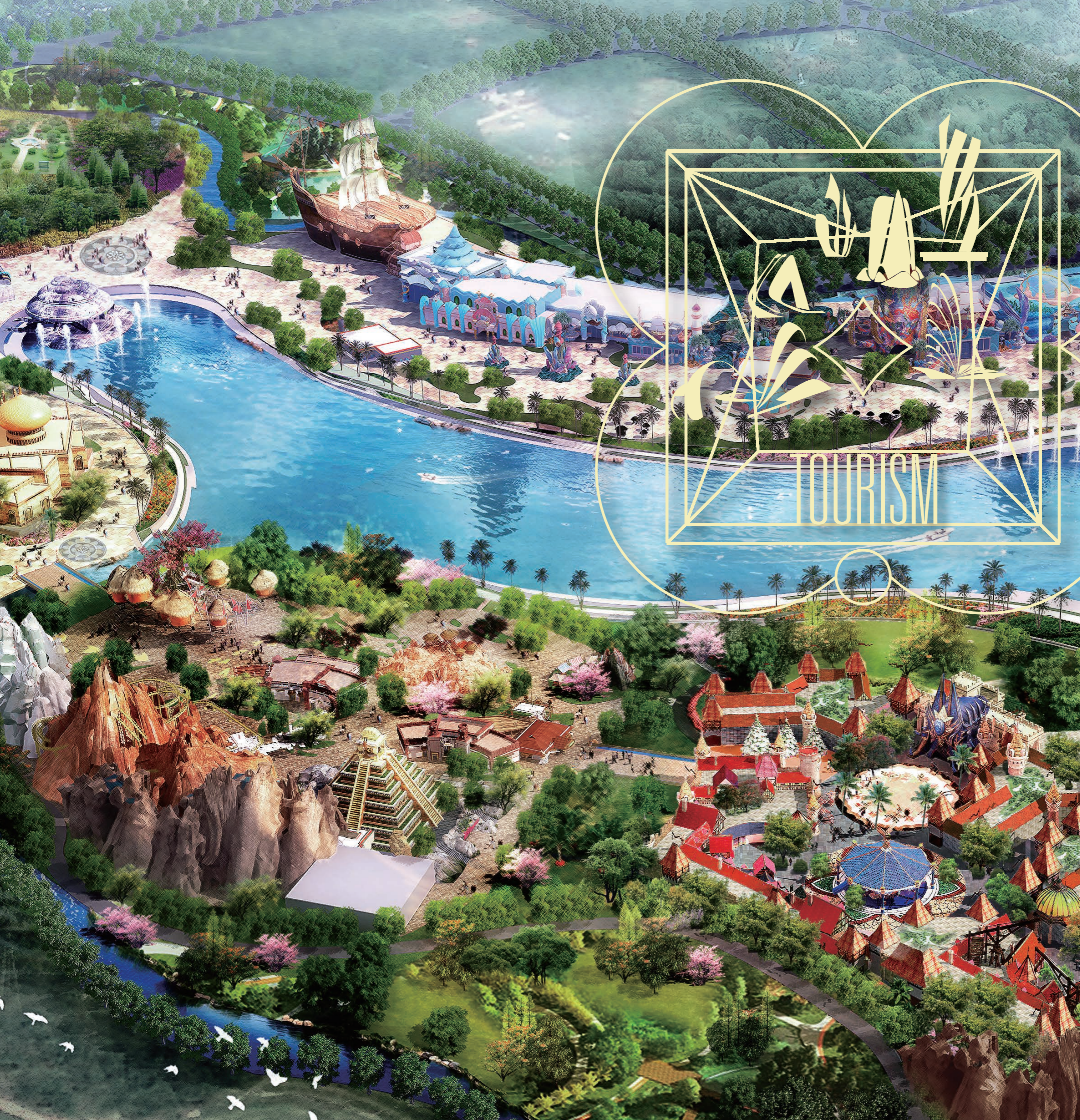
The steady development of the Group is owed to the trust and support of its shareholders, investors and business partners as well as the loyalty of our staff members. On behalf of the Board, I hereby express my heartfelt gratitude towards them.

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

Hong Kong, 26 March 2018







# Tourism

Evergrande Tourism Group, with Fairyland as its flagship product, promotes the essence of Chinese culture and builds & operates large-scale cultural tourism projects centered with large mythical-themed parks by using worlds' top entertainment equipments and rides.





# MANAGEMENT DISCUSSION AND ANALYSIS

## Overall Performance

The Group recorded revenue of RMB311.02 billion for the year compared to RMB211.44 billion for 2016, representing a year-on-year growth of 47.1%. Gross profit amounted to RMB112.26 billion compared to RMB59.42 billion for 2016, representing a year-on-year growth of 88.9%. Core business profit was RMB40.51 billion for this year, representing a growth rate of 94.7% compared with the core profit of 2016. Core business profit represents net profit excluding fair value gains on investment properties, exchange gains or losses, fair value loss on derivative financial liabilities, fair value loss or gain on financial assets at fair value through profit or loss, loss or gain on disposal of available-for-sale financial assets and one-off donation.

Profit attributable to shareholders of the Company increased to RMB24.37 billion. The significant growth of 378.7% in attributable profit compared to the previous year was mainly due to the increase of properties delivered, growth in gross profit margin and effective control over selling, general and administrative expenses.

## Revenue

During the year, the revenue was RMB311.02 billion, representing a growth rate of 47.1% as compared with 2016. Revenue generated from the property development segment increased by 48.3% to RMB302.38 billion. The increase was mainly due to the property area of recognized sales, which increased by 29.0% as compared with 2016 and the average selling price of the properties, which

increased by 15.0% as compared with 2016. Revenue generated from property management amounted to RMB3,024 million, an increase of 55.2% from 2016, which was mainly attributable to the increase in area for which the Group provided management services in 2017. Revenue generated from investment properties amounted to RMB811 million, up by 25.3%, which was mainly due to more area of investment properties that was rented out during 2017.

## Gross Profit

Gross profit of the Group was RMB112.26 billion for 2017, representing a 88.9% growth as compared with 2016. Increase in gross profit this year was mainly attributable to 29.0% growth in the delivered property area compared to the delivered area in 2016. The average selling price of the properties increased by 15.0%, but average cost of properties only increase by around 2.3%. Therefore, Gross profit margin was 36.1%, up by 8 percentage points comparing to 2016.

## Fair Value Gain on Investment Properties

Fair value gain of investment properties of the Group for the year was RMB8.51 billion, representing an increase of 66.2% as compared with 2016. Investment properties of the Group mainly include commercial podiums in residential communities, office buildings with gross floor area of about 8.09 million square meters and approximately 0.41 million car parking spaces. Increase in the fair value gain was mainly attributable to the increase in additional area of investment properties in 2017.

## Other Losses, Net

Other net losses were RMB6.02 billion for this year. It was mainly attributable to the combined results of the disposal loss of the Vanke A shares, amounting to RMB7.18 billion, exchange gain and the gain on disposal of associates.

## Selling and Marketing Costs

During this year, selling and marketing costs of the Group increased to RMB17.21 billion from RMB15.98 billion in 2016, which was mainly attributable to the 34.2% increase of contracted sales for 2017. However, the ratio of contracted selling and marketing costs to contracted sales for 2017 was 3.4%, representing a decrease of 0.9 percentage point compared with that of 2016. Off-line expenses were spent on advertising and promotion activities which were more focused on target customers. A series of cost-controlling measures were implemented during 2017 to ensure that the Group did not overrun budgets on basis of contracted sales amount. At the same time, more promotion activities were carried out through internet sales channel, which was more cost-effective. The Group made full use of its in-house developed mobile phone application, named "Hengfangtong" or "恒房通", to promote property sales.

## Administrative Expenses

During 2017, administrative expenses of the Group increased to RMB12.25 billion from RMB9.60 billion for 2016, which was mainly attributable to the continuous expansion of the Group's nation-wide business for 2017. The level of staff remuneration also increased.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

### Borrowings

As at 31 December 2017, the borrowings of the Group amounted to RMB732.63 billion, with the following maturities:

	31 December 2017 (RMB billion)	As percentage of total borrowings	31 December 2016 (RMB billion)	As percentage of total borrowings
Less than 1 year	356.4	48.6%	202.9	37.9%
1–2 years	184.8	25.2%	161.3	30.1%
2–5 years	145.5	19.9%	158.7	29.7%
More than 5 years	45.9	6.3%	12.2	2.3%
	<b>732.6</b>	<b>100.0%</b>	535.1	100.0%

A portion of the borrowings were secured by a pledge of the properties and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash at bank and the equity interests of certain subsidiaries of the Group. The average effective interest rate of borrowings was 8.09% per annum for this year, compared with 8.27% of 2016.

### Foreign Exchange Exposure

The Group's business was principally conducted in Renminbi. A significant portion of residential and investment properties were located in Mainland China. However, there were approximately 18.3% of borrowings denominated in foreign currencies, such as US\$ and HK\$.

The Group estimated that the Renminbi exchange rate would continue its two-way volatility as Renminbi exchange mechanism becomes more market-

oriented. The Group recorded exchange gain in 2017 along with the appreciation of Renminbi value, especially in the second half of 2017. However, there is uncertainty on the actual exchange losses or gains relating to borrowings in foreign currencies when they will be repaid on due dates.

The Group will closely monitor its exchange rate risk exposure and will adjust its debt profile when necessary based on market changes. The Group has not entered into any significant forward exchange contract to hedge its exposure to foreign exchange rate risk.

### Liquidity

As at 31 December 2017, the total amount of cash and cash equivalents and restricted cash of the Group was RMB287.72 billion. The abundant working capital should provide opportunities for the Group to seek the best business opportunities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Land Reserves

During 2017, the Group acquired 226 pieces of additional land in cities, which mainly included Shanghai, Shenzhen, Hangzhou, Chongqing, Chengdu, Wuhan, Changsha, Nanjing, Foshan, Zhuhai, Huizhou, Qingdao, Suzhou and Shaoxing. As at 31 December 2017, the land reserve area of the newly acquired land was approximately 126 million square meters, the average cost of which was RMB1,889 per square meter.

The land reserve original value of new projects in first- and second-tier cities was RMB136.6 billion, accounting for 58%, and the average price of floor area was RMB2,513 per square meter.

The land reserve original value of new projects in third-tier cities was RMB100.8 billion, accounting for 42%, and the average price of floor area was RMB1,414 per square meter.

The following table sets out the details of the additional land acquired by the Group in 2017.

### Distribution of newly acquired land reserves of the Group in 2017

No.	Province/City	Name of Project	Land reserve original value (RMB100 million)	Land reserve area ('000 m <sup>2</sup> )	Price of floor area (RMB/m <sup>2</sup> )	Shareholding Percentage <i>(Note 1)</i>
1	Beijing	Evergrande the Great Wall Village Chengde	2.82	66.8	4,227	100.0%
2	Shanghai	Evergrande Bay Palace Shanghai	11.07	47.2	23,479	100.0%
3		Evergrande Wonderland Taicang	17.04	1,218.1	1,399	100.0%
4	Guangzhou	Evergrande Royal Creek Valley Qingyuan	7.37	188.1	3,917	100.0%
5	Shenzhen	Evergrande City Lights Shenzhen	35.00	275.9	12,687	100.0%
6		Evergrande Metropolis Square Shenzhen	56.84	211.6	26,866	100.0%
7		Evergrande Lake of General Huizhou	13.57	403.4	3,362	100.0%
8		Evergrande Royal Lake County Huizhou	3.65	127.9	2,850	100.0%
9		Evergrande Royal Palace Huizhou	4.72	261.8	1,805	100.0%
10	Wuhan	Evergrande Tourism Tech City Wuhan	9.99	1,098.2	910	100.0%
11	Changsha	Evergrande Jade Palace Changsha	7.06	166.8	4,232	100.0%
12		Evergrande Shanglin Garden Changsha	3.47	99.8	3,482	100.0%
13		Evergrande Palace of Glory Changsha	9.15	178.0	5,139	90.0%
14		Evergrande Royal View Splendor Ningxiang	42.98	1,594.0	2,696	100.0%
15	Nanjing	Evergrande Forest River Town Nanjing	8.05	88.5	9,099	100.0%
16		Evergrande Riverside Mansion Nanjing	18.33	138.5	13,234	100.0%
17		Evergrande Wonderland Jurong	26.12	2,321.3	1,125	100.0%
18	Chengdu	Evergrande Jade Pavilion Chengdu	9.23	165.7	5,573	100.0%
19		Evergrande Forest River Town Chengdu	7.22	529.3	1,364	100.0%
20		Evergrande Xichen Oasis Chengdu	5.42	721.5	751	100.0%
21		Evergrande Left Riverside Chengdu	12.04	223.1	5,395	100.0%
22		Evergrande Splendor Emei	56.85	1,687.2	3,369	100.0%
23		Evergrande Duijiang Home Chengdu	0.13	58.1	231	100.0%
24	Hangzhou	Evergrande Yue Long Mansion Hangzhou	36.20	119.1	30,387	100.0%
25	Xi'an	Evergrande Atrium Gaoling	2.88	480.0	600	100.0%
26		Evergrande Yue Long Mansion Xi'an	7.97	185.8	4,286	100.0%
27	Jinan	Evergrande Fortune Center Jinan	2.53	179.9	1,404	100.0%
28	Taiyuan	Evergrande Forest County Taiyuan	2.69	326.0	824	100.0%
29		Evergrande Royal Palace Taiyuan	4.60	153.9	2,992	100.0%
30		Evergrande Tian Chen Taiyuan	41.00	522.8	7,843	100.0%
31	Nanchang	Evergrande Grande Palace Nanchang	10.65	185.7	5,735	100.0%

Note 1: Representing the shareholding percentage which is held by immediate holding company over each project company.

## MANAGEMENT DISCUSSION AND ANALYSIS

No.	Province/City	Name of Project	Land reserve original value (RMB100 million)	Land reserve area ('000 m <sup>2</sup> )	Price of floor area (RMB/m <sup>2</sup> )	Shareholding Percentage <i>(Note 1)</i>
32		Evergrande Light of Times Nanchang	17.93	203.8	8,798	100.0%
33		Evergrande Yue Long Mansion Nanchang	60.03	661.5	9,074	100.0%
34		Evergrande Jiangxing Project Nanchang	7.80	223.1	3,496	50.0%
35	Harbin	Evergrande Times Square Harbin	42.48	1,168.9	3,634	100.0%
36		Evergrande Jincheng Harbin	2.72	135.8	2,000	100.0%
37	Changchun	Evergrande Aquatic Manor Changchun	5.30	255.4	2,076	62.0%
38	Shenyang	Evergrande Central Plaza Shenyang	12.51	1,480.5	845	100.0%
39		Evergrande Yue Long Mansion Shenyang	3.78	161.9	2,334	100.0%
40		Evergrande Yihe&Shengjing Family Shenyang	5.10	526.6	969	70.0%
41		Evergrande Shengjing Jade Garden Shenyang	4.16	260.2	1,600	100.0%
42		Evergrande Royal View Garden Shenyang	32.20	494.8	6,508	90.0%
43	Hohhot	Evergrande Oasis Hohhot	7.10	477.5	1,487	51.0%
44		Evergrande Emerald Court Hohhot	2.78	295.2	941	51.0%
45	Shijiazhuang	Evergrande Central Plaza Shijiazhuang	18.60	184.6	10,079	100.0%
46		Evergrande Ten Miles Pond Shijiazhuang	5.91	521.7	1,132	80.0%
47	Zhengzhou	Evergrande Yue Long Mansion Zhengzhou	8.58	606.1	1,415	64.0%
48		Evergrande Wonderland Kaifeng	18.37	2,759.9	666	100.0%
49	Guiyang	Evergrande Left Riverfront Guiyang	5.93	469.2	1,263	90.0%
50		Evergrande Future City Guiyang	10.15	441.3	2,301	100.0%
51		Evergrande Royal Palace Guiyang	7.00	270.5	2,587	100.0%
52	Kunming	Evergrande Left Bank Riverfront Kunming	14.78	539.0	2,742	51.0%
53		Evergrande Emerald Court Kunming	3.84	248.8	1,542	100.0%
54	Haikou	Evergrande Yue Long Bay Wanning	5.77	195.6	2,952	100.0%
55	Urumchi	Evergrande City Lights Urumchi	3.40	207.7	1,637	100.0%
56	Chongqing	Evergrande Smart Eco-city Chongqing	3.23	112.2	2,873	100.0%
57		Evergrande Green Island Chongqing	35.09	482.8	7,267	100.0%
58		Evergrande Left Lakefront Chongqing	2.73	256.1	1,066	100.0%
59		Evergrande Top Mansion Chongqing	8.06	466.0	1,730	100.0%
60		Evergrande Golden Block Chongqing	0.61	12.3	4,996	51.0%
61	Tianjin	Evergrande Phoenix Manor Tianjin	2.60	175.7	1,480	100.0%
62		Evergrande Royal Palace Tianjin	8.68	83.6	10,375	100.0%
63	Qingdao	Evergrande Yue Long Mansion Qingdao	10.00	361.1	2,769	100.0%
64		Evergrande Royal Dragon Bay Qingdao	18.15	625.6	2,901	100.0%
65		Evergrande Royal Billow International Qingdao	1.49	358.5	415	100.0%
66	Ningbo	Fenghua Xikou Ecotourism Town	6.68	454.2	1,471	100.0%
67		Evergrande Royal Scenic Ningbo	12.18	361.0	3,375	100.0%
68		Evergrande Harbour Town Ningbo	5.68	1,415.8	401	100.0%
69	Wuxi	Evergrande Paradise Palace Wuxi	18.81	231.3	8,132	100.0%
70		Evergrande Billow Palace Wuxi	29.83	363.5	8,205	100.0%
71		Evergrande Qizi Bay Jiangyin	2.79	143.1	1,947	100.0%
72		Evergrande Royal View Splendor Wuxi	6.89	244.9	2,814	100.0%
73		Evergrande Yue Long Mansion Wuxi	5.57	108.4	5,135	100.0%
74		Evergrande Royal Mansion Wuxi	8.76	150.5	5,821	100.0%
75		Evergrande Royal Lake Yixing	6.39	180.3	3,545	100.0%
76		Evergrande Scenic Garden Yixing	2.31	142.4	1,623	100.0%
77	Foshan	Evergrande Scenic Palace Foshan	20.23	666.8	3,034	100.0%
78		Evergrande Royal Riverfront Palace Foshan	1.82	444.0	410	100.0%
79		Evergrande Lake County Foshan	3.50	459.7	761	100.0%
80		Evergrande Yundonghai Project Foshan	22.26	485.3	4,587	100.0%
81		Evergrande Royal Mansion Foshan	9.09	238.4	3,813	100.0%
82		Evergrande Bay Foshan	14.30	147.0	9,730	100.0%
83		Evergrande Atrium Foshan	2.04	113.5	1,800	100.0%

Note 1: Representing the shareholding percentage which is held by immediate holding company over each project company.

## MANAGEMENT DISCUSSION AND ANALYSIS

No.	Province/City	Name of Project	Land reserve original value (RMB100 million)	Land reserve area ('000 m <sup>2</sup> )	Price of floor area (RMB/m <sup>2</sup> )	Shareholding Percentage <small>(Note 1)</small>
84		Evergrande Left Riverside Foshan	2.94	100.0	2,937	100.0%
85	Wenzhou	Evergrande Billow Bay Wenzhou	16.80	371.3	4,525	100.0%
86		Evergrande Palace of Pleasure Wenzhou	13.00	146.0	8,902	100.0%
87		Evergrande Yue Long Mansion Wenzhou	42.92	1,130.0	3,798	100.0%
88	Quanzhou	Evergrande Atrium Quanzhou	1.28	259.7	493	100.0%
89		Evergrande New Town Quanzhou	2.47	182.7	1,350	100.0%
90	Nantong	Evergrande Yue Long Bay Nantong	3.40	259.4	1,310	100.0%
91	Tangshan	Evergrande Royal Sea Tangshan	4.38	692.0	633	100.0%
92		Evergrande Peach Blossom Spring Town Tangshan	0.35	83.0	418	100.0%
93	Xuzhou	Evergrande Forest River Town Xuzhou	1.02	322.3	316	100.0%
94		Evergrande Pan Lake Town Xuzhou	23.93	3,435.1	697	100.0%
95	Zhongshan	Evergrande Royal Palace Zhongshan	13.42	451.9	2,969	100.0%
96		Evergrande Royal Scenic Zhongshan	5.80	239.7	2,419	100.0%
97	Shantou	Evergrande Jinbi Bay Shantou	4.20	884.7	475	65.0%
98	Zhuhai	Zhuhai Zhuofu Project	21.00	67.9	30,910	100.0%
99	Guangdong Province	Evergrande Left Riverfront Heyuan	8.39	300.0	2,797	100.0%
100		Evergrande Yue Long Bay Kaiping	38.15	870.0	4,385	100.0%
101		Evergrande Royal View Garden Yangjiang	1.60	257.3	622	100.0%
102		Evergrande Yue Long Mansion Yangjiang	5.81	231.6	2,508	100.0%
103		Evergrande Atrium Huizhou (Phase I)	1.50	235.4	637	100.0%
/		Evergrande Atrium Huizhou (Phase II)	1.61	250.7	640	100.0%
104		Evergrande Royal Lake Zhaoqing	8.97	870.8	1,030	100.0%
105		Evergrande City Zhaoqing	11.32	505.8	2,237	100.0%
106		Evergrande Oasis Zhaoqing	9.97	418.5	2,382	100.0%
107	Zhejiang Province	Evergrande Yue Long Mansion Huzhou	7.10	243.1	2,918	51.0%
108		Evergrande Royal Garden Huzhou	4.05	69.9	5,800	100.0%
109		Evergrande Royal Summit Huzhou	6.87	192.1	3,579	100.0%
110		Evergrande An Ji Town Huzhou	10.22	186.5	5,482	56.0%
111		Evergrande Royal Lakeside Mano Jiande	2.68	323.1	829	100.0%
112		Evergrande Royal Scenic Bay Jiaxing	17.08	273.4	6,248	100.0%
113		Evergrande Mansion Shaoxing	5.76	195.4	2,948	100.0%
114		Evergrande Future City Shaoxing	16.55	636.7	2,599	100.0%
115		Evergrande Yue Long Mansion Shaoxing	9.70	227.6	4,263	100.0%
116		Evergrande River Royal Palace Shaoxing	7.29	217.1	3,360	100.0%
117		Evergrande Royal Palace Shaoxing	5.93	199.8	2,967	100.0%
118		Evergrande Royal Scenic Bay Shaoxing	13.10	147.1	8,907	100.0%
119		Evergrande City Galaxy Project Taizhou	7.27	505.1	1,439	100.0%
120		Evergrande Royal Scenic Peninsula Taizhou	20.29	420.0	4,831	100.0%
121	Jiangsu Province	Evergrande Forest River Town Lianyungang	3.01	280.9	1,071	100.0%
122		Evergrande Royal Peak Lianyungang	1.80	236.9	760	100.0%
123		Evergrande Royal Scenic Peninsula Jingjiang	11.19	757.9	1,477	100.0%
124		Evergrande Palace Taizhou	26.06	620.1	4,203	100.0%
125		Evergrande Top Mansion Taizhou	11.96	307.7	3,887	100.0%
126		Evergrande Emerald County Yancheng	1.23	143.4	858	100.0%
127		Evergrande Billow Bay Yancheng	12.18	313.1	3,890	100.0%
128		Evergrande Left Riverfront Yizheng	2.22	177.2	1,252	100.0%
129		Evergrande Yue Long Mansion Yangzhou	8.62	163.3	5,278	100.0%
130		Evergrande Emerald Court Yangzhou	11.72	273.3	4,290	100.0%
131		Evergrande Palace Yangzhou	16.57	257.2	6,445	100.0%
132		Evergrande Royal Palace Zhenjiang	0.90	76.6	1,175	100.0%
133		Evergrande Palace Zhenjiang	23.39	275.5	8,490	100.0%
134	Henan Province	Evergrande Metropolis Hebi	1.50	242.9	616	100.0%
135		Evergrande Royal View Garden Lankao	1.48	533.3	277	100.0%

Note 1: Representing the shareholding percentage which is held by immediate holding company over each project company.

## MANAGEMENT DISCUSSION AND ANALYSIS

No.	Province/City	Name of Project	Land reserve original value (RMB100 million)	Land reserve area ('000 m <sup>2</sup> )	Price of floor area (RMB/m <sup>2</sup> )	Shareholding Percentage <small>(Note 1)</small>
136		Evergrande Emerald Court Nanyang	1.86	202.0	921	60.0%
137		Evergrande Jewelry Palace Pingdingshan	13.56	307.7	4,407	67.0%
138		Evergrande Yue Long Bay Puyang	3.59	370.7	968	100.0%
139		Evergrande Shangtong Road Shangqiu	4.44	291.7	1,521	50.0%
140		Evergrande Jewelry Palace Xinxiang	13.34	677.6	1,969	100.0%
141		Evergrande Palace of Pleasure Xuchang	2.23	282.8	789	51.0%
142		Evergrande Yue Long Mansion Xuchang	19.80	950.0	2,084	75.0%
143		Evergrande Royal View Garden Taikang	1.01	143.8	701	100.0%
144	Hebei Province	Evergrande Palace of Pleasure Cangzhou	12.19	152.2	8,008	100.0%
145		Evergrande Fairyland Cangzhou	10.12	4,460.1	227	100.0%
146		Evergrande Beihai Manor Handan	35.83	761.0	4,708	51.0%
147		Evergrande Oasis Handan	7.50	337.0	2,227	51.0%
148		Evergrande Seine River Handan	6.57	294.9	2,227	51.0%
149		Taihongsen Mall Project (Phase I)	2.69	121.0	2,227	51.0%
/		Evergrande Dragon Court (Phase II)	3.59	161.0	2,227	51.0%
/		Evergrande Blooming Garden Handan	0.73	33.0	2,227	51.0%
/		Evergrande Rainbow Town Handan	0.96	43.0	2,227	51.0%
150		Evergrande Splendid Mansion Handan	9.13	430.2	2,121	100.0%
151		Evergrande Royal Scenic Peninsula Handan	0.61	87.6	698	100.0%
152		Evergrande Top Mansion Xingtai	8.17	231.2	3,532	100.0%
153	Hunan Province	Evergrande Coronation Changde	11.93	284.9	4,188	100.0%
154		Evergrande Oasis Changde	15.46	441.8	3,500	100.0%
155		Evergrande Wanquan Bay Project in Huaihua	1.35	237.9	566	60.0%
156		Evergrande Future City Shaoyang	9.08	660.6	1,375	64.0%
157		Evergrande Literary Xiangtan	2.29	556.0	411	60.0%
158		Evergrande Palace Xiangtan	8.32	522.5	1,592	100.0%
159		Evergrande Royal Scenic Bay Yueyang	1.37	223.7	613	65.0%
160		Evergrande Future City Yueyang	15.71	492.6	3,190	100.0%
161		Evergrande Royal Scenic Bay Zhuzhou	0.52	180.6	290	62.0%
162		Evergrande Linxin Town Zhuzhou	4.69	251.8	1,864	100.0%
163		Evergrande Yu Jing Garden Zhuzhou	12.41	879.7	1,411	100.0%
164		Evergrande Yue Long Mansion Zhuzhou	10.93	333.5	3,276	100.0%
165	Hubei Province	Evergrande Fairyland Ezhou	0.90	79.0	1,136	100.0%
166		Evergrande Royal Mansion Enshi	2.04	287.8	709	100.0%
167		Evergrande Royal View Garden Huangshi	2.80	203.1	1,379	100.0%
168		Evergrande Metropolis Huangshi	1.76	212.9	825	100.0%
169		Evergrande Royal View Garden Jingmen	1.43	263.5	543	100.0%
170		Evergrande Royal Scenic Valley Jinzhou	2.83	256.9	1,100	100.0%
171		Evergrande City Shiyan	20.84	1,623.4	1,284	100.0%
172		Evergrande Yue Long Mansion Suizhou	2.89	198.8	1,456	100.0%
173		Evergrande Royal Scenic Xiangyang	1.46	94.6	1,545	55.0%
174		Evergrande Royal Palace Xiangyang	11.21	295.1	3,797	100.0%
175		Evergrande Metropolis Yichang	9.45	792.8	1,192	70.0%
176		Evergrande Forest River Town Yichang	7.19	216.3	3,325	100.0%
177	Sichuan Province	Evergrande Yonghe Bay Dazhou	0.99	159.5	619	100.0%
178		Evergrande Top Mansion Meishan	4.40	167.7	2,624	100.0%
179		Evergrande Emerald Court Mianyang	6.40	213.0	3,007	100.0%
180		Evergrande City Nanchong	2.09	173.4	1,207	100.0%
181		Evergrande Yue Long Mansion Nanchong	5.14	292.4	1,759	100.0%
182		Evergrande Fengya Court Nanchong	2.03	139.6	1,457	100.0%
183		Evergrande Future City Zigong	4.45	353.2	1,260	100.0%
184	Shandong Province	Evergrande Royal Mansion Weihai	3.33	152.6	2,183	100.0%
185		Evergrande Laiyang Dingzi Bay Project	28.91	12,329.4	234	90.0%

Note 1: Representing the shareholding percentage which is held by immediate holding company over each project company.

## MANAGEMENT DISCUSSION AND ANALYSIS

No.	Province/City	Name of Project	Land reserve original value (RMB100 million)	Land reserve area ('000 m <sup>2</sup> )	Price of floor area (RMB/m <sup>2</sup> )	Shareholding Percentage <small>(Note 1)</small>
186		Evergrande Fairyland Yantai	11.75	7,302.2	161	100.0%
187		Evergrande ZhengCheng Family Project Zibo	13.73	609.8	2,251	60.0%
188	Shanxi Province	Evergrande Top Mansion Datong	13.21	371.9	3,552	100.0%
189		Evergrande Emerald Court Datong	8.40	185.0	4,541	100.0%
190		Evergrande Palace Jinzhong	7.82	266.8	2,931	100.0%
191		Evergrande Yue Long Mansion Linfen	4.04	261.0	1,549	55.0%
192		Evergrande Royal Palace Lvliang	2.15	263.5	816	80.0%
193	Shaanxi Province	Evergrande Royal Scenic Peninsula Ankang	4.59	383.8	1,196	100.0%
194		Evergrande Future City Ankang	4.44	429.9	1,032	100.0%
195		Evergrande Royal Scenic Baoji	1.30	213.5	611	100.0%
196		Evergrande Royal View Garden Hanzhong	1.43	226.1	634	100.0%
197		Evergrande Jewelry Palace Weinan	2.01	371.3	540	100.0%
198		Evergrande Royal View Garden Xianyang	4.09	425.3	962	100.0%
199	Jiangxi Province	Evergrande Palace of Pleasure Ganzhou	2.20	107.7	2,038	100.0%
200		Evergrande Yue Long Mansion Ganzhou	7.82	298.2	2,623	100.0%
201		Evergrande Bay Ganzhou	11.69	323.5	3,613	100.0%
202		Evergrande Royal Scenic Ganzhou	4.64	201.7	2,300	51.0%
203		Evergrande City Ganzhou	12.21	369.3	3,306	69.0%
204		Evergrande Royal Palace Pingxiang	4.02	362.8	1,108	100.0%
205		Evergrande Royal Scenic Yichun	4.13	310.1	1,331	70.0%
206	Anhui Province	Evergrande Unique One Project Anqing	13.48	461.9	2,918	100.0%
207		Evergrande Left Bank Riverfront Bengbu	1.95	261.0	747	100.0%
208		Evergrande Royal Scenic Bozhou	1.27	219.7	580	70.0%
209		Evergrande Forest River Town Fuyang	5.82	211.7	2,748	100.0%
210		Evergrande Royal Scenic Bay Huaibei	1.70	261.5	650	100.0%
211		Evergrande Top Mansion Huangshan	2.96	230.9	1,283	100.0%
212		Evergrande Royal Palace Wuhu	4.29	451.9	950	100.0%
213		Evergrande Royal City Project Xuancheng	5.50	287.0	1,915	100.0%
214	Fujian Province	Evergrande Future City Fuding	5.20	468.1	1,110	100.0%
215		Evergrande Royal View Garden Zhangzhou	13.65	167.6	8,142	100.0%
216	Guangxi Province	Evergrande City Fangchenggang	1.71	236.9	721	100.0%
217		Evergrande Scholastic Mansion Qinzhou	2.22	273.6	810	100.0%
218		Evergrande Oasis Wuzhou	4.46	531.8	838	100.0%
219		Evergrande Royal Scenic Yulin	1.90	166.7	1,140	100.0%
220		Evergrande Yue Long Mansion Yulin	4.48	359.6	1,245	99.0%
221	Jilin Province	Evergrande Left Riverside Jilin	3.67	174.3	2,106	100.0%
222		Evergrande Palace One Siping	2.86	308.9	925	100.0%
223	Liaoning	Evergrande Riverside Panjin	6.28	885.4	709	100.0%
224	Heilongjiang Province	Evergrande Royal Lakeside Manor Daqing	4.90	296.7	1,652	100.0%
225	Yunnan Province	Evergrande Oasis Qujing	2.35	661.5	355	100.0%
226	Inner Mongolia	Evergrande City Tongliao	2.64	252.4	1,045	51.0%

Note 1: Representing the shareholding percentage which is held by immediate holding company over each project company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Surrounding land acquired for current projects

No.	Province/City	Name of Project	Land reserve original value (RMB100 million)	Land reserve area ('000 m <sup>2</sup> )	Price of floor area (RMB/m <sup>2</sup> )	Shareholding Percentage <i>(Note 1)</i>
1	Hebei	Evergrande Royal Scenic Peninsula Laishai (Phase II)	0.18	20.3	863	65.0%
2	Hebei	Expansion Land of Evergrande Linxi Town Shijiazhuang	0.39	33.3	1,162	63.0%
3	Hunan	Evergrande Linxi Town and Wave Court Changsha	4.20	287.0	1,465	90.0%
4	Hunan	Expansion Land of Evergrande Forest Creek County Changsha	4.91	186.3	2,634	73.0%
5	Henan	Expansion Land of Evergrande City Zhengzhou (Phase III)	12.14	600.5	2,021	51.0%
6	Chongqing	Tongjing Asset Portofilo — Boda Project (Expansion Land of Evergrande Verakin New Park City Chongqing)	1.41	89.4	1,578	100.0%
7	Gansu	Expansion Land of Evergrande Royal Scenic Peninsula Yinchuan	3.72	239.9	1,550	80.0%
8	Shandong	Evergrande Emerald Court Jinan (Phase II)	6.42	234.2	2,743	100.0%
9	Shandong	Evergrande Century Plaza Jinan (Phase II)	2.16	84.0	2,571	100.0%
10	Shandong	Evergrande Palace Jinan (Phase II)	3.69	141.6	2,607	100.0%
11	Heilongjiang	Evergrande Royal Garden Harbin (Phase III)	12.01	138.3	8,684	100.0%
12	Henan	Expansion Land of Evergrande Emerald Court of Dragon Xinyang	1.44	154.9	930	58.0%
13	Guangxi	Expansion Land of Evergrande Oasis Wuzhou	3.73	395.7	942	100.0%
14	Guangxi	Evergrande City Guigang	3.31	45.9	7,214	100.0%
15	Jiangxi	Evergrande Bay Jiujiang (Phase II)	2.88	184.7	1,559	100.0%
16	Henan	Expansion Land of Evergrande Royal Scenic Peninsula Pingdingshan	0.40	95.7	414	64.0%
17	Shandong	Expansion Land of Evergrande ZhengCheng Family Project Zibo	4.90	453.7	1,079	60.0%
18	Zhejiang	Expansion Land of Ningbo Fenghua Xikou Ecotourism Town (Phase II)	1.90	123.8	1,535	100.0%
19	Jiangsu	Expansion Land of Evergrande Emerald Court Suqian	1.21	111.7	1,083	100.0%
20	Hubei	Evergrande Metropolis Yichang (Phase II)	2.78	237.5	1,172	70.0%
21	Zhejiang	Expansion Land of Evergrande Royal Palace Shaoxing	0.50	12.8	3,907	100.0%
22	Henan	Evergrande City Jiaozuo (Phase II)	5.41	193.0	2,803	100.0%
23	Henan	Expansion Land of Evergrande Splendor Xinxiang (Phase III)	5.48	260.6	2,102	100.0%
24	Hebei	Expansion Land of Evergrande Royal Scenic Peninsula	1.25	196.0	637	65.0%
25	Inner Mongolia	Evergrande Emerald Court Baotou	2.01	144.5	1,388	55.0%
26	Chongqing	Expansion Land of Evergrande Royal View Splendor Chongqing	1.01	168.5	600	100.0%
27	Henan	Evergrande City Zhengzhou (Phase II)	12.57	593.2	2,119	51.0%
28	Shanxi	Evergrande City Taiyuan (Phase II)	2.84	104.6	2,715	82.0%
29	Hebei	Expansion Land of Evergrande Emerald Court Handan	2.56	61.5	4,157	100.0%

Note 1: Representing the shareholding percentage which is held by immediate holding company over each project company.



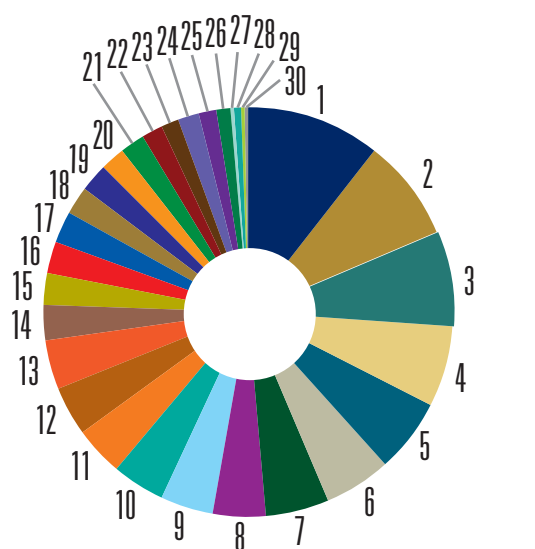
## MANAGEMENT DISCUSSION AND ANALYSIS

No.	Province/City	Name of Project	Land reserve original value (RMB100 million)	Land reserve area ('000 m <sup>2</sup> )	Price of floor area (RMB/m <sup>2</sup> )	Shareholding Percentage <small>(Note 1)</small>
30	Hubei	Evergrande Metropolis Yichang (Phase III)	3.29	233.3	1,410	70.0%
31	Sichuan	Expansion Land of Evergrande Sichuan Resort Emei	1.85	55.5	3,333	100.0%
32	Xinjiang	Evergrande Oasis Urumchi (Phase III)	11.50	251.0	4,582	100.0%
33	Hebei	Expansion Land of Evergrande City Hengshui (Phase III)	1.86	132.5	1,404	70.0%
34	Hebei	Evergrande School Tangshan	7.51	217.2	3,458	100.0%
35	Sichuan	Mianyang Chengnan New Town Hongxing D Plot	8.73	205.4	4,249	100.0%
36	Hainan	Expansion Land of Hainan Ocean Flower Island in 2017	2.92	1,086.5	269	100.0%
37	Jiangsu	Expansion Land of Evergrande Venice on the Sea Qidong in 2017	8.59	843.3	1,018	100.0%
38	Guizhou	Expansion Land of Evergrande Fairyland Guiyang in 2017	47.58	4,362.1	1,091	100.0%
39	Hunan	Expansion Land of Evergrande Fairyland Changsha in 2017	15.22	1,183.2	1,286	100.0%
			<b>2,374.46</b>	<b>125,684.7</b>	<b>1,889</b>	

\* Surrounding land acquired for current projects

Note 1: Representing the shareholding percentage which is held by immediate holding company over each project company.

## MANAGEMENT DISCUSSION AND ANALYSIS



10.65%	1	Guangdong Province
8.18%	2	Jiangsu Province
7.49%	3	Henan Province
6.34%	4	Shandong Province
5.89%	5	Hainan Province
5.41%	6	Sichuan Province
4.81%	7	Chongqing
4.39%	8	Hubei Province
4.16%	9	Hunan Province
4.10%	10	Jiangxi Province
3.89%	11	Guangxi Zhuang Autonomous Region
3.88%	12	Hebei Province
3.85%	13	Anhui Province
2.73%	14	Zhejiang Province
2.59%	15	Guizhou Province
2.55%	16	Shaanxi Province
2.50%	17	Fujian Province
2.27%	18	Liaoning Province
2.19%	19	Shanxi Province
2.02%	20	Tianjin
1.86%	21	Heilongjiang Province
1.59%	22	Gansu Province
1.56%	23	Yunnan Province
1.51%	24	Beijing
1.51%	25	Inner Mongolia Autonomous Region
0.98%	26	Jilin Province
0.42%	27	Shanghai
0.42%	28	Xinjiang Uygur Autonomous Region
0.19%	29	Ningxia Hui Autonomous Region
0.05%	30	Qinghai Province

### Contracted Sales

During the year, the Group's contracted sales increased by 34.2% year-on-year to RMB500.96 billion. GFA of contracted sales was 50.299 million square meters, representing a year-on-year growth of 19.2%. The average price of contracted sales also recorded a year-on-year growth of 12.6%, reaching RMB9,960 per square meter. The Group started 178 new projects during the year. As at 31 December 2017, there were a total of 656 projects on sale, covering 30 provinces, regions and cities in China.

The following table sets out the geographical distribution of contracted sales of the Group in 2017.

No.	Province	Contracted sales amount (RMB million)	Percentage
1	Guangdong Province	53,335	10.65%
2	Jiangsu Province	40,992	8.18%
3	Henan Province	37,532	7.49%
4	Shandong Province	31,737	6.34%
5	Hainan Province	29,486	5.89%
6	Sichuan Province	27,125	5.41%
7	Chongqing	24,095	4.81%
8	Hubei Province	21,992	4.39%
9	Hunan Province	20,819	4.16%
10	Jiangxi Province	20,548	4.10%
11	Guangxi Zhuang Autonomous Region	19,488	3.89%
12	Hebei Province	19,444	3.88%
13	Anhui Province	19,301	3.85%
14	Zhejiang Province	13,693	2.73%
15	Guizhou Province	12,964	2.59%
16	Shaanxi Province	12,771	2.55%
17	Fujian Province	12,547	2.50%
18	Liaoning Province	11,367	2.27%
19	Shanxi Province	10,975	2.19%
20	Tianjin	10,127	2.02%
21	Heilongjiang Province	9,332	1.86%
22	Gansu Province	7,989	1.59%
23	Yunnan Province	7,824	1.56%
24	Beijing	7,574	1.51%
25	Inner Mongolia Autonomous Region	7,541	1.51%
26	Jilin Province	4,923	0.98%
27	Shanghai	2,121	0.42%
28	Xinjiang Uygur Autonomous Region	2,099	0.42%
29	Ningxia Hui Autonomous Region	962	0.19%
30	Qinghai Province	261	0.05%
<b>Total</b>		<b>500,964</b>	<b>100.00%</b>

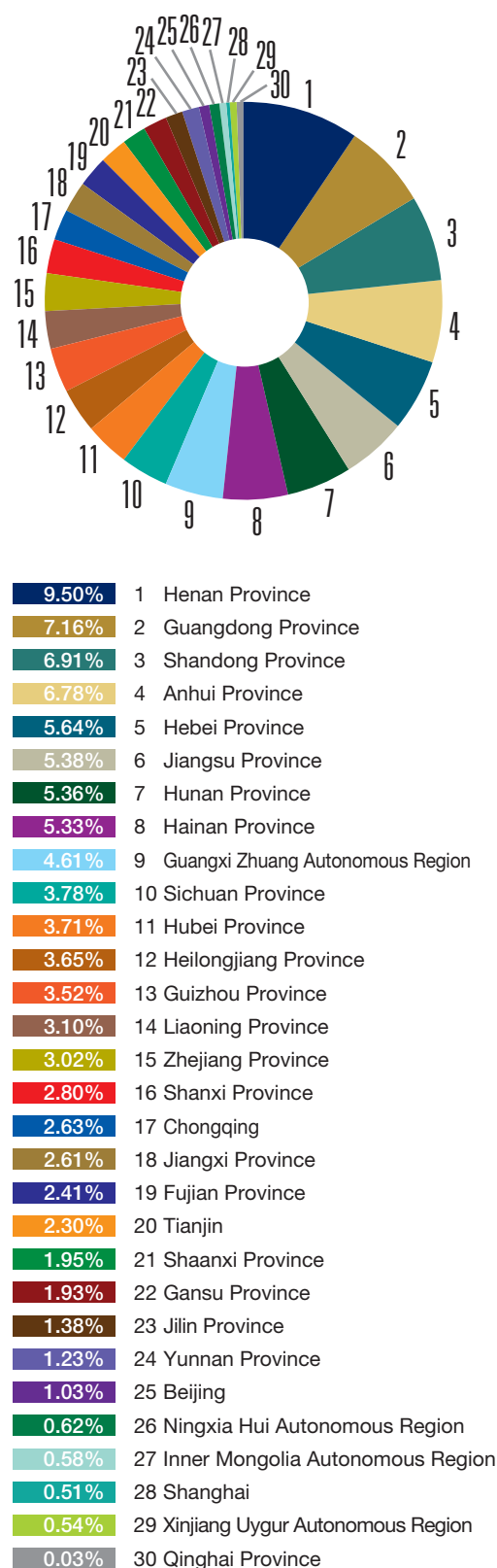
# MANAGEMENT DISCUSSION AND ANALYSIS

## Property Development

In 2017, the Group had a total of 498 projects completed or partially completed, located in 30 provinces, regions and cities of China, with completed aggregate GFA of 45.137 million square meters.

The following table sets out the distribution of completed areas of the Group in 2017.

Province	Completed area in 2017 ('000 m <sup>2</sup> )	Percentage
Henan Province	4,289.20	9.50%
Guangdong Province	3,233.45	7.16%
Shandong Province	3,119.58	6.91%
Anhui Province	3,062.22	6.78%
Hebei Province	2,546.86	5.64%
Jiangsu Province	2,429.10	5.38%
Hunan Province	2,417.51	5.36%
Hainan Province	2,405.39	5.33%
Guangxi Zhuang Autonomous Region	2,080.19	4.61%
Sichuan Province	1,704.55	3.78%
Hubei Province	1,672.42	3.71%
Heilongjiang Province	1,648.72	3.65%
Guizhou Province	1,588.82	3.52%
Liaoning Province	1,401.40	3.10%
Zhejiang Province	1,364.87	3.02%
Shanxi Province	1,264.45	2.80%
Chongqing	1,187.01	2.63%
Jiangxi Province	1,178.17	2.61%
Fujian Province	1,086.25	2.41%
Tianjin	1,036.89	2.30%
Shaanxi Province	880.08	1.95%
Gansu Province	870.30	1.93%
Jilin Province	621.99	1.38%
Yunnan Province	554.97	1.23%
Beijing	463.16	1.03%
Ningxia Hui Autonomous Region	278.20	0.62%
Inner Mongolia Autonomous Region	261.93	0.58%
Shanghai	231.92	0.51%
Xinjiang Uygur Autonomous Region	242.12	0.54%
Qinghai Province	15.63	0.03%
<b>Total</b>	<b>45,137.34</b>	<b>100.00%</b>



### Human Resources

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

As at 31 December 2017, the Group had a total of 125,526 employees, of which approximately 90% were graduates with bachelor's degree or above in property development or construction, forming a team of young, highly educated and high quality personnel. During the first half of 2017, the Group recruited 3,283 fresh graduates through open recruitment, including 273 fresh graduates from top 10 colleges and universities such as Beijing University and Tsinghua University. The Group also recruited 33,338 professionals from the market.

The Group commenced various culture building activities from multiple dimensions so as to establish channels for training and enhancement, cross-field development and remodeling of talents. In order to improve the comprehensive quality of employees and strengthen talents pool, the Group continued to organize the postgraduate course for Master of Project Management with Tsinghua University in 2017. The Group organized approximately 75,877 training sessions and professional seminars for staff at headquarters, regional companies and industry groups throughout the year and trained approximately 1,227,552 staff sessions in aggregate. The total training hours amounted to approximately 173,024 hours with approximately 2.3 hours per session.

The Group firmly believes that talents are the most important corporate resources and always adheres to a people-oriented human resources development strategy, creating a sound working environment featuring harmonious development and positive interaction between the Group and its staff. For the year ended 31 December 2017, total staff cost (including directors' emoluments) of the Group was approximately RMB17,259 million (the year ended 31 December 2016: approximately RMB13.29 billion).

## DIRECTORS AND ADMINISTRATIVE STRUCTURE



HUI KA YAN  
(許家印)

aged 59, Chairman of the Board. Professor Hui is responsible for organizing the overall development strategies of the Group. He has over 30 years of experience in real estate investment, property development and corporate management. Currently, Professor Hui is a member of the 13th National Committee of the Chinese People's Political Consultative Conference and also the vice-chairman of the China Enterprise Confederation, China Enterprise Directors Association and China Real Estate Association. He was accredited as a "National Model Worker" (one of the highest civilian honors in China) by the State Council. He graduated from Wuhan University of Science and Technology in 1982, and was awarded an honorary doctorate degree in commerce by the University of West Alabama in 2008. Professor Hui has been a professor in management in Wuhan University of Science and Technology since 2003 and was appointed as doctoral tutor of that university in 2010.



XIA HAIJUN  
(夏海鈞)

aged 53, Vice president of the Board and Chief Executive Officer of the Group. Dr. Xia has over 20 years of experience in property development and corporate management. Dr. Xia takes full charge of our daily operations, including financial and capital operation and management of the Group, comprehensive monitoring and legal affairs management, information construction of the Group and overseas affairs and public affairs management, etc. Dr. Xia graduated from Jinan University with a master's degree in business administration in 1998 and a doctor's degree in industrial economy in 2001.



HE MIAOLING  
(何妙玲)

aged 52, our executive Director and vice president. Ms. He is responsible for the Group's marketing management and business administration for all industry businesses. She has more than 18 years of experience in marketing strategies and brand promotion in the property projects. Ms. He joined the Group in August 1997, and has a bachelor's degree in applied mathematics and a master's degree in engineering management.

## DIRECTORS AND ADMINISTRATIVE STRUCTURE



SHI JUNPING  
(史俊平)

aged 34, our executive Director and vice president. Mr. Shi is responsible for administration, establishment and maintenance of the brand image of the Group. He has over 11 years of experience in marketing management for property development and brand image strategic operations for multiple industries, including real estate and finance. Mr. Shi joined the Group in 2006, and has a bachelor of arts degree and a bachelor of laws degree, and a master's degree in engineering management.



PAN DARONG  
(潘大榮)

aged 44, our executive Director and chief financial officer. Mr. Pan takes full charge of financial management. Mr. Pan has over 22 years of experience in auditing, accounting and finance. Mr. Pan graduated from the investment and economic faculty of Zhongnan University of Economics (中南財經大學). He is an economist as approved in China.



HUANG XIANGUI  
(黃賢貴)

aged 47, our executive Director, assistant to president and general manager of the Hongkong company. Mr. Huang joined us in 2004. He graduated from Harbin Engineering University and University of Stirling, and obtained a bachelor degree in chemical engineering and a master degree of science in banking and finance respectively. Mr. Huang is currently responsible for the international capital operation and investment management of the Group, and has over 19 years of experience in marketing, human resource management, foreign capital operation and management. Mr. Huang is also currently an executive director of HengTen Networks Group Limited.

## DIRECTORS AND ADMINISTRATIVE STRUCTURE

### Independent non-executive directors

**Chau Shing Yim, David (周承炎)**, aged 54, he has over 20 years of experience in corporate finance covering projects ranging from initial public offering transactions and restructuring of PRC enterprises to cross-border and domestic takeover transactions. Mr. Chau was formerly a partner of one of the big four accounting firms in Hong Kong, holding the position as their Head of Merger and Acquisition and Corporate Advisory. He is a member of the Hong Kong Securities Institute, the member of the Institute of Chartered Accountants of England and Wales (“ICAEW”), and was granted the Corporate Finance Qualification of ICAEW, Mr. Chau is also the member of the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is the member of Jinan Municipal Committee of the Chinese People’s Political Consultation Conference (“CPPCC”), a director of Hong Kong Securities and Investments Institute and Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital on 1 April 2017.

Mr. Chau is currently is an independent non-executive director of Man Wah Holdings Limited (Stock Code: 1999), Lee & Man Paper Manufacturing Limited (Stock Code: 2314), China Evergrande Group (Stock Code: 3333), Richly Field China Development Limited (Stock Code: 313), Evergrande Health Industry Group Limited (Stock Code: 708), HengTen Networks Group Limited (Stock Code: 136), IDG Energy Investment Group Limited (Stock Code: 650), Asia Grocery Distribution Limited (Stock Code: 8413) and Branding China Group Limited (Stock Code: 863) from 16 April 2018. All the aforesaid companies are listed on the Stock Exchange.

Mr. Chau was also an executive director of China Solar Energy Holdings Limited (Stock Code: 155) from May 2015 to June 2015, an independent non-executive director of Up Energy Development Group Limited (Stock Code: 307) from June 2013 to September 2015, and Varitronix International Limited (Stock Code: 710) from July 2009 to June 2016. All the aforesaid companies are listed on the Stock Exchange.

**He Qi (何琦)**, age 62, is our independent non-executive director. Mr. He was elected an independent non-executive director on October 14, 2009. Mr. He is the deputy secretary of China Real Estate Association, as well as the director of the training center and the intermediary professional committee of the China Real Estate Association. He worked in the State Infrastructure Commission of the State City Construction General Bureau from 1981 to 1994. He was an executive of the Development Center of the China Real Estate Association from 1995 to 1999, and an executive deputy mayor of Ji’an City of Jiangxi Province from 1999 to 2001. He has been the deputy secretary of the China Real Estate Association from 2006 to now.

**Xie Hongxi (謝紅希)**, age 59, is our independent non-executive director. Ms. Xie is currently the deputy director, senior engineer and master degree instructor at the Engineering Training and National Experiment, Education and Demonstration Center of South China University of Technology. From 1982 to 2002, she worked at the Guangzhou Non-ferrous Metal Research Institute, chaired or participated in a number of major research projects, and was previously awarded the National Science and Technology Progress Award and the Science and Technology Achievement Award. Since 2002, she has been teaching at the South China University of Technology, engaging in operations management, teaching experimental studies at the undergraduate level and conducting research in the direction of metal surface technology. She has won provincial level awards, the university teaching achievement award and the outstanding teaching award.

## DIRECTORS AND ADMINISTRATIVE STRUCTURE

### Senior management

**Qiu Huofa (邱火發)**, age 57, our executive vice president. Mr. Qiu is responsible for the systematic fund management of the Group. He has over 31 years of experience in the management in the finance industry. He holds a master's degree in finance and is an accredited senior economist in China.

**Shi Shouming (時守明)**, aged 43, our president of China Evergrande Group. Mr. Shi is responsible for the daily management of Real Estate Group. He has over 19 years of experience in development, operation and management of real estate projects. Mr. Shi holds a bachelor's degree in engineering and is a certified public accountant.

**Xiao En (肖恩)**, aged 46, our chairman of Evergrande Tourism Group. Mr. Xiao holds a master's degree in economic law from Southwest University of Political Science and Law.

**Tan Zhaohui (談朝暉)**, age 49, our chairman of Evergrande Health Group. Ms. Tan joined us in March 1997. She holds a bachelor's degree in civil engineering.

**Liu Yongzhao (劉永灼)**, aged 38, our vice president and the chairman of our internet group. He is responsible for the Group's technology businesses. He has over 16 years of experience in human resources management, investment in and operation of real estate projects, and operation and management of multi-industry companies. He holds a master's degree in engineering management.

**Li Guodong (李國東)**, age 54, our vice president. Mr. Li joined us in December 1996. He is responsible for assisting the financial management of the Group. He has over 19 years of experience in financial operation and management, and holds a degree in auditing.

**Chen Min (陳敏)**, age 44, our vice president. Ms. Chen is responsible for our investor relations, overseas affairs, and daily management of overseas capital operations. She has over 22 years of experience in the investment banking industry and capital operations. She holds a master's degree in business administration from Harvard Business School.

**Jiang Liming (姜麗明)**, aged 55, our vice president. Ms. Jiang has over 32 years of experience in the management of financial regulatory authorities and banking systems and is currently responsible for assisting the administration of the Group and the management of public affairs.

**Xu Jianhua (許建華)**, age 55, our vice president. Mr. Xu has over 21 years of experience in capital operations and management and currently responsible for assisting the non-debt-financing management of the Group. Mr. Xu holds a doctorate degree in finance and is a senior economist in the PRC.

**Xu Zhijian (許智健)**, aged 33, our vice president. Mr. Xu is responsible for engineering, gardening and other aspects of management work of the Group. He holds a master's degree in business administration from Tsinghua University.



## DIRECTORS AND ADMINISTRATIVE STRUCTURE

**Liu Yuzhi (劉玉芝)**, age 49, our vice president and general manager of the management supervision center. Mrs. Liu is responsible for the comprehensive supervision and financial audit of the Group. She has over 27 years of experience in the management of real estate development and construction, finance and financial audit. She holds a bachelor's degree in business administration.

**Ju Zhiming (鞠志明)**, aged 46, our vice president and general manager of the financial planning center. Mr. Ju is responsible for the Group's financial planning and management. Mr. Ju has over 23 years of experience in accounting and finance. He holds the title of intermediate accountant in the PRC.

**Chen Dong Feng (陳東鋒)**, aged 52, head of information of the Group. Mr. Chen is mainly responsible for the management of the Group's information system. He holds a master's degree in communication and electronic engineering and a doctor's degree in management.

# INVESTOR RELATIONS REPORT

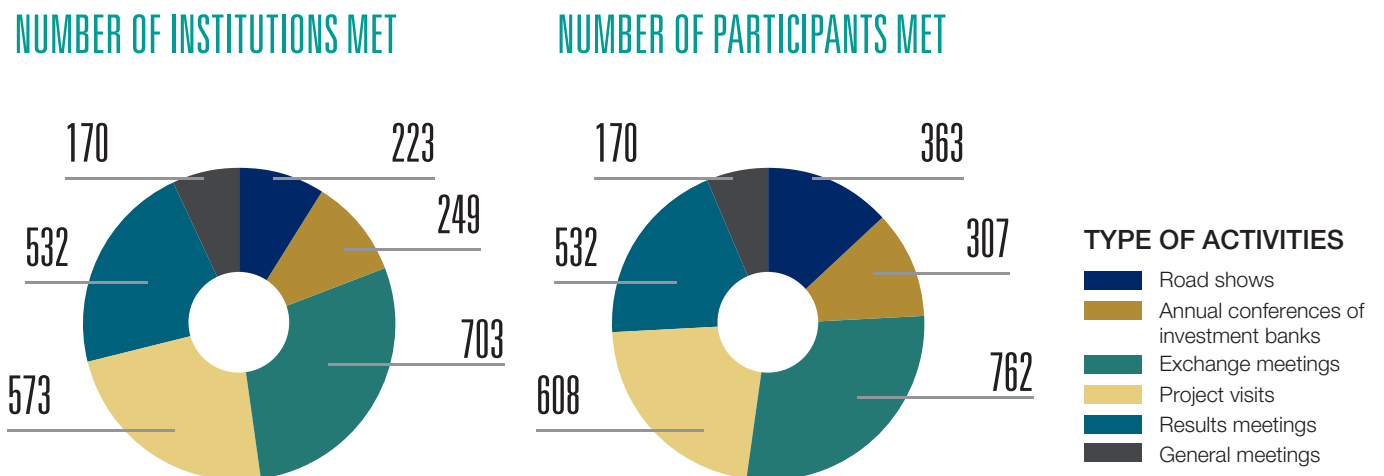
Attaching great importance to the capital market, the Group continues to establish transparent, smooth and two-way interactive investor relations with its comprehensive communication channels.

In 2017, through different means and channels such as regular publication of results announcements, timely information disclosure in compliance with relevant regulations, launching global road shows, participation in annual conferences of investment banks, hosting site visits and meetings for investors, and releasing news through emails and on the website, the Group maintained a close connection with the capital market, deepening the understanding of the shareholders and investors towards the development strategies, business performance and operations of the Company. Our relationship with investors reached a new stage of sound development. Local and overseas major mainstream institutions were bullish on the Company. The Group met 2,742 investors of all sorts from 2,450 institutions worldwide in aggregate during the year.

The management of the Group places high emphasis on the exchange with investors. During the year, the management organized 2 large-scale results press conferences for communication and exchange with a total of 532 investors on the conferences; 2 results road shows (non-deal) for in-depth communication with 363 participants from 223 institutions, and 2 general meetings for reporting our business performance to 170 shareholders. The management participated in 16 annual conferences for investors held by investment banks and brokerages, including Citibank, DBS Bank, Bank of America Merrill Lynch, Morgan Stanley and Haitong Securities, and met 307 investors from 249 institutions. Besides, the management arranged 608 investors from 573 institutions to pay site visits to the research projects, and communicated with 762 investors at meetings of all sorts, in order to receive comprehensive opinions and recommendations from the capital market and continue to enhance the governance standards and structures of the Company.

The Group also delivers to its investors its latest information regarding development strategies, development progress, sales results and market overlook through various kinds of communication channels, such as website and emails. Currently, the Group has more than 1,200 investment institutions and 2,069 investors as its regular receivers of the materials.

Various types of activities in 2017:





# 2017 MAJOR AWARDS AND PRIZES

- 1 China Social Responsibility Enterprise for 2017
- 2 The first place of Top 500 Chinese Real Estate Developers for 2017
- 3 The first place of Top 100 Chinese Real Estate Firms for 2017
- 4 The first place of Top 10 Comprehensive Strength of Chinese Real Estate Companies Listed in Hong Kong for 2017
- 5 Top 10 Brand Values of Chinese Real Estate Developers for 2017
- 6 The first place of Top 10 Investment Value of Chinese Real Estate Companies Listed in Hong Kong for 2017
- 7 Top 10 Comprehensive Strength of Chinese Listed Real Estate Companies for 2017



- 8 Top 10 Chinese Green Real Estate Companies for 2017
- 9 Leading Brand in Chinese Real Estate Industry for 2017
- 10 Advanced Private Enterprises Medal for “Millions of Enterprises Helping Millions of Villages” Targeted Poverty Alleviation Operation
- 11 Exemplary Enterprise of Contribution to Targeted Poverty Alleviation for 2017
- 12 2015–2016 Chinese Women and Children Charity Award
- 13 Outstanding Contribution Award of the Chinese Women and Children Charity Award
- 14 2017 Livelihood Demonstration Projects
- 15 Selected to the Brand Strengthening Country in New Era Campaign of People’s Daily
- 16 Selected to the National Brand Projects of Xinhua News Agency

# 2017 MILESTONES



## JAN

- I. On 2 January, Evergrande announced that 8 strategic investors acquired 13.16% equity interest in Hengda Real Estate at a total consideration of RMB30 billion.
- II. On 6 January, Evergrande announced that its sales reached RMB373.37 billion in 2016, ranking first in the industry; the GFA of sales was 44.69 million square meters, ranking first in the industry and representing year-on-year growth of 75.2%; and the cash balance amounted to RMB304.3 billion.

## FEB

- III. On 6 February, Evergrande Group convened the working conference of 2017. Hui Ka Yan, the Chairman of the Board of Directors, announced that the Group would shift its development strategy from “scale” to “scale + profitability” and its operating model from “three-high, one-low” to “three-low, one-high”.

## MAR

- IV. In the morning of 9 March, Hui Ka Yan, a member of the Standing Committee of the Chinese People’s Political Consultative Conference (CPPCC) National Committee, attended the press conference of the CPPCC National Committee and answered questions of reporters on “targeted poverty alleviation”.
- V. In the afternoon of 9 March, Hui Ka Yan, a member of the Standing Committee of the CPPCC National Committee, attended the fifth meeting of the 12th session of the CPPCC National Committee, at which he gave a speech on “Precision and Implementation Are the Essence of Poverty Alleviation” to introduce the practical experience of Evergrande on its poverty alleviation plan for Dafang, Bijie, and share the results and experience of its six major poverty alleviation measures.
- VI. On 16 March, the signing ceremony of the strategic cooperation between Evergrande and Shenzhen Metro Group was held, at which the parties announced that they would commence strategic cooperation in urban construction, rail transit and other aspects.
- VII. On 22 March, Evergrande held the 2017 strategic cooperation — management summit to foster its strategic cooperation with leading upstream and downstream companies and facilitate the sustainable and stable development of the real estate industry.

## 2017 MILESTONES



- VIII. On 16 and 22 March, the results of Top 100 Chinese Real Estate Firms for 2017 and Top 500 Chinese Real Estate Developers for 2017 were released respectively. Evergrande was ranked the first place in both rankings.
- IX. On 23 March, US\$500 million of 7% senior notes due 2020 and US\$1 billion of 8.25% senior notes due 2022 were issued successfully. On 29 March, US\$1 billion of 9.5% senior notes due 2024 were issued successfully. The proceeds were used to repay the indebtedness of the Group at higher interest rates and finance its general working capital.
- X. On 28 March, Evergrande published its annual results for 2016 in Hong Kong. A number of core indicators, including total assets, sales, revenue, core business profit and cash balance, achieved substantial improvement, and the total assets of over RMB1.35 trillion continued to rank first in the industry.
- XI. From 3 May, Evergrande further committed to the poverty alleviation work for six counties and three areas in Bijie, namely Nayong County, Weining County, Hezhang County, Zhijin County, Qianxi County, Jinsha County, Qixingguan District, Jinhaihu New District and Baili Azalea Management District, to ensure all of the existing 924,300 people in poverty in Bijie would be lifted out of poverty.
- XII. On 1 June, Evergrande announced that the second round of strategic investors injected capital of RMB39.5 billion to Hengda Real Estate.
- XIII. On 28 June, the 6.25% senior notes, the 7.5% senior notes and the 8.75% senior notes of US\$3.8 billion in aggregate with maturity of four years, six years and eight years respectively were issued successfully. The proceeds from the above senior notes were all used to repay the indebtedness of the Group at higher interest rates and finance its general working capital.

MAY

JUN

## 2017 MILESTONES



Meanwhile, on 8 June 2017, the Group conducted an exchange offer for its existing senior notes with maturities from 2018 to 2020 totaling US\$3.2 billion (the "Old Notes"). The Group successfully exchanged US\$2.54 billion, representing 79.3% of the total Old Notes, for US\$2.82 billion in aggregate of its new notes maturing in 2021, 2023 and 2025 respectively taking into account exchange premiums and the accrued interest payables for the exchanges. The Group fully redeemed the remaining US\$660 million of the Old Notes in August 2017 and currently does not have any offshore senior notes due before 2020.

XIV. On 30 June, Evergrande donated RMB400 million for poverty alleviation in Guangdong and received the honor of the Gold Cup of Hongmian Cuo for Poverty Alleviation in Guangdong.

### JUL

XV. On 3 July, Evergrande announced that it recorded sales of RMB61.12 billion in June, ranking first in terms of sales in a single month among all real estate enterprises, ranked first in terms of sales attributable to the Group of RMB229.2 billion in the industry in the first half of the year, and completed the redemption of all perpetual capital instruments.

XVI. On 11 July, China Real Estate Association announced the list of real estate enterprises obtaining credit ranking of A or above in 2017. Hengda Real Estate Group Company Limited obtained AAA, the highest ranking.

XVII. On 20 July, China Evergrande Group was ranked 338th in the list of the Fortune Global 500 companies with its revenue of US\$31.828 billion, climbing up 158 places, and became one of the most fastest-rising enterprises.

XVIII. On 31 July, the list of the Fortune China 500 companies for 2017 was released. Evergrande was ranked 29th with its revenue of RMB211.444 billion, hitting its record high, and became an exemplar for the development of private companies in China.

### AUG

XIX. On 24 August, the list of Top 500 Private Enterprises in China for 2017 was released. Evergrande Group was ranked 12th with its total assets ranking first and taxes paid ranking third, hitting its record high.

XX. On 27 August, Evergrande Tourism Group convened a press conference for "Evergrande Fairytale Land", which will be the featured product of the cultural tourism business of Evergrande for international development.

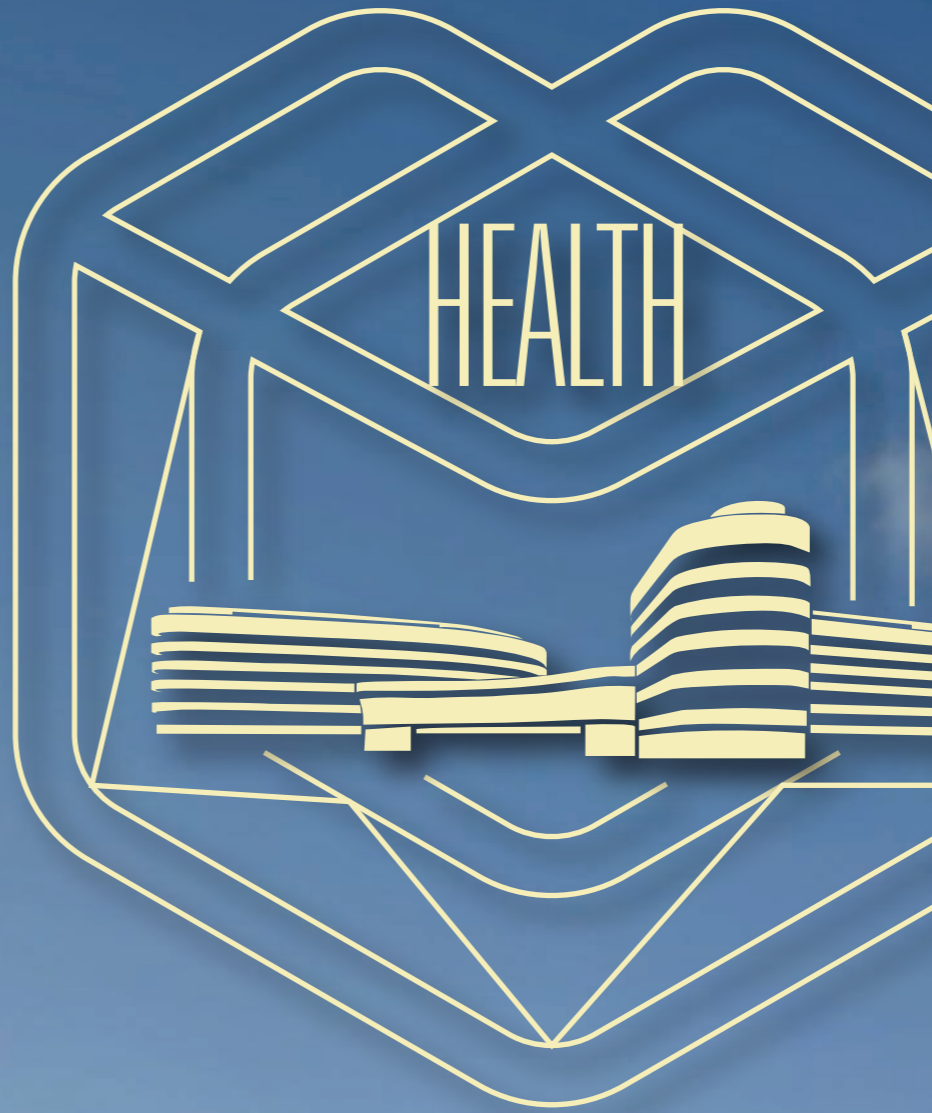
## 2017 MILESTONES



- XXI. On 28 August, China Evergrande Group published its interim results for 2017. A number of core indicators took the lead in the industry. In the first half of the year, revenue amounted to RMB187.98 billion, representing a significant increase of 114.8%. Net profit amounted to RMB23.13 billion, representing a significant increase of 224%. The net gearing ratio was reduced by almost a half in half a year. The strategic transformation of Evergrande achieved the best performance ever.
- OCT
- XXII. On 6 October, Evergrande announced that 743.57 million share options would be granted to 7,994 senior and mid-level management personnel, taking the lead in the industry.
- XXIII. On 10 October, the “Millions of Enterprises Helping Millions of Villages” Targeted Poverty Alleviation Forum was held in Beijing. Evergrande Group was commended by All-China Federation of Industry and Commerce, the State Council and others, and was honored as one of the Advanced Private Enterprises for “Millions of Enterprises Helping Millions of Villages” Targeted Poverty Alleviation Operation.
- XXIV. On 22 October, Guangzhou Evergrande Taobao Team won the champion of the Chinese Super League before the last two rounds, becoming the first team which won consecutive seven championships in the history of professional football in China and tying the world record of consecutive championships in professional football leagues.
- NOV
- XXV. On 6 November, Evergrande announced that the third round of strategic investors injected capital of RMB60.0 billion to Hengda Real Estate.
- DEC
- XXVI. On 5 December, Evergrande announced that the Company’s principal place of business in Hong Kong was changed to 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wan-chai, Hong Kong.
- XXVII. On 14 December, Evergrande Health convened a press conference for “Evergrande Healthy Land”. Evergrande Healthy Land is the featured product of Evergrande Health and will provide all-rounded and all-age elderly care and wellness living service to fill the gap in domestic health industry.







# HEALTH



Evergrande Health Group actively implements the “Healthy China” strategy and is dedicated to enhance the people’s healthy living standards by establishing its membership program, optimizing medical services and healthcare protection, facilitating scientific research and promoting the overall healthcare industry.

The specific development strategy is developed by the listed company, Evergrande Health (00708.HK).



# CORPORATE GOVERNANCE REPORT

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

According to Code Provision E.1.2 of the Corporate Governance Code, the chairman of the Board should attend the annual general meeting of the Company. Mr. Hui Ka Yan, the chairman of the Board, did not attend the annual general meeting held on 15 June 2017 due to his other business commitment. Mr. Pan Darong, an Executive Director, acted as the Chairman of the annual general meeting.

Save for the above deviation, the Company has been conducting its business according to the principles of the Corporate Governance Code (“Corporate Governance Code”) set out in Appendix 14 to the Listing Rules, and has complied with all the code provisions of the Corporate Governance Code during the year ended 31 December 2017.

For the year ended 31 December 2017, the Board has reviewed the effectiveness of the risk management and internal control systems of the Company and considers them effective and adequate.

## Board of Directors

### Composition of the Board

During the year ended 31 December 2017 and up to the date of issue of this annual report, the Board of the Company comprises the following executive Directors and independent non-executive Directors.

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

Biographical details of the current members of the Board are set out on page 28 to page 32 of this annual report. Save for being members of the Board, each of the Directors is independent and not related to one another.

During the year ended 31 December 2017, the Board has at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

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

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

### Roles and Duties

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

## CORPORATE GOVERNANCE REPORT

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

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. The Company has procedures in place for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or publications and the compliance with applicable laws and regulations. For the year ended 31 December 2017, the Directors reviewed the overall effectiveness of the internal control and risk management systems of the Group. An internal audit department has been established to perform regular financial and operational reviews and

conduct audit and risk management assessment on the Company and its subsidiaries. The work carried out by the internal audit department will ensure the internal controls and risk management systems are in place and function properly as planned.

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

The Board is responsible for performing the following corporate governance duties: (a) to formulate and review the Company’s policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company’s policies and practices in compliance with legal and regulatory requirements; (d) to formulate, review and monitor the code of conduct and compliance

manual (if any) applicable to employees and Directors; and (e) to review the Company’s compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosures in the Corporate Governance Report in the annual report of the Company.

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

8 Board meetings were convened by the Company during the year ended 31 December 2017. At least 14 days’ notice before the date of the meeting is given for a regular Board meeting to allow all Directors to make arrangements to attend. For all other Board meetings, reasonable notices were also given.

The attendance of individual Directors at the Board meetings and general meetings held during the year ended 31 December 2017 is set out below:

Director	Number of meetings attended/ Number of meetings held		
	Annual General Meeting	Extraordinary	
		General Meeting	Board Meeting
Professor Hui Ka Yan	0/1	0/2	4/8
Dr. Xia Haijun	0/1	0/2	4/8
Ms. He Miaoling	0/1	0/2	4/8
Mr. Shi Junping (appointed with effect from 25 April 2017)	0/1	0/2	6/8
Mr. Xu Wen (resigned with effect from 25 April 2017)	0/1	0/2	2/8
Mr. Pan Darong	1/1	2/2	8/8
Mr. Huang Xiangui	1/1	2/2	8/8
Mr. Chau Shing Yim, David	1/1	2/2	8/8
Mr. He Qi	1/1	2/2	8/8
Ms. Xie Hongxi	1/1	2/2	8/8

### Committees of the Board

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

### Directors' Training

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

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

### Audit Committee

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

- to provide recommendations on the appointment, reappointment and removal of external auditors to the Board, approve the remuneration and terms of engagement of the external auditors and handle any issues related to the resignation or dismissal of the auditors;
  - to review and monitor whether the external auditors are independent and objective and whether the audit procedures are effective in accordance with applicable standards;
  - to formulate and implement policies for the engagement of external auditors for the provision of non-audit services;
  - to monitor the integrity of the financial statements, the annual reports and accounts and the interim reports of the Company, and review the material financial reporting judgements therein;
  - to review the financial control, internal control and risk management systems of the Company;
  - to discuss the internal control and risk management systems with the management and to ensure that the management has discharged its duties of setting up an effective internal control and risk management system;
  - to review the financial and accounting policies and practices of the Group; and
  - to review the external auditors' letter to the management, any material queries that the auditors made to the management in respect of the accounting records, financial accounts or systems of control as well as the management's response.
- Two meetings of the audit committee were held on 24 March 2017 and 24 August 2017, respectively, to review the Group's 2016 annual results and 2017 interim results and all the committee members attended those two meetings. The audit committee has recommended the Board in relation to the re-appointment of PricewaterhouseCoopers as the Company's external auditor for the financial year ending 31 December 2018 at the forthcoming annual general meeting of the Company.
- For the year ended 31 December 2017, the emolument of the external auditor of the Company for the annual audit and review of interim financial statements amounted to RMB29 million. For the year ended 31 December 2017, the emolument of the external auditor of the company for non-audit services amounted to RMB3 million.
- Pursuant to the Articles, the tenure of the auditor of the Company will expire upon the conclusion of the 2017 annual general meeting. The audit committee recommended the Board to propose the re-appointment of PricewaterhouseCoopers as the auditor of the Company at the 2017 annual general meeting.

### Remuneration Committee

The remuneration committee's terms of reference were basically the same as those set forth in code provision B.1.2 of the Corporate Governance Code. The majority of the members of the remuneration committee were independent non-executive Directors. For the year ended 31 December 2017, the members of the remuneration committee included Professor Hui Ka Yan, Mr. He Qi (chairman of the remuneration committee) and Ms. Xie Hongxi.

The remuneration committee is principally responsible for the following duties:

- to make recommendations and suggestions to the Board in respect of the remuneration policy and structure of the Directors and senior management of the Company and the establishment of formal and transparent procedures for developing such remuneration policy;
- to determine the specific remuneration packages of all executive Directors and senior management;
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- to review and approve payments to the executive Directors regarding compensation for their loss or termination of office or appointment, to ensure relevant terms of the contracts, and that the compensation is fair and not excessive for the Company;

- to review and approve the compensation arrangements involved in the termination or dismissal of Directors due to misconduct, to ensure that those arrangements are determined according to the relevant terms of the contracts, and that the compensation is reasonable and appropriate; and
- to ensure that no Director or any of his associates is involved in deciding his/her own remuneration.

One meeting was convened by the remuneration committee for the year ended 31 December 2017 to approve the grant of share options under the Share Option Scheme to certain Directors and Management of the Company.

### Risk Management and Internal Control

#### Duties of the Board and the Management

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

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

#### Risk Management

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

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

## CORPORATE GOVERNANCE REPORT

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

Roles	Primary Duties
Board (Decision-maker)	<ul style="list-style-type: none"> <li>Assess and determine the nature of the risk and the degree of acceptance to ensure the achievement of strategic objectives;</li> <li>Ensure the establishment and maintenance of an effective risk management and internal control system;</li> <li>Supervise management for the design, implementation and monitoring of the risk management and internal monitoring system;</li> </ul>
Audit Committee (Decision-maker)	<ul style="list-style-type: none"> <li>Review the structure and responsibilities of risk management and continuously monitor its effectiveness, review the basic risk management system;</li> <li>Supervise management for the design, implementation and monitoring of the risk management and internal monitoring system;</li> <li>Monitor the amount of significant control failings or weaknesses that have been identified, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition;</li> </ul>
Senior Management of the Group (Leadership)	<ul style="list-style-type: none"> <li>Be responsible for the development of risk management system, regularly review the Company's risk management policies and system;</li> <li>Design, implement and supervise the risk management work of the Group, report on risk management to the Audit Committee on a regular basis, and report and disclose significant risk information to the Audit Committee;</li> <li>Provide the Audit Committee with the confirmation of the effectiveness of the risk management system;</li> </ul>
Management of functional centres of the Group, management of subordinate segments, regional and project companies' functional departments (Implementer)	<ul style="list-style-type: none"> <li>Regularly update the list of risks involved in the relevant activities, and carry out risk identification and evaluation and other related work;</li> <li>Develop and implement a risk response program for the relevant activities;</li> <li>Responsible for the performance and implementation of specific risk management measures;</li> <li>Monitor all kinds of risks involved in the relevant activities, timely report to the risk management coordinator and risk management leadership on risk information;</li> <li>Conduct other relevant work on risk management;</li> </ul>
Risk management coordinators	<ul style="list-style-type: none"> <li>Coordinate risk identification and assessment work;</li> <li>Organize the preparation of regular risk assessment reports, summarize and submit the results to the risk management leadership;</li> <li>Organize and coordinate risk management training and guidance;</li> </ul>
Internal audit function	<ul style="list-style-type: none"> <li>Risk management supervision department, responsible for supervising and assessing risk management work of the Group and various business segments;</li> </ul>

- Established risk assessment criteria** — risk assessment criteria applicable to each business segment has been established based on the nature, business characteristics and strategic objectives of the Group and various activities and the risk appetite of the management, and the risks that are most likely to affect the achievement of the objectives have been assessed using commonly recognized assessment methods and assessment criteria.
- Risk management workflow** — A risk management workflow covering major steps including identification, analysis, response, monitoring and reporting (please refer to chart 1 “Risk management workflow” below for details) has been established to systematically organize, mitigate and monitor risks. The main elements include, for the purposes of business objectives of the Group and various business segments, identifying the risk factors that affect the achievement of business objectives, assessing the likelihood and potential impacts of each specific risk; adopting measures to deal with the risks identified; and continuously monitoring the changes in risks and timely adjusting countermeasures.
- Determined the risk management review frequency** — The frequency of risk management assessment and reporting of the Group was determined (to be at least once a year), and the aforesaid key elements have been incorporated in the Risk Management Manual of China Evergrande Group to standardize the forms and frequency of reporting.



(Chart 1: Risk management workflow)



## CORPORATE GOVERNANCE REPORT

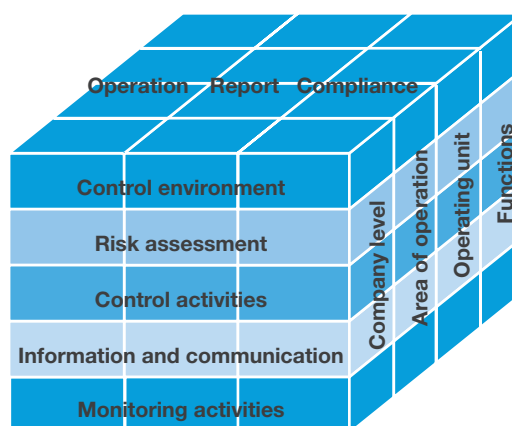
During the year, the Board, through the Audit Committee, conducted a comprehensive review of the risk management system, identified the top 10 risks facing the Group and adopted the relevant countermeasures with the help of external consultants, set out the main department responsible for risk management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

reported the assessment results to the Audit Committee.

### Internal Control

The Group has established its own internal control system by making reference to the internal control and management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO)

(please refer to chart 2: COSO internal control management framework). The Group's risk management system consists of five interdependent elements, which coordinate and operate to ensure the effectiveness of internal control functions of the Group. The five elements are: control environment, risk assessment, control activities, information and communication and monitoring activities.



(Chart 2: COSO internal control management framework)

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

### Internal Audit

The Group has established an Internal Audit Department to be responsible for

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

### Review of Risk Management and Internal Control System

During the year, the Board, through the Audit Committee, conducted a review of the risk management and internal control systems of the Group for the financial year of 2017, covering the

Group and its business segments. All important aspects of control, including financial, operation and compliance areas, were reviewed, and the changes in natures and severity of major risks as well as the Group's ability to cope with the changes in its business and external environment, were taken into account, and these systems were considered effective and sufficient.

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

### Framework for Disclosure of Inside Information

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

### Nomination Committee

The nomination committee's terms of reference were basically the same as those set forth in code provision A.5.2 of the Corporate Governance Code. The majority of the members of the nomination committee were independent non-executive Directors. For the year ended 31 December 2017, the members of the nomination committee included Professor Hui Ka Yan, chairman of the committee, Mr. He Qi and Mr. Chau Shing Yim, David.

The nomination committee is principally responsible for the following duties:

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

During the year ended 31 December 2017, one meeting was convened by the nomination committee on 25th April 2017 for the appointment of Mr. Shi Junping as the executive director of the Company.

### Securities Transactions by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 of the Listing Rules as the code of conduct for securities transactions conducted by the Directors. The Company, having made detailed and cautious enquiries, confirmed that all Directors have abided by the Model Code for the year ended 31 December 2017.

### Directors' Responsibilities for the Financial Statements

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

### Relationship with our Controlling Shareholders

The Company has received, from each of Xin Xin (BVI) Limited and Professor Hui Ka Yan, an annual declaration on the compliance with the deed of non-competition (the "Deed") entered into by each of them in favour of the Company pursuant to which each of Xin Xin (BVI) Limited and Professor Hui

Ka Yan has unconditionally undertaken to the Company that it/he will not directly or indirectly participate in, hold any right or interest, or otherwise be involved in any business which may compete with that of the Group. The independent non-executive Directors have reviewed and were satisfied that each of Xin Xin (BVI) Limited and Professor Hui Ka Yan has complied with the Deed for the year ended 31 December 2017.

### Amendments to the Company's Constitutional Documents

During the year ended 31 December 2017, the Company has not amended its memorandum of association or its articles of association.

### Shareholders' Rights

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

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

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving resolutions at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, for the attention of the Company Secretary.

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

### Right to Nominate Directors for Election at General Meetings

If a shareholder wishes to propose a person other than a Director of the Company for election as a Director, the shareholder must deposit a written notice (the "Notice") to the principal place of business of the Company in Hong Kong at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong, or the branch share registrar of the Company, Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East,

Wanchai, Hong Kong, for the attention of the Company Secretary. The Notice must state clearly the name of the shareholder(s) and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned (not the person to be nominated).

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

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

### Disclaimers

The contents of the section headed "Shareholders' Rights" in this report are for reference only and in compliance with disclosure requirements, which do not represent and shall not be regarded

## CORPORATE GOVERNANCE REPORT

as legal or other professional advice to the shareholders. Shareholders should seek their independent legal or other professional advice as to their rights as shareholders of the Company. The Company disclaims any liability for all liabilities and losses incurred by the shareholders in reliance upon any contents of the section headed "Shareholders' Rights".

### Investor Relations

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

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

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

By telephone: (852) 2287 9226/2287 9225

By post: 23rd Floor, China Evergrande Centre,  
38 Gloucester Road, Wanchai, Hong Kong

By email: [evergrandeir@evergrande.com](mailto:evergrandeir@evergrande.com)

# REPORT OF THE BOARD OF DIRECTORS

The Directors of the Company are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2017 of the Group.

## Major Business

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

## Business Review

A review of the business of the Group during the year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2017 are provided in the section headed "Chairman's Statement" on pages 6 to 13 and the section headed "Management Discussion and Analysis" on pages 16 to 27 of this annual report.

A analysis of the Group's performance during the year ended 31 December 2017 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 16 to 27 of this annual report.

## Financial Statements

The results of the Group during the year are set out in the consolidated statement of comprehensive income. The financial position of the Group as at 31 December 2017 is set out in the consolidated balance sheet. The cash flow position of the Group during the year is set out in the consolidated statement of cash flows.

## Capital

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

## Final Dividend

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

## Closure of Register of Members

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 5 June 2018 to 8 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 4 June 2018.

## Reserve

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

## Property and Equipment

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

## REPORT OF THE BOARD OF DIRECTORS

### Major Customers and Suppliers

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

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

### Relationship with Stakeholders

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

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

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

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

### Donation

During the year, the charitable contributions and other donations made in Hong Kong and China by the Group totalled RMB4,181 million.

### Directors

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

#### Executive Directors

Professor Hui Ka Yan  
Dr. Xia Haijun  
Ms. He Miaoling  
Mr. Shi Junping (appointed with effect from 25 April 2017)  
Mr. Xu Wen (resigned with effect from 25 April 2017)  
Mr. Pan Darong  
Mr. Huang Xiangu

#### Independent Non-Executive Directors

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

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

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

## REPORT OF THE BOARD OF DIRECTORS

### Service Contracts of Directors

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

### Directors' Interests in Contracts

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

### Directors' Interests in Competitive Business

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

### Share Option Scheme

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

On 14 April 2010, the maximum number of shares that can be issued under the Share Option Scheme was 1,500,000,000 Shares, representing 10% of the issued share capital of the Company. The number of Shares in respect of these options that may be granted according to the Share Option Scheme shall not exceed 10% of the issued Shares of the Company immediately after the completion of the Global Offering (as defined in the prospectus) of the Company. On 3 October 2017, the shareholders of the Company resolved to refresh the scheme mandate limit of the Share Option Scheme to 1,313,501,390 Shares, representing 10% of the total number of shares of the Company in issue on the date of the passing of the resolution to refresh such mandate limit.

Unless otherwise approved by the shareholders of the Company in a general meeting, the number of Shares that may be granted to each of the Participants under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders, as defined in the Listing Rules), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time.

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

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

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

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

## REPORT OF THE BOARD OF DIRECTORS

On 18 May 2010, the Company granted an aggregate of 713,000,000 options to 137 Participants to subscribe for an aggregate of 713,000,000 Shares in the Company, representing approximately 4.75% of the number of Shares in issue as at the date of grant. On 9 October 2014, the Company granted in aggregate 530,000,000 options to 8 Directors and 93 employees to subscribe for 530,000,000 Shares, representing approximately 3.63% of the number of Shares in issue as at the date of grant. On 6 October 2017, the Company granted in aggregate 743,570,000 options to 5 Directors and 7,989 employees to subscribe for 743,570,000 Shares, representing approximately 5.7% of the total number of Shares of the Company in issue as at the date of grant. The details of the options granted are as follows:

Grantees	Date of grant of options	Exercise period	Exercise price (HK\$)	Number of options granted	Number of options outstanding as at 1 January 2017	Number of options exercised/ lapsed/ cancelled during the year	Number of options outstanding as at 31 December 2017
5 Directors	18 May 2010	Note 1	2.40	113,000,000	2,335,000	2,335,000	Nil
130 other employees	18 May 2010	Note 1	2.40	600,000,000	47,755,000	44,029,000	3,726,000
8 Directors	9 October 2014	Note 2	3.05	138,000,000	126,000,000	23,614,000	102,386,000
93 employees	9 October 2014	Note 2	3.05	392,000,000	308,560,000	153,166,000	155,394,000
5 Directors	6 October 2017	Note 3	30.20	5,000,000	—	—	5,000,000
7,989 employees	6 October 2017	Note 3	30.20	738,570,000	—	18,340,000	720,230,000
				1,986,570,000	484,650,000	241,484,000	986,736,000

Notes:

- The options granted on 18 May 2010 with respect to a Participant will be exercisable in 5 tranches in the following manners:
  - the first tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 18 May 2011 to 17 May 2016;
  - the second tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 18 May 2012 to 17 May 2017;
  - the third tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 18 May 2013 to 17 May 2018;
  - the fourth tranche of 20% of the Shares that are the subject of the options granted (rounded down to the nearest whole number) will be exercisable at any time during the period from 18 May 2014 to 17 May 2019; and
  - the fifth tranche of remaining Shares that are subject of the options granted will be exercisable at any time during the period from 18 May 2015 to 17 May 2020.
- The options granted on 9 October 2014 with respect to a Participant will be exercisable in 5 tranches in the following manners:
  - the first tranche of 20% of the Shares that are the subject to the Option granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2015 and ending on 8 October 2020;
  - the second tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2016 and ending on 8 October 2021;
  - the third tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2017 and ending on 8 October 2022;
  - the fourth tranche of 20% of the Shares that are the subject to the Options granted (rounded down to the nearest whole number) will be exercisable at any time during the period commencing from 9 October 2018 and ending on 8 October 2023; and
  - the fifth tranche comprising the remaining number of Shares that are subject to the Option granted will be exercisable at any time during the period commencing from 9 October 2019 and ending on the expiry date of the Option Period.



## REPORT OF THE BOARD OF DIRECTORS

3. On 6 October 2017, an aggregate of 743,570,000 options were granted to 5 Directors and 7,989 employees. The exercise price of the options is HK\$30.20 and the closing price of the Shares on 4 October 2017, the date immediately before the date on which the options were granted, was HK\$30.75. The options will be exercisable in 5 tranches in the following manners:
- (i) the first tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2018 to 5 October 2023;
  - (ii) the second tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2019 to 5 October 2024;
  - (iii) the third tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2020 to 5 October 2025;
  - (iv) the fourth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2021 to 5 October 2026; and
  - (v) the fifth tranche of 20% of the Shares that are the subject of the Options granted will be exercisable at any time during the period commencing from 6 October 2022 to 5 October 2027.
4. The expiry date of the Share Option Scheme is 13 October 2019, being the date of not more than 10 years pursuant to Rule 17.03(11) of the Listing Rules.

5. Valuation of the options granted

The valuation of options granted for the year ended 31 December 2017 was determined based on the binomial lattice model with the following assumptions:

Date of grant	6 October 2017
Closing share price on the date of grant	HK\$30.20
Exercise price per share	HK\$30.20
Annual risk free rate	1.44% p.a. for 6-year option 1.51% p.a. for 7-year option 1.57% p.a. for 8-year option 1.64% p.a. for 9-year option 1.71% p.a. for 10-year option
Expected volatility	50.36% p.a. for 6-year option 51.83% p.a. for 7-year option 51.42% p.a. for 8-year option 51.42% p.a. for 9-year option 51.42% p.a. for 10-year option
Term of the option	6-10 years
Expected dividend yield	6.37%

The fair value of each option:

Vesting period	Directors	Other employees
1 year after grant date	HK\$9.52	HK\$9.68
2 year after grant date	HK\$10.23	HK\$10.21
3 year after grant date	HK\$10.24	HK\$10.22
4 year after grant date	HK\$10.21	HK\$10.19
5 year after grant date	HK\$10.10	HK\$10.08

## REPORT OF THE BOARD OF DIRECTORS

### Debenture

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

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

As at 31 December 2017, the interest and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

#### (i) Interest in the Shares of the Company

Names of Director	Nature of interest	Number of Shares	Approximate Percentage of shareholding
Hui Kai Yan (Note 1)	Interest of controlled corporation	10,162,119,735(L)	77.17%

Note:

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

#### (ii) Interest in the underlying shares of the Company

Name of Director	Nature of interest	Number of Shares outstanding involved in the options granted under the Share Option Scheme	Approximate percentage of shareholding of those options granted and exercised under the Share Option Scheme based on the existing issued share capital of the Company
Xia Haijun	Beneficial owner	89,986,000	0.68%
He Miaoling	Beneficial owner	6,600,000	0.05%
Shi Junping	Beneficial owner	4,100,000	0.03%
Huang Xiangui	Beneficial owner	3,300,000	0.03%
Pan Darong	Beneficial owner	3,000,000	0.02%
Chau Shing Yim, David	Beneficial owner	1,000,000	0.01%
He Qi	Beneficial owner	600,000	0.00%
Xie Hungxi	Beneficial owner	600,000	0.00%

## REPORT OF THE BOARD OF DIRECTORS

### (iii) Interest in associated corporation of the Company

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

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

### (iv) Interest in debentures of the Company

Name of Director	Currency of debentures	Amount of debenture bought	Amount of debentures in same class in issue
Xia Haijun	US\$	50,000,000	2,300,000,000

Save as disclosed above, as at 31 December 2017, none of the Directors, executives of the Company or their respective associates had any other interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Substantial Shareholders' Interests and Short Positions

As far as the Directors or executives of the Company are aware, as at 31 December 2017, other than the Directors or chief executives of the Company as disclosed above, the following persons had interest or short positions in the Shares or underlying shares which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required pursuant to Section 336 of the SFO to be entered in the register to be kept therein or to be notified to the Company and the Stock Exchange:

Name of shareholder	Nature of interest held	Interest in the shares	Approximate percentage of shareholding
Mrs. Hui	Interest of controlled corporation	10,162,119,735(L) (Note 1)	77.17%
Xin Xin (BVI) Limited	Beneficial owner	9,370,871,497(L) (Note 2)	71.16%
Even Honour Holdings Limited	Beneficial owner	791,248,238(L) (Note 3)	6.01%
Yaohua Limited	Interest of controlled corporation	791,248,238(L) (Note 3)	6.01%

# REPORT OF THE BOARD OF DIRECTORS

## Notes:

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

## Subsidiaries

Details of the major subsidiaries of the Company as at 31 December 2017 are set out in Note 42 to the financial statements.

## Management Contracts

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

## Employee and Remuneration Policies

As at 31 December 2017, the Group had an aggregate of 125,526 employees. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to individual performance and current market rate.

## Environmental, Social and Governance

### Environmental Protection

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

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

## Compliance with Laws and Regulations

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

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

## Workplace Quality

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

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

## Health and Safety

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

## REPORT OF THE BOARD OF DIRECTORS

### Training and Development

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

### Commitment to Quality

The Group has made relentless efforts in providing property development and management services. Looking forward to 2018, the Company will continue with its research and investment to enrich the Group's services.

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

### Management of Supply Chain

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

### Community Investment

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

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

### Corporate Governance

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

### Foreign Exchange Risks

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

# REPORT OF THE BOARD OF DIRECTORS

## Purchase, Sale and Repurchase of Shares

During 2017, the Company repurchased from the market a total of 722,972,000 shares. All the repurchased shares have been cancelled. The Directors believe that the repurchases of shares would lead to an enhancement of the net value of the Group and its assets and/or its earnings per share. Details of the repurchases of the shares of the Company are as follows:

Month of repurchase	Number of shares repurchased	Highest price per share (HK\$)	Lowest price per share (HK\$)	Aggregate purchase price (HK\$)
March 2017	33,692,000	6.80	6.21	221,855,930
April 2017	689,280,000	9.31	8.00	6,066,505,690
	722,972,000			6,288,361,620

On 23 March 2017, the Company successfully issued US\$500 million of 7% senior notes due 2020 and US\$1 billion of 8.25% senior notes due 2022. On 29 March 2017, the Company successfully issued US\$1 billion of 9.5% senior notes due 2024. On 28 June 2017, the Company successfully issued US\$500 million of 6.25% senior notes due 2021, US\$1 billion of 7.5% senior notes due 2023, and US\$2.3 billion of 8.75% senior notes due 2025.

Meanwhile, on 8 June 2017, the Company announced, among others, an exchange offer for its Old Notes maturing in 2018 (8.75%), 2019 (7.8% and 8.0%) and 2020 (12.0%) by the issue of three series of new senior notes maturing on 2021, 2023 and 2025. On 28 June 2017, the Company successfully exchanged US\$2.54 billion of the Old Notes, taking into account exchange premiums and accrued interest payable into US\$2.82 billion in aggregate of its new notes maturing in 2021, 2023 and 2025. The Company fully redeemed the remaining US\$660 million of the Old Notes in August 2017.

All of the new notes issued as described above are listed and traded on the Singapore Stock Exchange.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

## Disclosure Under Rule 13.20 of the Listing Rules

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

## Subsequent Events

In February 2018, the Group issued 4.25% convertible bonds due 2023 with a principal amount of approximately HK\$18 billion, the proceeds of which were used for refinancing the indebtedness of the Group and for general corporate purposes.

## Five Years Financial Summary

The summary of the results, assets and liabilities of the Group in the past five years is set out on pages 181 to 182.

## Pre-Emptive Rights

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

## REPORT OF THE BOARD OF DIRECTORS

### Adequate Public Float

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

The Company has maintained adequate public float during the year.

### Auditor

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December 2017. The audit and reporting responsibilities of the Company's auditor on the financial statements of the Group are set out in the "Independent Auditor's Report" in this annual report. The Company will propose a resolution at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

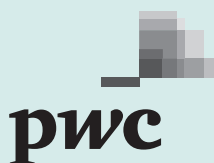
For and on behalf of the Board

**Hui Ka Yan**

*Chairman*

Hong Kong, 26 March 2018

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

**To the Shareholders of China Evergrande Group**  
*(incorporated in the Cayman Islands with limited liability)*

## Opinion

### What we have audited

The consolidated financial statements of China Evergrande Group (the “Company”) and its subsidiaries (the “Group”) set out on pages 70 to 180, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

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

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

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## INDEPENDENT AUDITOR'S REPORT

### Independence

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

### Key Audit Matters

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

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

- Estimated fair value of investment properties
- Assessment of net realisable value of properties under development and completed properties held for sale
- Estimated fair value of derivative financial liabilities arising from strategy investment in the major subsidiary of the Group

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Estimated fair value of investment properties</b></p> <p>Refer to note 2(h) of accounting policy of investment properties, note 4(a) of critical accounting estimates and judgements and note 8 of investment properties to the consolidated financial statements.</p> <p>The Group's investment properties were measured at fair value of RMB151,950 million as at 31 December 2017, with a revaluation gain of RMB8,513 million recorded in the consolidated statement of comprehensive income for the year then ended. Independent external valuations were obtained for the full property portfolio in order to support management's estimates. The valuations of completed investment properties prepared under income capitalisation approach were dependent on certain key assumptions that required significant management judgement, including capitalisation rate, fair market rent and fair market price. The valuations of investment properties under construction prepared under residual approach were also dependent upon the estimated costs to completion and expected developer's profit margin.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"><li>(i) We understood, evaluated and validated the internal control over the Group's process in determining the fair value of investment properties;</li><li>(ii) We evaluated the independent external valuers' competence, capabilities and objectivity;</li><li>(iii) We involved our in-house valuation experts to assess the income capitalisation approach and residual approach used by the external valuers based on our knowledge of the property industry; and</li><li>(iv) We checked, on a sample basis, the accuracy and relevance of the input data used, including the capitalisation rate, fair market rent and fair market price, to the recent renewal of lease or sale transactions of the Group and of the market. For the estimated costs to completion and expected developer's profit margin, we also checked to the construction budget and historical information of similar properties of the Group.</li></ul> <p>We found that the key assumptions used in the valuations were supported by the available evidence.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Assessment of net realisable value of properties under development and completed properties held for sale</b></p> <p>Refer to note 4(b) of critical accounting estimates and judgements, note 9 of properties under development and note 10 of completed properties held for sale to the consolidated financial statements.</p> <p>At 31 December 2017, properties under development (“PUD”) and completed properties held for sale (“PHS”) totalled RMB954,555 million and accounted for approximately 54% of the Group’s total assets. PUD and PHS are stated at the lower of cost and net realisable value, write-down of carrying amounts of PUD and PHS to their net realisable value amounted to RMB1,034 million as at 31 December 2017.</p> <p>We focused on this net realisable value assessment because the determination of net realisable values of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> <li>(i) We understood, evaluated and validated the internal control over the Group’s process in determining the costs to completion of PUD and net realisable values of PUD and PHS based on prevailing market conditions;</li> <li>(ii) As part of our risk assessment in this area, we compared the relevant PUD and PHS balances against the result of management’s net realisable value assessment made in the prior years to consider, with hindsight, whether management’s net realisable value assessment estimation process had been subject to management bias;</li> <li>(iii) We then challenged the reasonableness of management’s key estimates for: <ul style="list-style-type: none"> <li>• Estimated selling price which is based on the prevailing market conditions, we compared the estimated selling price to the recent market transactions, such as the Group’s selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar size, usage and location;</li> <li>• Estimated variable selling expenses as a percentage of the related estimated selling price of the properties, we compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in the current year; and</li> <li>• Estimated costs to completion for PUD, we reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the signed construction contracts or compared to the actual costs of similar completed properties of the Group.</li> </ul> </li> </ul> <p>We found that management’s estimates on the net realisable value of the Group’s properties were supported by the available evidence.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Estimated fair value of derivative financial liabilities arising from strategy investment in the major subsidiary of the Group</b></p> <p>Refer to note 2(k(b)) of accounting policy of financial derivative liabilities, note 4(c) of critical accounting estimates and judgements and note 37 of non-controlling interests to the consolidated financial statements.</p> <p>Hengda Real Estate Group Limited ("Hengda Real Estate"), the major subsidiary of the Group, has raised three rounds of funding totalling RMB130 billion by way of issuance of new shares to certain strategy investors ("SIs") during the year.</p> <p>Pursuant to the investment agreements with the SIs, if Hengda Real Estate cannot effectively list on the Shenzhen Stock Exchange by defined dates ("Proposed Reorganisation"), the SIs have the right to request the Group to compensate the SIs with additional shares of Hengda Real Estate equal to 50% of shares held by the SIs before compensation. The above share compensation arrangement constitutes an embedded derivative financial liability and should be measured at fair value.</p> <p>The Group measured the derivative financial liability at fair value of RMB2,840 million as at 31 December 2017, with a revaluation loss of RMB820 million recognised in profit or loss for the year then ended. Independent external valuations of financial derivative liability were obtained to support management's estimates. The valuation of the derivative financial liability under the Binomial Lattice Model approach was dependent on certain key assumptions that required significant management judgement. These included the fair value of the net identifiable assets of Hengda Real Estate, which mainly consisted of the fair value of PUD, PHS, properties for self-use and investment properties, estimated revenue growth rates and the probability of the Proposed Reorganisation not being completed by the defined date. The valuations of PHS and properties for self-use were prepared under the direct comparison approach making reference to fair market prices, and the valuations of PUD was prepared under the residual approach using fair market price less estimated costs to completion, expected developer's profit margin and selling expenses.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <ul style="list-style-type: none"> <li>(i) We evaluated the independent external valuer's competence, capabilities and objectivity;</li> <li>(ii) We involved our in-house valuation experts to assess the Binomial Lattice Model approach used by the external valuer based on our knowledge;</li> <li>(iii) We assessed the appropriateness of the key assumptions used in the Binomial Lattice Model approach, including: <ul style="list-style-type: none"> <li>• checking on a sample basis, the accuracy and relevance of the input data used in the valuations of fair value of PHS, PUD, properties for self-use and investment properties. For PHS, PUD and properties for self-use, we checked the fair market price used to the recent sale transactions of the Group or prevailing market price of the comparable properties. For PUD, we also checked the estimated costs to completion and expected developer's profit margin to the construction budget and historical actual construction costs of similar properties of the Group. For investment properties, we performed the audit procedures stated in the key audit matter of Estimated fair value of investment properties;</li> <li>• comparing the revenue growth rates with historical sales performance of the Group; and</li> <li>• assessing the appropriateness of the estimated probability of the Proposed Reorganisation not being completed by the defined date. This included understanding the progress of the Proposed Reorganisation, checking board minutes and materials for application for the Proposed Reorganisation and conducting independent research on the rules, regulations and new implementation guidance issued by the PRC government authorities and publicly available information related to Chinese stock markets.</li> </ul> </li> </ul> <p>We found that the key assumptions used in the valuations were supported by the 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 Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

## INDEPENDENT AUDITOR'S REPORT

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 26 March 2018

# CONSOLIDATED BALANCE SHEET

	Note	31 December 2017 RMB million	31 December 2016 RMB million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	32,898	20,833
Land use rights	7	7,935	5,401
Investment properties	8	151,950	132,045
Trade and other receivables	11	4,352	9,342
Prepayments	12	1,202	2,754
Intangible assets		253	241
Investments accounted for using equity method	13	30,376	24,374
Available-for-sale financial assets	14	4,565	36,805
Deferred income tax assets	22	3,872	4,036
Goodwill		1,402	1,402
		<b>238,805</b>	237,233
<b>Current assets</b>			
Inventories		126	230
Properties under development	9	851,363	577,851
Completed properties held for sale	10	102,158	80,776
Trade and other receivables	11	120,782	76,434
Prepayments	12	146,923	62,747
Available-for-sale financial assets	14	1,520	—
Income tax recoverable		9,203	7,665
Financial assets at fair value through profit or loss	15	3,150	3,603
Restricted cash	17	135,714	105,909
Cash and cash equivalents	18	152,008	198,420
		<b>1,522,947</b>	1,113,635
<b>Total assets</b>		<b>1,761,752</b>	1,350,868
<b>EQUITY</b>			
<b>Capital and reserves attributable to shareholders of the Company</b>			
Share capital and premium	19	1,270	1,006
Other reserves	20	57,292	4,739
Retained earnings		56,210	38,495
		<b>114,772</b>	44,240
Non-controlling interests	37	127,436	148,292
<b>Total equity</b>		<b>242,208</b>	192,532

## CONSOLIDATED BALANCE SHEET

	Note	31 December 2017 RMB million	31 December 2016 RMB million
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	21	376,244	332,164
Derivative financial liabilities	37(b)	2,840	—
Other payables	23	4,049	54,354
Deferred income tax liabilities	22	51,556	38,424
		<b>434,689</b>	424,942
<b>Current liabilities</b>			
Borrowings	21	356,381	202,906
Trade and other payables	23	399,459	299,905
Receipt in advance from customers		267,555	194,961
Current income tax liabilities	24	61,460	35,622
		<b>1,084,855</b>	733,394
<b>Total liabilities</b>		<b>1,519,544</b>	1,158,336
<b>Total equity and liabilities</b>		<b>1,761,752</b>	1,350,868

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

**Hui Ka Yan**  
Director

**Pan Da Rong**  
Director



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2017	2016
		RMB million	RMB million
Revenue	5	311,022	211,444
Cost of sales	27	(198,760)	(152,022)
<b>Gross profit</b>		<b>112,262</b>	59,422
Fair value gains on investment properties	8	8,513	5,124
Other (losses)/gains	25	(6,022)	6,986
Other income	26	5,547	4,937
Selling and marketing costs	27	(17,210)	(15,983)
Administrative expenses	27	(12,246)	(9,598)
Other operating expenses	27	(5,599)	(2,663)
<b>Operating profit</b>		<b>85,245</b>	48,225
Fair value (loss)/gain on financial assets at fair value through profit or loss	15	(437)	141
Fair value loss on derivative financial liabilities	37(b)	(820)	—
Finance costs	29	(7,917)	(11,301)
Share of gains/(losses) of investments accounted for using equity method	13	1,402	(203)
<b>Profit before income tax</b>		<b>77,473</b>	36,862
Income tax expense	30	(40,424)	(19,245)
<b>Profit for the year</b>		<b>37,049</b>	17,617
<b>Other comprehensive income</b> <i>(Item that may be reclassified to profit or loss)</i>			
Change in value of available-for-sale financial assets, net of tax		2,165	(3,039)
Share of other comprehensive income of investments accounted for using the equity method		2,391	(2,688)
Currency translation differences		(695)	835
		<b>3,861</b>	(4,892)
<b>Total comprehensive income for the year</b>		<b>40,910</b>	12,725
<b>Profit attributable to:</b>			
Shareholders of the Company		24,372	5,091
Non-controlling interests		12,677	12,526
		<b>37,049</b>	17,617

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2017 RMB million	2016 RMB million
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		27,432	199
Non-controlling interests		13,478	12,526
		<b>40,910</b>	12,725
Earnings per share for profit attributable to shareholders of the Company for the year (expressed in RMB per share)			
— Basic earnings per share	31	1.833	0.372
— Diluted earnings per share	31	1.795	0.366

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests			
	Share capital	Share premium	Reserves	Retained earnings	Total	Perpetual capital instruments	Others	Sub-total	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
<b>Balance as at 1 January 2016</b>	971	—	7,637	42,398	51,006	75,737	15,399	91,136	142,142
<b>Comprehensive income</b>									
Profit for the year	—	—	—	5,091	5,091	10,646	1,880	12,526	17,617
<b>Other comprehensive income</b>									
Change in value of available-for-sale financial assets	—	—	(3,039)	—	(3,039)	—	—	—	(3,039)
Share of other comprehensive income of investments accounted for using the equity method	—	—	(2,688)	—	(2,688)	—	—	—	(2,688)
Currency translation differences	—	—	835	—	835	—	—	—	835
<b>Total comprehensive income</b>	—	—	(4,892)	5,091	199	10,646	1,880	12,526	12,725
<b>Transactions with owners</b>									
Transfer to statutory reserves	—	—	3,073	(3,073)	—	—	—	—	—
Issuance of shares pursuant to the option scheme (note 19, note 20)	2	73	(17)	—	58	—	—	—	58
Employee share option schemes	—	—	79	—	79	—	—	—	79
Issuance of shares pursuant to the Bonus Warrants	—	—	90	—	90	—	78	78	168
Repurchase of shares (note 19)	(9)	(31)	9	(659)	(690)	—	—	—	(690)
Dividends (note 32, note 37)	—	—	—	(5,262)	(5,262)	—	(219)	(219)	(5,481)
Issuance of perpetual capital instruments	—	—	—	—	—	59,754	—	59,754	59,754
Redemption of perpetual capital instruments	—	—	—	—	—	(25,789)	—	(25,789)	(25,789)
Distribution to holders of perpetual capital instruments	—	—	—	—	—	(5,728)	—	(5,728)	(5,728)
Changes in ownership interests in subsidiaries without change of control (note 37)	—	—	(1,194)	—	(1,194)	—	(6,297)	(6,297)	(7,491)
Capital injection from non-controlling interests (note 37(b)(i))	—	—	—	—	—	—	16,882	16,882	16,882
Non-controlling interests arising from business combination (note 37(b))	—	—	—	—	—	—	6,707	6,707	6,707
Acquisition of subsidiaries (note 37(b)(ii))	—	—	—	—	—	—	1,172	1,172	1,172
Disposal of subsidiaries (note 37)	—	—	(46)	—	(46)	(1,676)	(254)	(1,930)	(1,976)
<b>Total transactions with owners</b>	(7)	42	1,994	(8,994)	(6,965)	26,561	18,069	44,630	37,665
<b>Balance as at 31 December 2016</b>	964	42	4,739	38,495	44,240	112,944	35,348	148,292	192,532

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests			
	Share capital RMB million	Share premium RMB million	Reserves RMB million	Retained earnings RMB million	Total RMB million	Perpetual capital instruments RMB million	Others RMB million	Sub-total RMB million	Total RMB million
<b>Balance as at 1 January 2017</b>	964	42	4,739	38,495	44,240	112,944	35,348	148,292	192,532
<b>Comprehensive income</b>									
Profit for the year	—	—	—	24,372	24,372	723	11,954	12,677	37,049
<b>Other comprehensive income</b>									
Change in value of available-for-sale financial assets	—	—	1,170	—	1,170	—	995	995	2,165
Share of other comprehensive income of investments accounted for using the equity method	—	—	2,391	—	2,391	—	—	—	2,391
Currency translation differences	—	—	(501)	—	(501)	—	(194)	(194)	(695)
<b>Total comprehensive income</b>	—	—	3,060	24,372	27,432	723	12,755	13,478	40,910
<b>Transactions with owners</b>									
Transfer to statutory reserves	—	—	1,403	(1,403)	—	—	—	—	—
Issuance of shares pursuant to the option scheme (note 19, note 20)	14	623	(139)	—	498	—	—	—	498
Employee share option schemes	—	—	709	—	709	—	—	—	709
Issuance of shares pursuant to the Bonus Warrants	—	—	1	—	1	—	1	1	2
Repurchase of shares (note 19)	(50)	(323)	50	(5,254)	(5,577)	—	—	—	(5,577)
Dividends (note 32, note 37)	—	—	—	—	—	—	(241)	(241)	(241)
Decrease of perpetual capital instruments (note 37(a))	—	—	—	—	—	(113,667)	—	(113,667)	(113,667)
Changes in ownership interests in subsidiaries without change of control (note 37(b)(iii))	—	—	(11,528)	—	(11,528)	—	(4,520)	(4,520)	(16,048)
Capital injection from non-controlling interests (note 37(b)(i))	—	—	58,997	—	58,997	—	81,993	81,993	140,990
Non-controlling interests arising from business combination (note 38)	—	—	—	—	—	—	1,701	1,701	1,701
Acquisition of subsidiaries (note 37(b)(ii))	—	—	—	—	—	—	406	406	406
Disposal of subsidiaries (note 37)	—	—	—	—	—	—	(7)	(7)	(7)
<b>Total transactions with owners</b>	(36)	300	49,493	(6,657)	43,100	(113,667)	79,333	(34,334)	8,766
<b>Balance as at 31 December 2017</b>	928	342	57,292	56,210	114,772	—	127,436	127,436	242,208

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2017 RMB million	2016 RMB million
<b>Cash flows of operating activities</b>			
Net cash used in operations	33	(79,902)	(14,628)
Income tax paid		(16,999)	(13,106)
Interest paid		(54,072)	(30,876)
<b>Net cash used in operating activities</b>		<b>(150,973)</b>	<b>(58,610)</b>
<b>Cash flows of investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	38	(37,009)	(44,120)
Purchases of property, plant and equipment and investment properties		(14,369)	(15,927)
Proceeds from disposal of property, plant and equipment, land use rights and intangible assets		362	808
Proceeds from disposal of investment properties		2,461	2,378
Purchase of land use rights		(373)	(344)
Purchase of intangible assets		(53)	(58)
Investment in associates		(1,821)	(10,038)
Investment in joint ventures		(661)	(11,384)
Proceeds from disposal of joint ventures and associates		—	111
Purchase of financial assets purchased under resale agreements		—	(1,672)
Net cash received from disposal of subsidiaries		3	2,507
Purchase of available-for-sale financial assets	14	(67,100)	(47,060)
Proceeds from disposal of available-for-sale financial assets		93,516	8,824
Dividend received	26	614	139
Purchase of financial assets at fair value through profit or loss	15	(795)	(4,679)
Proceeds from disposal of financial assets at fair value through profit or loss	15	811	1,524
Repayment from associates		433	965
Repayment from joint ventures		294	1,686
Repayment from non-controlling interests		1,028	—
Cash advance to associates		(20)	(823)
Cash advance to joint ventures		(4,179)	(1,608)
Cash advance to non-controlling interests		(6,736)	(2,951)
Prepayments for acquisition of subsidiaries		(17,966)	(565)
Interest received	26	4,078	2,728
<b>Net cash used in investing activities</b>		<b>(47,482)</b>	<b>(119,559)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2017	2016
		RMB million	RMB million
<b>Cash flows of financing activities</b>			
Proceeds from bank and other borrowings	33(b)	481,606	425,272
Repayments of bank and other borrowings	33(b)	(326,958)	(237,892)
Proceeds from PRC corporate bonds		—	14,112
Proceeds from senior notes		43,019	4,564
Repayments of senior notes		(4,458)	(3,700)
Proceeds from unit holders of consolidated investment entities		—	3,333
Repayment to unit holders of consolidated investment entities		(1,760)	—
Interest paid to unit holders of consolidated investment entities		—	(179)
Proceeds from perpetual capital instruments		—	59,754
Redemption of perpetual capital instruments		(113,667)	(31,517)
Repurchase of shares		(5,577)	(690)
Issuance of ordinary shares pursuant to share option scheme		498	58
Issuance of shares pursuant to the Bonus Warrants		2	—
Dividends paid	33(b)	(241)	(5,481)
Acquisitions of non-controlling interests in subsidiaries		(16,048)	(3,877)
Capital injection from non-controlling interests	37	119,192	16,882
Cash advance from associates		—	83
Repayment to associates		(450)	(334)
Cash advance from joint ventures		485	274
Repayment to joint ventures		(325)	(547)
Cash advance from non-controlling interests		3,178	4,747
Repayment made to non-controlling interests		(9,407)	(3,974)
Advances from investors of subsidiaries	23	—	44,250
Restricted cash pledged for bank borrowings		(14,958)	(11,298)
Deposits for other borrowings		(1,218)	(761)
<b>Net cash generated from financing activities</b>		<b>152,913</b>	273,079
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(45,542)</b>	94,910
Cash and cash equivalents at beginning of year		198,420	103,090
Exchange gain on cash and cash equivalents		(870)	420
<b>Cash and cash equivalents at end of year</b>		<b>152,008</b>	198,420

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 General Information

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

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

These consolidated financial statements are presented in Renminbi Yuan (“RMB”) millions, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the “Board”) of the Company on 26 March 2018.

## 2 Summary of Significant Accounting Policies

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

### (a) Basis of preparation

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

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (Continued)

##### (i) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2017. The adoption of these amended standards does not have any significant impact to the results and financial position of the Group.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 33(b).

HKAS 7 (Amendments)	Statement of cash flows
HKAS 12 (Amendments)	Income tax
HKFRS 12 (Amendments)	Disclosure of interest in other entities

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group:

HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures <sup>1</sup>
HKFRS 40 (Amendment)	Investments in Investment property <sup>1</sup>
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK (IFRIC) 23	Uncertainty over Income Tax Treatments <sup>2</sup>
HKFRS 17	Insurance contracts <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective date is to be determined by the International Accounting Standard Board.



### 2 Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (Continued)

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

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

##### *HKFRS 15*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may be transferred over time or at a point in time.
- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties has been transferred, will be recognised at a later point in time when the underlying property is legally or physically transferred to the customer under the control transfer model.
- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.
- The Group provides different incentives to customers when they sign a property sale contract. Certain incentives (e.g. free gift and property management service) represents separate performance obligation in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which does not represent fair value of good or service provided by the customer.
- Certain costs incurred for obtaining a pre-sale property contract, which is currently expensed off in profit and loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.

The Group intends to adopt the standard on all uncompleted contracts as at 1 January 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

### 2 Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (Continued)

##### (ii) New standards and amendments to standards that have been issued but are not effective (Continued) *HKFRS 15 (Continued)*

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

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

##### *HKFRS 9*

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

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

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

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

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

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

### 2 Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (Continued)

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

###### *HKFRS 16*

The Group is a lessee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17. Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees. The Group is expected to apply the new standard starting from the financial year beginning on 1 January 2019.

#### (b) Consolidation

##### (i) Subsidiaries

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

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

##### (ii) Business combinations

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

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

Acquisition-related costs are expensed off as incurred.

### 2 Summary of Significant Accounting Policies (Continued)

#### (b) Consolidation (Continued)

##### (ii) Business combinations (Continued)

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

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

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

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

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

##### (iv) Disposal of subsidiaries

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

##### (v) Investments in subsidiaries

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

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

### 2 Summary of Significant Accounting Policies (Continued)

#### (c) Associates

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

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

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

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

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

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

### 2 Summary of Significant Accounting Policies (Continued)

#### (d) Joint arrangements

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

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

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

#### (e) Segment reporting

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

#### (f) Foreign currency translation

##### (i) Functional and presentation currency

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

##### (ii) Transactions and balances

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

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

## 2 Summary of Significant Accounting Policies (Continued)

### (f) Foreign currency translation (Continued)

#### (iii) Group entities

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

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

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

### (g) Property, plant and equipment

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

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

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

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

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

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

### 2 Summary of Significant Accounting Policies (Continued)

#### (g) Property, plant and equipment (Continued)

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

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

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

#### (h) Investment properties

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

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

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

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

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

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

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



### 2 Summary of Significant Accounting Policies (Continued)

#### (i) Intangible assets

##### (i) Brand name

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

##### (ii) Copy rights

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

##### (iii) Customer relationships

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

##### (iv) Computer softwares

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

##### (v) Goodwill

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

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

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

### 2 Summary of Significant Accounting Policies (Continued)

#### (j) Impairment of non-financial assets

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

#### (k) Financial instruments

##### (a) Financial assets

###### (i) Classification

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

###### Financial assets at fair value through profit or loss

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

###### Loans and receivables

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

###### Available-for-sale financial assets

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

###### (ii) Recognition and measurement

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

## 2 Summary of Significant Accounting Policies (Continued)

### (k) Financial instruments (Continued)

#### (a) Financial assets (Continued)

##### (ii) *Recognition and measurement (Continued)*

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

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

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

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

##### (iii) *Offsetting financial instruments*

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

#### (b) Derivative financial instruments

Derivative financial instruments 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 subsequent changes in fair value is recognised immediately in profit or loss within “other income and gains – net”.

### (l) Impairment of financial assets

#### (i) Assets carried at amortised cost

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

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

### 2 Summary of Significant Accounting Policies (Continued)

#### (l) Impairment of financial assets (Continued)

##### (i) Assets carried at amortised cost (Continued)

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

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

##### (ii) Assets classified as available for sale

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

#### (m) Properties under development

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

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

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

#### (n) Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

### 2 Summary of Significant Accounting Policies (Continued)

#### (o) Inventories

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

#### (p) Trade and other receivables

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

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

#### (q) Cash and cash equivalents

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

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

#### (r) Share capital

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

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

#### (s) Perpetual capital instruments

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

### 2 Summary of Significant Accounting Policies (Continued)

#### (t) Trade and other payables

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

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

#### (u) Borrowings

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

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

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

#### (v) Borrowing costs

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

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

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

### 2 Summary of Significant Accounting Policies (Continued)

#### (w) Current and deferred income tax

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

##### (i) Current income tax

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

##### (ii) Deferred income tax

###### *Inside basis differences*

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

###### *Outside basis differences*

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

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

##### (iii) Offsetting

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

### 2 Summary of Significant Accounting Policies (Continued)

#### (x) Employee benefits

##### (i) Employee leave entitlements

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

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

##### (ii) Retirement benefits

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

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

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

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

##### (iii) Termination benefits

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



### 2 Summary of Significant Accounting Policies (Continued)

#### (y) Share-based payments

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

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

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

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

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

#### (z) Provisions and contingent liabilities

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

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

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

### 2 Summary of Significant Accounting Policies (Continued)

#### (z) Provisions and contingent liabilities (Continued)

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.

#### (aa) Revenue recognition

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

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

##### (i) Sales of properties

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

##### (ii) Property management

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

##### (iii) Construction and decoration services

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

##### (iv) Hotel operations

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

##### (v) Interest income

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

### 2 Summary of Significant Accounting Policies (Continued)

#### (aa) Revenue recognition (Continued)

(vi) **Rental income**

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

(vii) **Income from medical cosmetology and health management**

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

#### (ab) Leases

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

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

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

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

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

(iii) **The Group is the lessor**

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

#### (ac) Dividend distribution

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

#### (ad) Financial guarantee liabilities

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial Risk Management

#### (a) Financial risk factor

The Group's major financial instruments include cash and bank deposits, trade and other receivables, available-for-sale financial assets, financial assets at fair value through profit or loss, trade and other payables, derivative financial liabilities and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### (i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in other currencies. As at 31 December 2017, the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	<b>31 December</b>	
	<b>2017</b>	2016
	<b>RMB million</b>	RMB million
Monetary assets		
— HK\$	<b>6,810</b>	1,150
— US\$	<b>3,811</b>	9,431
— EURO	<b>2</b>	—
— Others	<b>412</b>	1
	<b>11,035</b>	10,582
Monetary liabilities		
— HK\$	<b>30,453</b>	13,878
— US\$	<b>145,977</b>	74,452
— EURO	<b>15,559</b>	6,104
	<b>191,989</b>	94,434

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial Risk Management (Continued)

#### (a) Financial risk factor (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. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	31 December	
	2017	2016
	RMB million	RMB million
5% appreciation in RMB against HK\$	887	477
5% depreciation in RMB against HK\$	(887)	(477)
5% appreciation in RMB against US\$	5,331	2,329
5% depreciation in RMB against US\$	(5,331)	(2,329)
5% appreciation in RMB against EUR\$	583	229
5% depreciation in RMB against EUR\$	(583)	(229)

##### (ii) Price risk

The Group is exposed to equity securities price risk in connection with the available-for-sale financial assets and financial assets at fair value through profit or loss held by the Group, which are publicly traded in stock exchange. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested had been 5% higher/lower, post-tax profit for the year ended 31 December 2017 would increase/decrease by approximately RMB118 million (2016: increase/decrease by approximately RMB135 million), as a result of more/less fair value gain on financial assets at fair value through profit or loss. Other comprehensive income would have been approximately RMB92 million higher/lower (2016: RMB1,380 million higher/lower).

### 3 Financial Risk Management (Continued)

#### (a) Financial risk factor (Continued)

##### (iii) Interest rate risk

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

As at 31 December 2017, if interest rate on borrowings at variable rates had been 100 basis point higher/lower with all variables held constant, post-tax profit for the year ended 31 December 2017 would decrease/increase by approximately RMB779 million (2016: decrease/increase by approximately RMB637 million), mainly as a result of more/less interest expenses on borrowings at variable rates.

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

##### (iv) Credit risk

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

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

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

The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 70% of the total purchase price of the property. Detailed disclosure of these guarantees is made in note 34. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to retain the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

### 3 Financial Risk Management (Continued)

#### (a) Financial risk factor (Continued)

##### (v) Liquidity risk

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

To cope with the rapid expansion of the Group's businesses, the Group raised significant amounts of borrowings during the year ended 31 December 2017. As at 31 December 2017, the Group's total borrowings stood at RMB732,625 million. During the year ended 31 December 2017 and the period up to the date of these consolidated financial statements, in order to properly manage the Group's liquidity risk and capital structure, the Group has conducted the following major financing activities:

- On 23 March 2017, the Group has issued 7.0% three-year senior notes with an aggregated principal amount of US\$500 million at the face value, and 8.25% five-year senior notes with an aggregated principal amount of US\$1,000 million at the face value (note 21(a)).
- On 29 March 2017, the Group has issued 9.5% seven-year senior notes with an aggregated principal amount of US\$1,000 million (note 21(a)).
- On 28 June 2017, the Group has issued 6.25% four-year senior notes with an aggregated principal amount of US\$500 million at the face value, 7.5% six-year senior notes with an aggregated principal amount of US\$1,000 million at the face value, and 8.75% eight-year senior notes with an aggregated principal amount of US\$2,300 million at the face value (note 21(a)).
- During the year, the Group has obtained capital contribution from non-controlling interest totaling RMB130,000 million, of which cash of RMB13,000 million has been received in 2016 and cash of RMB117,000 million was received in the year.

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

With the aforementioned activities and plans, the directors of the Company considered the Group's liquidity risk has been controlled. The directors of the Company has reviewed the working capital forecast of the Group for the 12 months from 31 December 2017 and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the date of the consolidated balance sheet.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial Risk Management (Continued)

#### (a) Financial risk factor (Continued)

##### (v) Liquidity risk (Continued)

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

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
At 31 December 2017					
Borrowings	406,176	207,439	166,247	53,702	833,564
Trade and other payables*	391,563	4,170	—	—	395,733
	<b>797,739</b>	<b>211,609</b>	<b>166,247</b>	<b>53,702</b>	<b>1,229,297</b>
At 31 December 2016					
Borrowings	237,568	190,744	174,100	4,980	607,392
Trade and other payables*	297,722	36,916	4,167	13,730	352,535
	535,290	227,660	178,267	18,710	959,927

\* Excluding staff welfare benefit payable and other taxes payable.

The amounts have not included financial guarantee contracts:

- which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee for loans procured by the purchasers of the Group's properties (note 34). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties;
- which the Group make for its cooperation parties' bank borrowings (note 34). Such guarantees terminate upon the repayment of relevant bank borrowings.

The Group considers that it is more likely than not that no amount will be payable under the arrangement.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial Risk Management (Continued)

#### (b) Capital risk management

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

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

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

The gearing ratios as at 31 December 2017 and 2016 were as follows:

	31 December	
	2017	2016
	RMB million	RMB million
Total borrowings (Note 21)	<b>732,625</b>	535,070
Total assets	<b>1,761,752</b>	1,350,868
Gearing ratio	<b>41.6%</b>	39.6%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial Risk Management (Continued)

#### (c) Fair value estimation

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

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

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
<b>At 31 December 2017</b>				
<b>Assets</b>				
Available-for-sale financial assets	2,641	2,424	1,020	6,085
Financial assets at fair value through profit or loss	3,150	—	—	3,150
Total	5,791	2,424	1,020	9,235
<b>Liabilities</b>				
Derivative financial liabilities	—	—	2,840	2,840
<b>At 31 December 2016</b>				
<b>Assets</b>				
Available-for-sale financial assets	34,823	938	1,044	36,805
Financial assets at fair value through profit or loss	3,603	—	—	3,603
Total	38,426	938	1,044	40,408

There were no transfers among different categories during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial Risk Management (Continued)

#### (c) Fair value estimation (Continued)

##### (ii) Fair value measurements using significant unobservable inputs (level 3)

	Unlisted investments RMB million	Derivative financial liabilities RMB million	Total RMB million
<b>Balance as at 31 December 2016</b>	1,044	—	1,044
Additions	—	2,020	2,020
Disposals	(24)	—	(24)
Losses recognised in fair value loss on derivative financial liabilities	—	820	820
<b>Balance as at 31 December 2017</b>	<b>1,020</b>	<b>2,840</b>	<b>3,860</b>

For significant unobservable inputs used in fair value measurement of the derivative financial liability, please refer to note 4(c).

### 4 Critical Accounting Estimates and Assumptions

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

#### (a) Estimated fair value of investment properties

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

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

### 4 Critical Accounting Estimates and Assumptions (Continued)

#### (a) Estimated fair value of investment properties (Continued)

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

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

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

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

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

#### (c) Estimated fair value of financial derivative liability

The Group assesses the fair value of its financial derivative liability by reference to valuation performed by the independent and professional qualified valuer. Binomial Lattice Model approach is used for valuation of the fair value of financial derivative liability and it is dependent on certain key assumptions that required significant management judgement. These include the fair value of properties under development, completed properties held for sale, properties for self-use and investment properties, the revenue growth rates and the probability of Proposed Reorganisation not being completed by the defined date. The valuation of completed properties held for sale and properties for self-use were prepared under the direct comparison approach making reference to fair market prices, and the valuation of properties under development was prepared under the residual approach using fair market price less estimated costs to completion, expected developer's profit margin and selling expenses. Detailed disclosure of the valuation of investment properties is made in note 4(a).

The change of the aforesaid key assumptions may lead to significant difference of the fair value estimation of financial liability.

#### (d) PRC corporate income taxes and deferred taxation

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 Critical Accounting Estimates and Assumptions (Continued)

#### (e) PRC land appreciation taxes

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

### 5 Segment Information

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

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

Revenue for the year ended 31 December 2017 consists of sales of properties, rental income of investment properties, income from property management services and income from other businesses, which are set out below:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Sales of properties	302,384	203,890
Rental income of investment properties	811	647
Property management services	3,024	1,948
Other businesses	4,803	4,959
	311,022	211,444

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segment Information (Continued)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2017 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Gross segment revenue	302,384	1,019	4,395	25,712	333,510
Inter-segment revenue	—	(208)	(1,371)	(20,909)	(22,488)
Revenue	302,384	811	3,024	4,803	311,022
Share of post-tax profit of associates	4	—	—	1,198	1,202
Share of post-tax profit of joint ventures	26	—	—	174	200
Segment results	83,496	9,353	559	66	93,474
Fair value loss on financial assets at fair value through profit or loss					(437)
Fair value loss on derivative financial liabilities					(820)
Dividend income of financial assets at fair value through profit or loss					364
Loss on disposal of available-for-sale financial assets					(7,191)
Finance costs					(7,917)
Profit before income tax					77,473
Income tax expense					(40,424)
Profit for the year					37,049
Depreciation and amortisation	1,097	—	12	885	1,994
Fair value gains on investment properties	—	8,513	—	—	8,513

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segment Information (Continued)

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segment Information (Continued)

Segment assets and liabilities as at 31 December 2017 are as follows:

	Property development RMB million	Property investment RMB million	Property management services RMB million	Other businesses RMB million	Group RMB million
Segment assets	1,492,472	151,950	2,816	92,204	1,739,442
Unallocated assets					22,310
Total assets					1,761,752
Segment assets include:					
Interest in associates	1,943	—	—	11,429	13,372
Interest in joint ventures	874	—	—	16,130	17,004
Segment liabilities	617,493	—	2,556	51,014	671,063
Unallocated liabilities					848,481
Total liabilities					1,519,544
Capital expenditure	3,645	15,689	24	6,169	25,527

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Segment Information (Continued)

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

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

Segment liabilities consist of operating liabilities. Unallocated liabilities comprise taxation, borrowings and derivative financial liabilities.

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

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

	31 December 2017 RMB million	2016 RMB million
Segment assets	1,739,442	1,298,759
Unallocated:		
Income tax recoverable	9,203	7,665
Deferred income tax assets	3,872	4,036
Available-for-sale financial assets	6,085	36,805
Financial assets at fair value through profit or loss	3,150	3,603
Total assets per consolidated balance sheet	1,761,752	1,350,868

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

	31 December 2017 RMB million	2016 RMB million
Segment liabilities	671,063	549,220
Unallocated:		
Current income tax liabilities	61,460	35,622
Deferred income tax liabilities	51,556	38,424
Borrowings	732,625	535,070
Derivative financial liabilities	2,840	—
Total liabilities per consolidated balance sheet	1,519,544	1,158,336

No material revenues are derived from any single external customer (2016: none).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6 Property, Plant and Equipment

	Buildings RMB million	Machinery RMB million	Transportation equipment RMB million	Furniture, Fitting and equipment RMB million	Construction in progress RMB million	Total RMB million
Year ended 31 December 2016						
Opening net book amount	8,008	846	678	2,954	4,234	16,720
Additions	784	516	484	651	2,741	5,176
Acquisition of subsidiaries	1,443	26	24	47	33	1,573
Transfers	1,470	25	—	513	(2,008)	—
Transfer from investment properties	1,310	—	—	—	—	1,310
Disposal of subsidiaries	(661)	(682)	(19)	(94)	(340)	(1,796)
Disposals	(323)	(3)	(5)	(185)	—	(516)
Depreciation	(703)	(150)	(205)	(576)	—	(1,634)
Closing net book amount	11,328	578	957	3,310	4,660	20,833
At 31 December 2016						
Cost	13,123	710	1,832	5,464	4,660	25,789
Accumulated depreciation	(1,795)	(132)	(875)	(2,154)	—	(4,956)
Net book amount	11,328	578	957	3,310	4,660	20,833
Year ended 31 December 2017						
Opening net book amount	<b>11,328</b>	<b>578</b>	<b>957</b>	<b>3,310</b>	<b>4,660</b>	<b>20,833</b>
Additions	<b>568</b>	<b>312</b>	<b>727</b>	<b>1,815</b>	<b>5,635</b>	<b>9,057</b>
Acquisition of subsidiaries (note 38)	<b>203</b>	<b>10</b>	<b>8</b>	<b>88</b>	<b>—</b>	<b>309</b>
Transfers	<b>2,342</b>	<b>82</b>	<b>—</b>	<b>731</b>	<b>(3,155)</b>	<b>—</b>
Transfer from properties under development	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,503</b>	<b>3,503</b>
Transfer from investment properties	<b>1,329</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,329</b>
Disposals	<b>(269)</b>	<b>(1)</b>	<b>(26)</b>	<b>(65)</b>	<b>—</b>	<b>(361)</b>
Depreciation	<b>(730)</b>	<b>(123)</b>	<b>(209)</b>	<b>(710)</b>	<b>—</b>	<b>(1,772)</b>
Closing net book amount	<b>14,771</b>	<b>858</b>	<b>1,457</b>	<b>5,169</b>	<b>10,643</b>	<b>32,898</b>
At 31 December 2017						
Cost	<b>17,279</b>	<b>1,104</b>	<b>2,500</b>	<b>7,993</b>	<b>10,643</b>	<b>39,519</b>
Accumulated depreciation	<b>(2,508)</b>	<b>(246)</b>	<b>(1,043)</b>	<b>(2,824)</b>	<b>—</b>	<b>(6,621)</b>
Net book amount	<b>14,771</b>	<b>858</b>	<b>1,457</b>	<b>5,169</b>	<b>10,643</b>	<b>32,898</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6 Property, Plant and Equipment (Continued)

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

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Cost of sales	655	617
Selling and marketing costs	214	296
Administrative expenses	904	721
	<b>1,772</b>	1,634

During the year ended 31 December 2017, the Group capitalised borrowing costs amounting to RMB595 million (2016: RMB280 million) on the construction in progress. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 8.09% (2016: 8.27%).

As at 31 December 2017, property, plant and equipment of RMB11,146 million (2016: RMB7,633 million) were pledged as collateral for the Group's bank borrowings (note 21).

### 7 Land Use Rights

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

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Opening net book amount	5,401	3,625
Additions	373	2,094
Transfer from properties under development	2,320	—
Acquisition of subsidiaries (note 38)	11	59
Disposal	—	(38)
Disposal of subsidiaries	—	(193)
Amortisation	(170)	(146)
Closing net book amount	<b>7,935</b>	5,401

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

As at 31 December 2017, land use rights of RMB1,576 million (2016: RMB698 million) were pledged as collateral for the Group's bank borrowings (note 21).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 Investment Properties

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Opening net book amount	132,045	97,146
Additions	15,689	15,696
Acquisition of subsidiaries (note 38)	—	16,734
Disposals	(2,293)	(2,007)
Disposal of a subsidiary	—	(185)
Transfer to property, plant and equipment	(1,329)	(1,310)
Fair value gains on investment properties	8,513	5,124
Currency translation differences	(675)	847
Closing net book amount	151,950	132,045
Comprise of:		
Completed	131,188	108,145
Under construction	20,762	23,900

As at 31 December 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (2016: nil).

As at 31 December 2017, investment properties of RMB14,264 million (2016: RMB13,052 million) were pledged as collateral for the Group's borrowings (note 21).

Borrowing costs of RMB1,204 million (2016: RMB2,235 million) have been capitalised in investment properties under construction for the year ended 31 December 2017. The capitalisation rate of borrowing costs for the year ended 31 December 2017 was 8.09% (2016: 8.27%).

#### (a) Valuation processes of the Group

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

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

#### (b) Valuation techniques

Valuations were based on either:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 Investment Properties (Continued)

#### (b) Valuation techniques (Continued)

- (ii) income approach takes into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property.
- (iii) residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an “as-if” completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer’s profits, as well as land acquisition costs.

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

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

Property Category		Fair value as at 31 December 2017	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Commercial properties	<b>10,080</b>	Income capitalisation	Terminal yield	4.25%–6.50%
				Reversionary yield	4.50%–6.50%
				Capitalisation rate	4.50%–6.50%
				Expected vacancy rate	0.00%–20.00%
				Monthly rental (RMB/square meter/ month)	31–670
		<b>66,656</b>	Direct comparison	Market price (RMB/square meter)	3,356–160,000
	<b>54,473</b>	Direct comparison	Market price (RMB/per car park)	50,000–530,000	
Investment properties under construction	Commercial properties	<b>17,681</b>	Residual method	Market price (RMB/square meter)	4,600–54,400
				Budgeted cost (RMB/square meter)	974–16,652
				Anticipated developer’s profit margin	2.00%–20.00%
	Car park	<b>3,060</b>	Residual method	Market price (RMB/per car park)	99,000–164,100
				Budgeted cost (RMB/square meter)	487–2,546
				Anticipated developer’s profit margin	2.00%–15.00%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 Investment Properties (Continued)

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 Investment Properties (Continued)

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

Relationship of unobservable inputs to fair value:

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

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

	Year ended 31 December	
	2017 RMB million	2016 RMB million
Rental income	811	647
Direct operating expenses arising from investment properties that generate rental income	(76)	(130)

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

	31 December	
	2017 RMB million	2016 RMB million
Not later than one year	344	383
Later than one year and not later than five years	881	842
Later than five years	622	597
	1,847	1,822

During the years ended 31 December 2017 and 2016, the investment properties are mainly located in the PRC and have lease periods less than 20 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 Properties Under Development

	31 December 2017 RMB million	2016 RMB million
Properties under development expected to be completed with one operating cycle included under current assets	<b>851,363</b>	577,851
Properties under development comprise:		
– Construction costs and capitalised expenditures	<b>288,236</b>	210,437
– Interests capitalised	<b>79,693</b>	47,651
– Land use rights	<b>483,434</b>	319,763
	<b>851,363</b>	577,851

All the properties under development are expected to be completed within one operating cycle.

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

As at 31 December 2017, properties under development of approximately RMB323,269 million (2016: RMB226,804 million) were pledged as collateral for the Group's borrowings (note 21).

The capitalisation rate of borrowing costs for the year ended 31 December 2017 is 8.09% (2016: 8.27% ).

### 10 Completed Properties Held for Sale

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

As at 31 December 2017, completed properties held for sale of approximately RMB14,146 million (2016: RMB26,992 million) were pledged as collateral for the Group's borrowings (note 21).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 Trade and Other Receivables

	31 December	
	2017	2016
	RMB million	RMB million
Trade receivables — third parties (note (a))	27,406	24,986
Other receivables:	97,728	60,790
— associates (note (b), note 36(b))	20	433
— joint ventures (note (b), note 36(b))	5,494	1,609
— non-controlling interests (note (b))	9,350	4,235
— loans to third parties (note (c))	40,043	26,704
— other amounts due from third parties (note (d))	42,821	27,809
	<b>125,134</b>	85,776
Less: non-current portion		
Trade receivables — third parties (note (a))	(4,352)	(9,342)
Current portion	<b>120,782</b>	76,434

As at 31 December 2017 and 2016, the fair value of trade and other receivables approximated their carrying amounts.

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

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

	31 December	
	2017	2016
	RMB million	RMB million
Within 90 days	6,500	4,344
Over 90 days and within 180 days	4,039	3,573
Over 180 days and within 365 days	4,477	6,236
Over 365 days	12,390	10,833
	<b>27,406</b>	24,986

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 Trade and Other Receivables (Continued)

(a) (Continued)

As at 31 December 2017, trade receivables of RMB1,123 million (31 December 2016: RMB601 million) were past due but not impaired. These accounts are mainly related to a number of customers who did not have a recent history of default, and the Group normally holds collateral of the properties before collection of the outstanding balances. The directors of the Company consider that the past due trade receivables would be recovered and no provision was made against past due receivables as at 31 December 2017 (31 December 2016: nil). The ageing analysis of these trade receivables is as follows:

	<b>31 December</b>	
	<b>2017</b>	2016
	<b>RMB million</b>	RMB million
Within 90 days	<b>198</b>	199
Over 90 days and within 180 days	<b>146</b>	118
Over 180 days and within 365 days	<b>419</b>	57
Over 365 days	<b>360</b>	227
	<b>1,123</b>	601

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

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

- (b) Amounts are unsecured, interest free and repayable on demand.
- (c) Amounts represented loans to certain third parties which were facilitated through the internet finance platform.
- (d) Amounts mainly represented the deposits for acquisition of land use right, construction projects and borrowings, receivables of disposal of subsidiaries and cooperation parties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 Prepayments

	31 December	
	2017	2016
	RMB million	RMB million
Prepaid value added taxes and other taxes	10,906	5,816
Prepayments and advances to third parties (note (a))	137,219	59,685
	<b>148,125</b>	65,501
Less: non-current portion		
— prepayments for acquisition of property, plant and equipment	(1,202)	(2,754)
	<b>146,923</b>	62,747

(a) Amounts mainly represented the prepayments and advances to third parties for acquisition of land use rights and subsidiaries.

### 13 Investments Accounted for Using Equity Method

	31 December	
	2017	2016
	RMB million	RMB million
Associates	13,372	10,684
Joint ventures	17,004	13,690
	<b>30,376</b>	24,374

The amounts recognised in profit or loss are as follows:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Share of profit of associates	1,202	630
Share of profit/(loss) of joint ventures	200	(833)
	<b>1,402</b>	(203)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Investments Accounted for Using Equity Method (Continued)

#### Investments in associates

The movements of the investments in associates is as follows:

	Year ended 31 December	
	2017 RMB million	2016 RMB million
Balance as at 1 January	10,684	154
Additions	1,821	10,038
Disposals	(43)	(75)
Dividend declared	(250)	—
Share of post-tax profit of associates	1,202	630
Other comprehensive loss	(42)	(63)
Balance as at 31 December	13,372	10,684

Shengjing Bank Co., Ltd (“Shengjing Bank”) is a significant associate company of the Group, which is principally engaged in banking services in the PRC including provision of corporate and personal deposits, loans and advances, settlements, treasury businesses and etc.

Set out below is the summarised financial information of Shengjing Bank as at and for the period ended 31 December 2017, which, in the opinion of the directors of the Company, is material to the Group.

#### Summarised balance sheet

	31 December	
	2017 RMB million	2016 RMB million
Financial assets	84,202	71,376
Other assets	955,528	841,552
Total assets	1,039,730	912,928
Financial liabilities	963,083	843,955
Other liabilities	17,016	15,153
Total liabilities	980,099	859,108
<b>Net assets</b>	<b>59,631</b>	53,820
<b>Net assets attributable to:</b>		
Shareholders of the Shengjing Bank	59,057	53,820
Non-controlling interests	574	—
	<b>59,631</b>	53,820

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Investments Accounted for Using Equity Method (Continued)

#### Investments in associates (Continued)

##### Summarised statement of comprehensive income

	Year ended 31 December 2017 RMB million	For the period from acquisition day to 31 December 2016 RMB million
Interest income	42,278	18,642
Interest expenses	(30,202)	(11,910)
<b>Profit before tax</b>	<b>7,579</b>	4,665
Income tax expense	(655)	(966)
<b>Profit for the period</b>	<b>6,924</b>	3,699
<b>Other comprehensive loss</b>	<b>(244)</b>	(384)
<b>Total comprehensive income</b>	<b>6,680</b>	3,315
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Shengjing Bank	6,686	3,315
Non-controlling interests	(6)	—
	<b>6,680</b>	3,315

##### Reconciliation of summarised financial information

	31 December 2017 RMB million	2016 RMB million
<b>Net assets as at 1 January 2017/1 July 2016</b>	<b>53,820</b>	50,505
Profit for the period	6,930	3,699
Other comprehensive loss	(244)	(384)
Dividend	(1,449)	—
<b>Net assets as at 31 December</b>	<b>59,057</b>	53,820
Interest in the associate	10,205	9,300
Goodwill	1,210	1,210
<b>Carrying value</b>	<b>11,415</b>	10,510

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Investments Accounted for Using Equity Method (Continued)

#### Investments in joint ventures

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

	Year ended 31 December	
	2017 RMB million	2016 RMB million
Balance as at 1 January	13,690	8,426
Additions (note a)	681	9,227
Disposals	—	(505)
Share of post-tax profit/(loss) of joint ventures	200	(833)
Other comprehensive income/(loss)	2,433	(2,625)
<b>Balance as at 31 December</b>	<b>17,004</b>	<b>13,690</b>

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

The Group made additional capital injections of RMB3,000 million and RMB9,000 million to Evergrande Life Insurance in 2015 and 2016, respectively. Pursuant to the resolutions of shareholders' meeting of Evergrande Life Insurance, all shareholders agreed that the additional capital injections by the Group are only attributable to the Group and other shareholders will not share the capital surplus.

Set out below is the summarised financial information for Evergrande Life Insurance as at and for the period ended 31 December 2017, which, in the opinion of the directors of the Company, is material to the Group.

#### Summarised consolidated balance sheet

	31 December	
	2017 RMB million	2016 RMB million
Cash and cash equivalents	2,451	5,075
Other assets	106,734	74,186
<b>Total assets</b>	<b>109,185</b>	<b>79,261</b>
Financial liabilities (excluding insurance liabilities)	250	250
Other liabilities (including insurance liabilities)	90,709	64,102
<b>Total liabilities</b>	<b>90,959</b>	<b>64,352</b>
<b>Net assets</b>	<b>18,226</b>	<b>14,909</b>
<b>Net assets attributable to:</b>		
Shareholders of the Evergrande Life Insurance	18,217	14,909
Non-controlling interests	9	—
	<b>18,226</b>	<b>14,909</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13 Investments Accounted for Using Equity Method (Continued)

#### Investment in joint ventures (Continued)

##### Summarised consolidated statement of comprehensive income

	Year ended 31 December 2017 RMB million	Year ended 31 December 2016 RMB million
Revenue	31,901	9,201
Depreciation and amortisation	(24)	(12)
Interest expenses	(3,131)	(2,023)
<b>Profit/(loss) before tax</b>	<b>883</b>	(405)
Income tax expenses	(8)	—
<b>Profit/(loss) for the year</b>	<b>875</b>	(405)
<b>Other comprehensive income/(loss)</b>	<b>2,433</b>	(2,639)
<b>Total comprehensive income/(loss)</b>	<b>3,308</b>	(3,044)
<b>Total comprehensive income/(loss) attributable to:</b>		
Shareholders of the Evergrande Life Insurance	3,308	(3,044)
Non-controlling interests	—	—
	<b>3,308</b>	(3,044)

##### Reconciliation of summarised financial information

	Year ended 31 December 2017 RMB million	2016 RMB million
<b>Net assets as at 1 January</b>	<b>14,909</b>	8,953
Profit/(loss) for the year	875	(405)
Other comprehensive income/(loss)	2,433	(2,639)
Capital injected by and attributable to the Group	—	9,000
<b>Net assets as at 31 December</b>	<b>18,217</b>	14,909
Interest in the Joint Venture	15,094	12,053
Goodwill	879	879
<b>Carrying value</b>	<b>15,973</b>	12,932

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 Available-For-Sale Financial Assets

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
At 1 January	36,805	2,595
Additions	67,100	47,060
Disposals	(96,339)	(8,798)
Net gains/(losses) recognised in equity	(1,481)	(4,052)
At 31 December	6,085	36,805
Less: Non-current portion	(4,565)	(36,805)
Current portion	1,520	—

Available-for-sale financial assets include the following:

	31 December	
	2017	2016
	RMB million	RMB million
Listed equity securities	2,641	34,823
— China Vanke Co., Ltd. (“Vanke”)	—	31,918
— Other listed equity securities	2,641	2,905
Unlisted equity investments	1,281	969
Other unlisted investments	2,163	1,013
	6,085	36,805

As at 31 December 2017, available-for-sale financial assets are denominated in RMB and USD.

There were no impairment provisions on available-for-sale financial assets made during the year ended 31 December 2017 (2016: nil).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15 Financial Assets at Fair Value Through Profit or Loss

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
As at 1 January	3,603	307
Additions	795	4,679
Disposals	(811)	(1,524)
Fair value (loss)/gain	(437)	141
As at 31 December	3,150	3,603

As at 31 December 2017 and 2016, financial assets at fair value through profit or loss represented the Group's equity investments in certain companies listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited, which are quoted in an active market.

Changes in fair values of these investments are recorded in 'Fair value (loss)/gain on financial assets at fair value through profit or loss' in the consolidated statement of comprehensive income.

The fair value of all equity securities is based on their quoted prices as of 31 December 2017 and 2016 in active markets.

### 16 Financial Instruments by Category

#### Assets as per consolidated balance sheet

	31 December	
	2017	2016
	RMB million	RMB million
<b>Loans and receivables</b>		
Trade and other receivables	125,134	85,776
Restricted cash	135,714	105,909
Cash and cash equivalents	152,008	198,420
	412,856	390,105
<b>Financial assets at fair value through profit or loss</b>	3,150	3,603
<b>Available-for-sale financial assets</b>	6,085	36,805
	422,091	430,513

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16 Financial Instruments by Category

Liabilities as per consolidated balance sheet

	31 December 2017 RMB million	2016 RMB million
<b>Other financial liabilities at amortised cost</b>		
Borrowings	732,625	535,070
Trade and other payables excluding other taxes and payroll payable	393,056	351,572
	<b>1,125,681</b>	886,642
<b>Financial derivative liabilities</b>	<b>2,840</b>	—
	<b>1,128,521</b>	886,642

### 17 Restricted Cash

The restricted cash is denominated in the following currencies:

	31 December 2017 RMB million	2016 RMB million
— Denominated in RMB	135,587	105,908
— Denominated in other currencies	127	1
	<b>135,714</b>	105,909

The conversion of the RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 31 December 2017 and 2016, the Group's restricted cash mainly comprised of guarantee deposits for construction of projects and guarantee deposits for bank acceptance notes and loans.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18 Cash and Cash Equivalents

	31 December 2017 RMB million	2016 RMB million
Cash at bank and in hand:		
– Denominated in RMB	144,809	189,918
– Denominated in other currencies	7,199	8,502
	<b>152,008</b>	198,420

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating daily bank deposit rates.

### 19 Share Capital and Premium

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary share RMB million	Share premium RMB million	Total RMB million
As at 1 January 2016	13,798,429,900	137,984,299	971	–	971
Issuance of shares pursuant to the option scheme	24,123,000	241,230	2	73	75
Repurchase of shares (note a)	(127,665,000)	(1,276,650)	(9)	(31)	(40)
As at 31 December 2016	13,694,887,900	136,948,879	964	42	1,006
As at 1 January 2017	<b>13,694,887,900</b>	<b>136,948,879</b>	<b>964</b>	<b>42</b>	<b>1,006</b>
Issuance of shares pursuant to the option scheme	<b>196,344,000</b>	<b>1,963,440</b>	<b>14</b>	<b>623</b>	<b>637</b>
Repurchase of shares (note a)	<b>(722,972,000)</b>	<b>(7,229,720)</b>	<b>(50)</b>	<b>(323)</b>	<b>(373)</b>
As at 31 December 2017	<b>13,168,259,900</b>	<b>131,682,599</b>	<b>928</b>	<b>342</b>	<b>1,270</b>

- (a) During the year ended 31 December 2017, the Company repurchased an aggregate of 722,972,000 shares of its own shares through the Stock Exchange, at a total consideration of HK\$6,288 million (equivalent to approximately RMB5,577 million). The aforesaid repurchased shares were cancelled on 5 May 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 Reserves

	Merger reserve RMB million (note (a))	Other reserves RMB million	Statutory reserves RMB million (note (b))	Employee share option reserve RMB million (note (c))	Capital redemption reserve RMB million	Translation reserves RMB million	Total RMB million
Balance at 1 January 2016	(986)	926	7,287	176	234	—	7,637
Revaluation of available-for-sale financial assets, net of tax	—	(3,039)	—	—	—	—	(3,039)
Retained earnings appropriated to statutory reserves	—	—	3,073	—	—	—	3,073
Changes in ownership interests in subsidiaries without change of control	—	(1,194)	—	—	—	—	(1,194)
Issuance of shares pursuant to the option scheme	—	—	—	(17)	—	—	(17)
Employee share option scheme (note (c))	—	—	—	79	—	—	79
Issuance of shares pursuant to the Bonus Warrants	—	—	—	90	—	—	90
Repurchase of shares	—	—	—	—	9	—	9
Share of other comprehensive income of investments accounted for using the equity method	—	(2,688)	—	—	—	—	(2,688)
Currency translation differences	—	—	—	—	—	835	835
Disposal of subsidiaries	—	(46)	—	—	—	—	(46)
Balance at 31 December 2016	(986)	(6,041)	10,360	328	243	835	4,739
Balance at 1 January 2017	<b>(986)</b>	<b>(6,041)</b>	<b>10,360</b>	<b>328</b>	<b>243</b>	<b>835</b>	<b>4,739</b>
Revaluation of available-for-sale financial assets, net of tax	—	<b>1,170</b>	—	—	—	—	<b>1,170</b>
Retained earnings appropriated to statutory reserves	—	—	<b>1,403</b>	—	—	—	<b>1,403</b>
Capital injection from non-controlling interests	—	<b>58,997</b>	—	—	—	—	<b>58,997</b>
Changes in ownership interests in subsidiaries without change of control	—	<b>(11,528)</b>	—	—	—	—	<b>(11,528)</b>
Issuance of shares pursuant to the option scheme	—	—	—	<b>(139)</b>	—	—	<b>(139)</b>
Employee share option scheme (note (c))	—	—	—	<b>709</b>	—	—	<b>709</b>
Issuance of shares pursuant to the Bonus Warrants	—	—	—	<b>1</b>	—	—	<b>1</b>
Repurchase of shares	—	—	—	—	<b>50</b>	—	<b>50</b>
Share of other comprehensive income of investments accounted for using the equity method	—	<b>2,391</b>	—	—	—	—	<b>2,391</b>
Currency translation differences	—	—	—	—	—	<b>(501)</b>	<b>(501)</b>
Balance at 31 December 2017	<b>(986)</b>	<b>44,989</b>	<b>11,763</b>	<b>899</b>	<b>293</b>	<b>334</b>	<b>57,292</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 Reserves (Continued)

#### (a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company less considerations paid and payable to the then shareholders of the Group during the reorganisation undertaken in 2006 for preparing listing of the Company on the Stock Exchange.

#### (b) Statutory reserves

Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

#### (c) Employee share option reserve

Share options are granted to directors and other selected employees. Options are conditional on the employee have served the Group for certain periods (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 18 May 2010, 713,000,000 share options (the “2010 Options”) were granted to directors and employees with an exercise price of HK\$2.4 per share. All the options granted will be exercisable within 5 years after vesting.

On 9 October 2014, 530,000,000 share options (the “2014 Options”) were granted to directors and employees with an exercise price of HK\$3.05 per share. All the options granted will be exercisable within 5 years after vesting.

On 6 October 2017, 743,570,000 share options (the “2017 Option”) were granted to directors and employees with an exercise price of HK\$30.2 per share. All the options granted will be exercisable within 5 years after vesting.

Movements of share options are as follows:

	Year ended 31 December	
	2017	2016
Balance at 1 January	484,650,000	526,573,000
Granted during the year	743,570,000	—
Exercised during the year	(196,344,000)	(24,123,000)
Lapsed during the year	(45,140,000)	(17,800,000)
Balance at 31 December	986,736,000	484,650,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 Reserves (Continued)

Particulars of share options as at 31 December 2017 and 2016 are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Number of outstanding shares as at 31 December	
				2017	2016
<b>2010 Options:</b>					
18 May 2010	5 year	18 May 2015 – 17 May 2020	HK\$2.4	<b>3,726,000</b>	50,090,000
<b>2014 Options:</b>					
9 October 2014	1 year	9 October 2015 – 8 October 2020	HK\$3.05	—	69,160,000
9 October 2014	2 year	9 October 2016 – 8 October 2021	HK\$3.05	—	90,000,000
9 October 2014	3 year	9 October 2017 – 8 October 2022	HK\$3.05	<b>84,020,000</b>	91,800,000
9 October 2014	4 year	9 October 2018 – 8 October 2023	HK\$3.05	<b>86,880,000</b>	91,800,000
9 October 2014	5 year	9 October 2019 – 8 October 2024	HK\$3.05	<b>86,880,000</b>	91,800,000
<b>2017 Options:</b>					
6 October 2017	1 year	6 October 2018 – 5 October 2023	HK\$30.20	<b>145,046,000</b>	—
6 October 2017	2 year	6 October 2019 – 5 October 2024	HK\$30.20	<b>145,046,000</b>	—
6 October 2017	3 year	6 October 2020 – 5 October 2025	HK\$30.20	<b>145,046,000</b>	—
6 October 2017	4 year	6 October 2021 – 5 October 2026	HK\$30.20	<b>145,046,000</b>	—
6 October 2017	5 year	6 October 2022 – 5 October 2027	HK\$30.20	<b>145,046,000</b>	—
				<b>986,736,000</b>	484,650,000

The weighted average fair value of the aforesaid options granted were determined by reference to valuation prepared by independent valuers, using the Binomial Model.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 Borrowings

	31 December	
	2017	2016
	RMB million	RMB million
Borrowings included in non-current liabilities:		
Bank borrowings (note (d))	210,913	166,389
Senior notes (note (a))	57,682	22,112
PRC corporate bonds (note (b))	53,863	53,761
Other borrowings (note (c))	273,759	168,066
	<b>596,217</b>	410,328
Less: current portion of non-current borrowings	<b>(219,973)</b>	(78,164)
	<b>376,244</b>	332,164
Borrowings included in current liabilities:		
Bank borrowings	87,555	88,757
Current portion of non-current borrowings	219,973	78,164
– Bank borrowings (note (d))	78,028	29,902
– PRC corporate bonds (note (b))	36,482	6,756
– Other borrowings (note (c))	105,463	41,506
Other borrowings	48,853	35,985
	<b>356,381</b>	202,906
Total borrowings	<b>732,625</b>	535,070
The total borrowings are denominated in the following currencies:		
RMB	598,945	450,433
US dollar	88,295	74,452
HK dollar	29,826	4,081
EURO	15,559	6,104
	<b>732,625</b>	535,070

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 Borrowings (Continued)

#### (a) Senior Notes

	31 December 2016 US\$ million	Old notes exchanged US\$ million	New notes issued for exchange US\$ million	New issuance US\$ million	Redemption US\$ million	31 December 2017 US\$ million
Par value						
2018 Notes	1,500	(1,073)	—	—	(427)	—
2019 Notes	300	(197)	—	—	(103)	—
2019 Private Notes	400	(395)	—	—	(5)	—
2020 Notes	1,000	(871)	—	—	(129)	—
2021 Notes	—	—	98	500	—	598
2023 Notes	—	—	345	1,000	—	1,345
2025 Notes	—	—	2,381	2,300	—	4,681
New 2020 Notes	—	—	—	500	—	500
2022 Notes	—	—	—	1,000	—	1,000
2024 Notes	—	—	—	1,000	—	1,000
<b>Total</b>	<b>3,200</b>	<b>(2,536)</b>	<b>2,824</b>	<b>6,300</b>	<b>(664)</b>	<b>9,124</b>
Unrecognised financing charges	(13)					(283)
Amortised cost – US\$	3,187					8,841
Amortised cost – RMB	22,112					57,682

On 31 October 2013, the Company issued 8.75%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,141 million) at 100% of the face value. On 13 November 2013, the Company further issued additional senior notes with the same terms in an aggregated principal amount of US\$500 million (equivalent to approximately RMB3,071 million) at 100% of the face value (“2018 Notes”).

On 17 February 2015, the Company issued 12.00%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,133 million) at 100% of the face value (“2020 Notes”).

On 11 January 2016, the Company issued 7.80% three-year senior notes with an aggregated principal amount of US\$400 million (equivalent to approximately RMB2,625 million) at 100% of the face value (“2019 Private Notes”), and issued 8.00%, three-year senior notes with an aggregated principal amount of US\$300 million (equivalent to approximately RMB1,969 million) at 100% of the face value (“2019 Notes”).

On 23 March 2017, the Company issued 7.0%, three-year senior notes with an aggregated principal amount of US\$500 million (equivalent to approximately RMB3,443 million) at 100% of the face value (“New 2020 Notes”) and 8.25%, five-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value (“2022 Notes”).

On 29 March 2017, the Company issued 9.5%, seven-year senior notes with an aggregated principal amount of US\$1,000 million (equivalent to approximately RMB6,886 million) at 100% of the face value (“2024 Notes”).



### 21 Borrowings (Continued)

#### (a) Senior Notes (Continued)

On 8 June 2017, the Company announced, among others, an exchange offer with respect to the aforementioned 2018 Notes, 2019 Private Notes, 2019 Notes and 2020 Notes (together the “Old Notes”).

On 28 June 2017, the Company has successfully exchanged the Old Notes totaling US\$2,536 million, together with the accrued and unpaid interest and the exchange premium, to three series of new senior notes totaling US\$2,824 million. Together with US\$3,800 million new senior notes issued for cash, the Company issued US\$6,624 million of senior notes in total (the “New Notes”).

Details of the New Notes are as follows:

On 28 June 2017, the Company issued 6.25%, four-year senior notes with an aggregated principal amount of US\$598 million (equivalent to approximately RMB4,078 million) at 100% of the face value (“2021 Notes”), 7.5%, six-year senior notes with an aggregated principal amount of US\$1,345 million (equivalent to approximately RMB9,172 million) at 100% of the face value (“2023 Notes”) and 8.75%, eight-year senior notes with an aggregated principal amount of US\$4,681 million (equivalent to approximately RMB31,921 million) at 100% of the face value (“2025 Note”).

In August 2017, the Company redeemed all its outstanding Old Notes with an aggregate principal amount of US\$664 million.

The above senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of these subsidiaries.

#### (b) PRC corporate bonds

On 19 June 2015, a subsidiary of the Company issued 5.38%, five-year public PRC corporate bonds (“PRC bonds”) with an aggregated principal amount of RMB5,000 million at 100% of the face value.

On 7 July 2015, a subsidiary of the Company issued 5.30%, four-year public PRC bonds with an aggregated principal amount of RMB6,800 million and 6.98%, seven-year PRC bonds with an aggregated principal amount of RMB8,200 million at 100% of the face value.

On 16 October 2015, a subsidiary of the Company issued 7.38%, five-year non-public PRC bonds with an aggregated principal amount of RMB17,500 million and 7.88%, five-year PRC bonds with an aggregated principal amount of RMB2,500 million at 100% of the face value.

On 12 January 2016, a subsidiary of the Company issued 6.98%, four-year non-public PRC bonds with an aggregated principal amount of RMB10,000 million at 100% of the face value.

On 29 July 2016, a subsidiary of the Company issued 6.80%, three-year non-public PRC bonds with an aggregated principal amount of RMB4,200 million at 100% of the face value.

Except for the PRC corporate bonds amounting to RMB2,500 million issued on 16 October 2015, other PRC corporate bonds contain the early redemption options.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the early redemption options was insignificant as at 31 December 2017 and 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 Borrowings (Continued)

#### (c) Other borrowings

Certain group companies in the PRC which are engaged in development of real estate projects have entered into fund arrangements with certain financial institutions (the "Trustees"), respectively, pursuant to which Trustees raised trust funds and injected the funds to the group companies. All the funds bear fixed interest rates and have fixed repayment terms.

As at 31 December 2017, the Group's other borrowings of RMB279,099 million (2016: RMB148,459 million) were secured by pledge of the Group's property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash in bank, intangible assets, account receivables and equity interest of certain subsidiaries, totalling RMB266,605 million (2016: RMB150,431 million).

#### (d) Bank borrowings

As at 31 December 2017, the Group's bank borrowings of RMB258,572 million (2016: RMB209,310 million) were secured by pledge of the Group's property, plant and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash in bank, intangible asset, account receivables and equity interests of certain subsidiaries, totalling RMB331,453 million (2016: RMB241,976 million).

The exposure of the bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less	6–12 months	1–5 years	Over 5 years	Total
	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2017	148,347	260,586	278,952	44,740	732,625
At 31 December 2016	140,378	112,653	282,039	—	535,070

The maturity of the borrowings is as follows:

	31 December 2017	2016
	RMB million	RMB million
Bank borrowings, other borrowings, senior notes and PRC bonds:		
Within 1 year	<b>356,381</b>	202,906
1–2 years	<b>184,875</b>	161,247
2–5 years	<b>145,519</b>	158,720
Over 5 years	<b>45,850</b>	12,197
	<b>732,625</b>	535,070

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 Borrowings (Continued)

#### (d) Bank borrowings (Continued)

The effective interest rates were as follows:

	31 December 2017		31 December 2016	
	RMB million	Effective interest rate	RMB million	Effective interest rate
Bank and other borrowings	621,080	7.62%	459,197	7.74%
Senior notes	57,682	8.33%	22,112	9.81%
PRC bonds	53,863	7.18%	53,761	7.04%

The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2017		31 December 2016	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Bank and other borrowings	301,181	301,181	256,291	256,291
Senior notes	57,682	61,852	22,112	23,590
PRC bonds — public	14,905	15,013	19,852	20,310
PRC bonds — non-public	2,476	2,476	33,909	33,909

The fair value of the Group's bank borrowings, other borrowings and non-public PRC bonds approximates their carrying amounts at each of the balance sheet date for the reason that the impact of discounting is not significant or the borrowings carry floating rate of interests.

The fair values of senior notes as at 31 December 2017 are determined directly by references to the price quotations published by the Singapore Exchange Limited and The Hong Kong Exchanges and Clearing Limited on 31 December 2017, the last dealing date of 2017.

The fair value of the public PRC bonds at 31 December 2017 are determined directly by references to the price quotations published by The Shanghai Stock Exchange Limited and Shenzhen Stock Exchange Limited on 31 December 2017, the last dealing date of 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 Deferred Income Tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group are as follows:

	31 December	
	2017 RMB million	2016 RMB million
Deferred income tax assets to be recovered within 12 months	(2,704)	(3,190)
Deferred income tax assets to be recovered after more than 12 months	(1,168)	(846)
Deferred income tax assets	(3,872)	(4,036)
Deferred income tax liabilities to be settled within 12 months	5,692	3,326
Deferred income tax liabilities to be settled after more than 12 months	45,864	35,098
Deferred income tax liabilities	51,556	38,424
	47,684	34,388

The net movements on the deferred taxation are as follows:

	Year ended 31 December	
	2017 RMB million	2016 RMB million
At 1 January	34,388	14,817
Acquisition of subsidiaries (note 38)	13,627	20,965
Tax charged relating to components of other comprehensive income	722	(1,013)
Disposal of subsidiaries	—	(187)
Recognised in income tax expenses (note 30)	(1,053)	(194)
At 31 December	47,684	34,388

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 Deferred Income Tax (Continued)

Movements in gross deferred tax assets and liabilities are as follows:

#### Deferred income tax assets

	Temporary difference on unrealised profit of intercompany transactions RMB million	Tax losses RMB million	Temporary difference on recognition of cost of sales and expenses RMB million	Revaluation of available- for-sale financial assets RMB million	Carrying amount of land use right smaller than the tax bases RMB million	Bad debt provision and write- down of properties held for sale RMB million	Total RMB million
As at 1 January 2016	(603)	(1,540)	(400)	—	(45)	(164)	(2,752)
Acquisition of subsidiaries	—	—	—	—	(35)	—	(35)
Disposal of subsidiaries	—	584	—	—	—	—	584
Credited to other comprehensive income	—	—	—	(1,255)	—	—	(1,255)
Credited to the income tax expenses	(64)	(829)	(209)	—	—	(76)	(1,178)
As at 31 December 2016	(667)	(1,785)	(609)	(1,255)	(80)	(240)	(4,636)
As at 1 January 2017	(667)	(1,785)	(609)	(1,255)	(80)	(240)	(4,636)
Charged to other comprehensive income	—	—	—	947	—	—	947
Credited to the income tax expenses	(1,297)	(95)	(571)	—	25	(158)	(2,096)
As at 31 December 2017	(1,964)	(1,880)	(1,180)	(308)	(55)	(398)	(5,785)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. As at 31 December 2017, the Group did not recognise deferred tax assets of RMB4,171 million (2016: RMB1,347 million) in respect of tax losses amounting to RMB16,684 million (2016: RMB5,388 million) in certain subsidiaries as the future profit streams of these subsidiaries are uncertain. These tax losses will expire in the following years:

Year	RMB million
2018	1,038
2019	690
2020	588
2021	1,928
2022	12,440
	16,684

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 Deferred Income Tax (Continued)

#### Deferred income tax liabilities

	Excess of carrying amount of land use right and intangible asset over the tax bases RMB million	Temporary difference on recognition of fair value gain of investment properties RMB million	Withholding tax on profit to be distributed in future RMB million	Revaluation of available-for- sale financial assets RMB million	Total RMB million
As at 1 January 2016	3,161	13,757	632	19	17,569
Acquisition of subsidiaries	21,000	—	—	—	21,000
Disposal of subsidiaries	(771)	—	—	—	(771)
Charged to other comprehensive income	—	—	—	242	242
(Credited)/charged to the income tax expenses	(774)	1,777	—	(19)	984
As at 31 December 2016	22,616	15,534	632	242	39,024
As at 1 January 2017	22,616	15,534	632	242	39,024
Acquisition of subsidiaries	13,627	—	—	—	13,627
Charged to other comprehensive income	—	—	—	(225)	(225)
(Credited)/charged to the income tax expenses	(2,411)	2,277	1,177	—	1,043
As at 31 December 2017	33,832	17,811	1,809	17	53,469

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 Trade and Other Payables

	31 December	
	2017	2016
	RMB million	RMB million
Trade payables- third parties	257,459	182,994
Other payables:	131,994	163,809
— associates (note 36(b))	—	450
— joint ventures (note 36(b))	485	325
— non-controlling interests (note (a))	19,301	6,052
— advances from investors of subsidiaries	—	44,250
— unit holders of consolidated investment entities (note (b))	3,333	5,093
— holders of internet finance business products	41,060	27,990
— payables for acquisition of land use rights	38,211	36,291
— payables for acquisition of subsidiaries	12,670	28,691
— third parties (note (c))	16,934	14,667
Accrued expenses	3,603	4,769
Payroll payable	2,212	1,555
Other taxes payable	8,240	1,132
	<b>403,508</b>	354,259
Less: non-current portion		
Other payables:	(4,049)	(54,354)
— non-controlling interests (note (a))	(615)	(871)
— advance from investors of subsidiaries	—	(44,250)
— unit holders of consolidated investment entities (note (b))	(3,333)	(4,643)
— payables for acquisition of subsidiaries	—	(4,579)
— third parties	(101)	(11)
Current portion	<b>399,459</b>	299,905

- (a) Amounts included certain cash advances from non-controlling interests of approximately RMB211 million (2016: RMB339 million) which bear average interest at 10% per annum (2016: 12%) and are repayable according to respective agreements.
- (b) Amounts represented cash advances from the unit holders of consolidated investment entities of approximately RMB3,333 million (2016: RMB5,093 million ) which bear average interest rate at 9.6% per annum (2016: 7.8%) and are repayable in 2019.
- (c) Amounts mainly represented deposits and temporary receipts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 Trade and Other Payables (Continued)

The following is an ageing analysis of trade payables presented based on invoice date at the end of reporting period:

	<b>31 December</b>	
	<b>2017</b>	2016
	<b>RMB million</b>	RMB million
Within one year	<b>226,564</b>	162,756
Over one year	<b>30,895</b>	20,238
	<b>257,459</b>	182,994

The trade and other payables are denominated in the following currencies:

	<b>31 December</b>	
	<b>2017</b>	2016
	<b>RMB million</b>	RMB million
— Denominated in RMB	<b>402,881</b>	345,390
— Denominated in other currencies	<b>627</b>	8,869
	<b>403,508</b>	354,259

### 24 Current Income Tax Liabilities

The current income tax liabilities are analysed as follows:

	<b>31 December</b>	
	<b>2017</b>	2016
	<b>RMB million</b>	RMB million
Income tax payables		
— PRC corporate income tax	<b>29,484</b>	16,292
— PRC land appreciation tax	<b>31,976</b>	19,330
	<b>61,460</b>	35,622



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25 Other (Losses)/Gains — Net

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
(Loss)/gain on disposal of subsidiaries	(1)	6,612
Gain on disposal of joint ventures and associates	121	348
(Loss)/gain on disposal of available-for-sale financial assets (note a)	(7,191)	26
Net foreign exchange gains and others	1,049	—
	(6,022)	6,986

- (a) On 9 June 2017, the Group disposed of its entire investment in China Vanke Co., Ltd at an aggregated consideration of approximately RMB29,200 million, which incurred a loss of RMB7,176 million.

### 26 Other Income

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Interest income	4,078	3,716
Forfeited customer deposits	592	380
Gain on disposal of investment properties	168	371
Dividend income of available-for-sale financial assets	364	139
Others	345	331
	5,547	4,937

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27 Expenses by Nature

Major expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Cost of properties sold — including construction cost, land cost and interest cost	189,311	139,228
Tax and other levies	4,701	7,682
Employee benefit expenses (note 28)	11,593	8,696
Employee benefit expenditure — including directors' emoluments	17,259	13,292
Less: capitalised in properties under development, investment properties under construction and construction in progress	(5,666)	(4,596)
Advertising expenses	10,011	9,065
Sales commissions	1,615	1,107
Depreciation	1,772	1,634
Amortisation	222	330
Auditors' remuneration	32	26
— Audit services	29	23
— Non-audit services	3	3
Operating lease expenses	498	481
Write-down of properties held for sale	350	210
Donations	4,181	1,608

### 28 Employee Benefit Expenses

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Wages, salaries and bonus	13,257	10,767
Pension costs — statutory pension (note (a))	1,228	915
Staff welfare	1,533	1,123
Medical benefits	532	408
Employee share option schemes	709	79
	17,259	13,292
Less: capitalised in properties under development, investment properties under construction and construction in progress	(5,666)	(4,596)
	11,593	8,696

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28 Employee Benefit Expenses (Continued)

#### (a) Pensions — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated statement of comprehensive incomes of the Group, are as follows:

	Year ended 31 December	
	2017 RMB million	2016 RMB million
Gross scheme contributions	1,228	915

#### (b) Five highest paid individuals

During the year ended 31 December 2017, the five highest paid individuals include 1 director (2016: 1), whose emoluments are reflected in the analysis presented in note 41. The aggregate amounts of emoluments of the other 4 highest paid individuals for the year ended 31 December 2017 (2016: 4) are set out below:

	Year ended 31 December	
	2017 RMB million	2016 RMB million
Salaries and other benefits	127	97

The emoluments fell within the following bands:

	Year ended 31 December	
	2017	2016
HK\$20,000,000 to HK\$50,000,000	4	4

- (c) During the year ended 31 December 2017, no emolument was paid by the group entities to any of the above directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2016: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29 Finance Costs

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
<b>Interest expenses</b>		
– Bank and other borrowings	(44,443)	(26,099)
– Senior notes	(4,511)	(1,974)
– PRC bonds	(3,825)	(3,595)
– Less: interest capitalised	45,053	26,339
	(7,726)	(5,329)
Exchange gains/(losses) from borrowings	1,010	(4,909)
Other finance costs	(1,201)	(1,063)
	(7,917)	(11,301)

### 30 Income Tax Expense

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Current income tax		
– Hong Kong profit tax	33	15
– PRC corporate income tax	22,633	11,065
– PRC land appreciation tax	18,811	8,359
	41,477	19,439
Deferred income tax (note 22)		
– PRC corporate income tax	(393)	(659)
– PRC land appreciation tax	(660)	465
	40,424	19,245

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 Income Tax Expenses (Continued)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Profit before income tax	77,473	36,862
Add: Share of (gain)/loss of investments in joint ventures and associates, net	(1,402)	203
	76,071	37,065
Calculated at PRC corporate income tax rate	19,018	9,266
PRC land appreciation tax deductible for PRC corporate income tax purposes	(4,538)	(2,206)
Income not subject to tax (note (a))	(147)	(50)
Expenses not deductible for tax purposes (note (b))	3,970	3,494
Utilisation of previously unrecognised tax losses	(226)	(1,143)
Tax losses for which no deferred income tax asset was recognised	3,110	528
Effect of different tax rates of subsidiaries	(91)	110
PRC corporate income tax	22,273	9,999
PRC withholding income tax	1,177	422
PRC land appreciation tax	18,151	8,824
	40,424	19,245

- (a) Income not subject to tax for the year ended 31 December 2017 mainly comprised fair value gain on financial assets at fair value through profit or loss.
- (b) Expenses not deductible for tax purpose for the year ended 31 December 2017 comprised mainly: (i) costs of land premium without official invoices resulted from acquisition of land through acquisition of companies; and (ii) borrowing costs and administrative expenses incurred by off-shore group companies.

### 30 Income Tax Expenses (Continued)

#### Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted Company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

#### Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the current period in respect of operations in Hong Kong.

#### PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate of 25% (2016: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

#### PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

#### PRC land appreciation tax

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 Earnings Per Share

#### (a) Basic

Basic earnings per share are calculated by dividing the profits attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2017	2016
Profit attributable to shareholders of the Company (RMB million)	24,372	5,091
Weighted average number of ordinary shares in issue (millions)	13,296	13,683
Basic earnings per share (RMB)	1.833	0.372

#### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2017	2016
Profit attributable to equity holders of the Company (RMB million)	24,372	5,091
Weighted average number of ordinary shares in issue (millions)	13,296	13,683
Adjustments for share options (millions)	284	210
Weighted average number of ordinary shares for diluted earnings per share (millions)	13,580	13,893
Diluted earnings per share (RMB)	1.795	0.366

### 32 Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33 Cash Flow Information

#### (a) Net cash generated from operations

	Year ended 31 December	
	2017 RMB million	2016 RMB million
Profit for the year	37,049	17,617
Adjustments for:		
Income tax expenses	40,424	19,245
Interest income from bank deposits (note 26)	(4,078)	(2,728)
Finance costs (note 29)	8,927	6,392
Exchange (gains)/losses (note 25, note 29)	(2,059)	4,909
Depreciation (note 6)	1,772	1,634
Amortisation	222	330
Employee share option schemes (note 20)	709	79
Fair value gains on investment properties (note 8)	(8,513)	(5,124)
Fair value losses/(gains) on financial assets at fair value through profit or loss (note 15)	437	(141)
Fair value loss on derivative financial liabilities (note 37(b))	820	—
Gain on disposal of investment properties (note 26)	(168)	(371)
Gain on disposal of property, plant and equipment, and intangible assets	—	(18)
Gain on disposal of subsidiaries (note 25)	(1)	(6,612)
Share of (gain)/loss of investments accounted for using equity method (note 13)	(1,402)	203
Gain on disposal of joint ventures and associates (note 25)	(121)	(348)
Loss/(gain) on disposal of available-for-sales financial assets (note 25)	7,191	(26)
Dividend income on available-for-sale financial assets (note 26)	(364)	(139)
Changes in working capital:		
Properties under development and completed properties held for sale	(203,891)	(107,801)
Inventories	104	(158)
Restricted cash as guarantee for construction of projects and other operating activities	(14,847)	(33,679)
Trade and other receivables and prepayments	(92,515)	(61,310)
Trade and other payables and receipt in advance from customers	149,862	153,418
Net cash used in operations	(79,902)	(14,628)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33 Cash Flow Information (Continued)

(b) The reconciliation of liabilities arising from financial activities is as follows:

	<b>Borrowings</b>	<b>Other payables</b>	<b>Dividends</b>	<b>Total</b>
	RMB million	(note (i)) RMB million	RMB million	RMB million
As at 1 January 2017	535,070	56,170	—	591,240
Cash flows				
— Inflow from financing activities	524,625	3,663	—	528,288
— Outflow from financing activities	(331,416)	(11,942)	(241)	(343,599)
Non-cash changes				
— Acquisition of subsidiaries	5,032	—	—	5,032
— Foreign exchange adjustments	(1,009)	—	—	(1,009)
— Accrued dividends	—	—	241	241
— Other non-cash movement	323	(24,772)	—	(24,449)
As at 31 December, 2017	732,625	23,119	—	755,744

(i) Amounts represent cash advances from associates, joint ventures, non-controlling interests, investors of subsidiaries and unit holders of consolidated investment entities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 34 Financial Guarantees

	31 December	
	2017	2016
	RMB million	RMB million
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units (note (a))	344,026	252,128
Guarantees for borrowings of cooperation parties (note (b))	10,200	6,056
Guarantees for borrowings of joint ventures (note 37(b))	2,229	—
	<b>356,455</b>	258,184

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and the financial guarantees measured at fair value is immaterial.

- (b) Amounts represent guarantees provided to certain cooperation parties (mainly construction subcontractors) of the Group, who are independent third parties, to obtain borrowings after assessing the credit history of these cooperation parties. The Group closely monitors the repayment progress of the relevant borrowings by these cooperation parties. The directors consider that the likelihood of default in payments is minimal and the financial guarantees measured at fair value is immaterial.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 Commitments

#### (a) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>31 December</b>	
	<b>2017</b>	2016
	<b>RMB million</b>	RMB million
Property, plant and equipment:		
Not later than one year	<b>512</b>	442
Later than one year and not later than five years	<b>760</b>	971
Later than five years	<b>80</b>	110
	<b>1,352</b>	1,523

#### (b) Commitments for property development and acquisition of subsidiaries

	<b>31 December</b>	
	<b>2017</b>	2016
	<b>RMB million</b>	RMB million
Contracted but not provided for		
— Property development activities	<b>195,317</b>	163,244
— Acquisition of land use rights	<b>71,487</b>	60,535
— Acquisition of subsidiaries	<b>10,574</b>	—
	<b>277,378</b>	223,779

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36 Related Party Transactions

Dr. Hui Ka Yan (“Dr. Hui”) is the ultimate controlling shareholder and also the director of the Company.

#### (a) Transactions with related parties

Save as disclosed in note 11, 13 and 23, during the years ended 31 December 2017 and 2016, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group’s business:

	Year ended 31 December	
	2017 RMB million	2016 RMB million
<b>Nature of transactions</b>		
<b>Associates</b>		
Sales of goods to associates	—	101
Provision of services to associates	—	16
Loan interest charged by an associate	65	10
	<b>65</b>	<b>127</b>
<b>Joint ventures</b>		
Financial guarantees to joint ventures	2,229	—
Sales of goods to joint ventures	622	39
Provision of services to joint ventures	47	36
Rental income from joint ventures	24	6
Advertisement service fees charged by a joint venture	286	267
Rental fee charged by joint ventures	50	24
Purchase of goods from a joint venture	6	10
Loan interest charged by a joint venture	534	222
	<b>3,798</b>	<b>604</b>

Aforementioned related party transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors of the Company, were determined with reference to the market price of the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36 Related Party Transactions (Continued)

#### (b) Balances with related parties

As at 31 December 2017 and 2016, the Group had the following significant non-trade balances with related parties:

	31 December	
	2017	2016
	RMB million	RMB million
<b>Due from related parties (i)</b>		
Included in cash and cash equivalents:		
— Associates	31,691	4,220
Included in trade and other receivables:		
— Associates	20	433
— Joint ventures	5,494	1,609
	<b>5,514</b>	2,042
Included in prepayments		
— A joint venture	456	—
<b>Due to related parties (i)</b>		
Included in trade and other payables (note (i))		
— Associates	—	450
— Joint ventures	485	325
	<b>485</b>	775
Included in borrowings (note (ii))		
— A joint venture	2,700	2,700
— An associate	727	799
	<b>3,427</b>	3,499
Included in receipt in advance from customers		
— An associate	—	84

Note (i): The balances are cash advances in nature, which are unsecured, interest-free and repayable on demand.

Note (ii): The balances are borrowings in nature, which are secured, carry interest at 10.02% per annum and repayable according to respective loan agreements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36 Related Party Transactions (Continued)

#### (c) Key management compensation

Key management includes directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Salaries and other employee benefits	841	654
Retirement scheme contributions	3	2
	844	656

### 37 Non-Controlling Interests

	31 December	31 December
	2017	2016
	RMB million	RMB million
Perpetual Capital Instruments (note a)	—	112,944
Strategy investors and others (note b)	127,436	35,348
	127,436	148,292

#### (a) Perpetual capital instruments

	Year ended 31 December 2017 RMB million
Balance as at 1 January	112,944
Profit attributable to holders of perpetual capital instruments	723
Decrease of the perpetual capital instruments	(113,667)
Balance as at 31 December 2017	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 37 Non-Controlling Interests (Continued)

#### (b) Strategy investors and others

	31 December	
	2017	2016
	RMB million	RMB million
At 1 January	35,348	15,399
Profit for the year	11,954	1,880
Change in value of available-for-sale financial assets	995	—
Currency translation differences	(194)	—
Capital injection (note (i))	81,993	16,882
Acquisition of subsidiaries — acquisition of asset (note (ii))	406	1,172
Acquisition of subsidiaries — acquisition of business	1,701	6,707
Changes in ownership interests in subsidiaries without change of control (note (iii))	(4,520)	(6,297)
Dividends	(241)	(219)
Disposal of subsidiaries	(7)	(254)
Issuance of shares pursuant to the Bonus Warrants	1	78
	<b>127,436</b>	<b>35,348</b>

- (i) On 3 October 2016, Guangzhou Kailong Real Estate Company Limited (“Kailong Real Estate”, an indirectly wholly-owned PRC subsidiary of the Company) and Hengda Real Estate Group Company Limited (“Hengda Real Estate”, the wholly-owned PRC subsidiary of Kailong Real Estate), entered into a cooperation agreement with Shenzhen Special Economic Zone Real Estate and Properties (Group) Co. Ltd. (“Shenzhen Real Estate”, a company listed on the Shenzhen Stock Exchange) and Shenzhen Investment Holding Co. Ltd. (the controlling shareholder of Shenzhen Real Estate). Pursuant to the agreement, the four parties agreed to work towards entering into a reorganisation agreement under which Shenzhen Real Estate will acquire 100% of the equity interest in Hengda Real Estate from Kailong Real Estate by way of issue of Renminbi ordinary shares (A shares) and/or the payment of cash consideration to Kailong Real Estate, which will result in Kailong Real Estate becoming the controlling shareholder of Shenzhen Real Estate and thereby enabling the Group to effectively list its real estate related business on the Shenzhen Stock Exchange (the “Proposed Reorganisation”).

On 30 December 2016, Kailong Real Estate and Hengda Real Estate entered into the First Round Investment Agreements with certain strategy investors (the “First Round SIs”), pursuant to which the First Round SIs agreed to inject capital of RMB30,000 million to Hengda Real Estate. The amount of capital injection was subsequently revised to RMB30,500 million on 31 March 2017. On 31 May 2017, Kailong Real Estate and Hengda Real Estate entered into the Second Round Investment Agreements with certain strategy investors (the “Second Round SIs”), pursuant to which the Second Round SIs agreed to inject capital of RMB39,500 million to Hengda Real Estate. Up to 1 June 2017, total capital contributions of RMB70,000 million have been received by Hengda Real Estate in full.

On 6 November 2017, Kailong Real Estate, Hengda Real Estate and Professor Hui Ka Yan entered into the Third Round Investment Agreements with certain strategy investors (the “Third Round SIs”), pursuant to which the Third Round SIs agreed to inject capital of RMB60,000 million to Hengda Real Estate. The capital contributions of RMB60,000 million have been received by Hengda Real Estate on 7 November 2017.

### 37 Non-Controlling Interests (Continued)

#### (b) Strategy investors and others (Continued)

##### (i) (Continued)

These capital injections resulted in an increase in the non-controlling interests and reserves of the Group totaling RMB68,938 million and RMB59,042 million.

Kailong Real Estate, Hengda Real Estate, Professor Hui Ka Yan and the First round SIs and the Second Round SIs have further entered into an amendment agreement (the "Amendment Agreement") on 28 June 2017. Pursuant to the First Round Investment Agreements, the Second Round Investment Agreements, the Amendment Agreement and the Third Round Investment Agreements, if the Proposed Reorganisation cannot be completed by 31 January 2020 (for the First and Second Round SIs) or 31 January 2021 (for the Third Round SIs) respectively, the SIs have right to:

- (a) request Kailong Real Estate to repurchase the SIs' equity interest in Hengda Real Estate at their original investment costs; Kailong Real Estate has the option of electing not to repurchase such equity interest, in such event, Professor Hui Ka Yan should repurchase SIs' equity interest at its original investment cost; or
- (b) request Kailong Real Estate to compensate the SIs additional shares of Hengda Real Estate equal to 50% of the shares held by the SIs before compensation.

The above share compensation arrangement constitutes an embedded derivative liability and has been recognised as a financial derivative liability. The Group measured the financial derivative liability at fair value of RMB2,840 million as at 31 December 2017, with a revaluation loss of RMB820 million recognised in profit or loss for the year then ended. The fair value of financial derivative liability was determined by reference to valuation prepared by an independent valuer, using the Binomial Lattice Model approach. Detailed disclosure of valuation of fair value financial derivative liability is made in note 4(c).

- (ii) During the year ended 31 December 2017, the Group acquired controlling interests of certain property development companies in the PRC at consideration totaling approximately RMB95,856 million. These companies only held parcels of land and did not conduct any substantial operation before they were acquired by the Group. Thus, the directors are of the view that the acquisitions do not constitute acquisition of businesses, and should be treated as acquisition of land use rights. These acquisitions resulted in an increase in the non-controlling interests of the Group totaling RMB406 million.
- (iii) During the year ended 31 December 2017, the Group acquired certain equity interests of certain subsidiaries amounting to RMB4,520 million from non-controlling shareholders, the difference between consideration paid and the carrying amount of equity interest acquired amounting to RMB11,528 million was recognised as a decrease in reserves.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 Business Combinations

During the year ended 31 December 2017, the Group acquired controlling interests of certain property development companies and other companies in the PRC.

During the year ended 31 December 2017, the Group acquired certain property development companies at a total consideration of RMB22,409 million.

The following table summarises the consideration paid for acquisition of these subsidiaries, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB million
Cash consideration	22,246
Fair value of investment in an associate held before business combination	163
<b>Total consideration</b>	<b>22,409</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	693
Property, plant and equipment	309
Land use rights	11
Intangible assets	1
Properties under development	52,582
Trade and other receivables	3,247
Deferred income tax assets	177
Borrowings	(5,032)
Trade and other payables	(5,163)
Receipt in advance from customers	(9,088)
Deferred income tax liabilities	(13,627)
<b>Total identifiable net assets</b>	<b>24,110</b>
Non-controlling interest	(1,701)
<b>Identifiable net assets acquired</b>	<b>22,409</b>
Goodwill	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 38 Business Combinations (Continued)

Reconciliation of total cash considerations of business combinations and cash outflow on acquisitions is as follows:

	RMB million
Cash considerations	22,246
Prepaid in prior year	(565)
Considerations deferred	(5,344)
Cash and cash equivalents acquired	(693)
Payment for business combinations conducted in the year	15,644
Payment for business combinations conducted in prior year	21,365
Cash outflow on acquisitions	37,009

Acquisition-related costs of RMB1.19 million have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2017.

No contingent liability has been recognised for the business combination.

The acquired businesses contributed revenues of RMB3,357 million and net losses of RMB245 million to the Group for the period from the respective acquisition dates to 31 December 2017. If the acquisitions had occurred on 1 January 2017, consolidated revenue and consolidated profit for the year ended 31 December 2017 would have been RMB311,140 million and RMB39,941 million respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Balance Sheet and Reserve Movements of the Company

#### Balance sheet of the Company

	31 December 2017 RMB million	31 December 2016 RMB million
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	2,875	1,432
Property, plant and equipment	7	11
	<b>2,882</b>	1,443
<b>Current assets</b>		
Available-for-sale financial assets	1,183	—
Amounts due from subsidiaries	73,502	87,552
Other receivables	1,513	505
Cash and cash equivalents	567	6,625
	<b>76,765</b>	94,682
<b>Total assets</b>	<b>79,647</b>	96,125
<b>EQUITY</b>		
<b>Capital and reserves attributable to shareholders of the Company</b>		
Share capital and premium	1,270	1,006
Other reserves	2,115	1,495
Accumulated losses	(7,491)	(108)
	<b>(4,106)</b>	2,393
Perpetual capital instruments	—	7,298
<b>Total equity</b>	<b>(4,106)</b>	9,691
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	57,682	25,612
<b>Current liabilities</b>		
Borrowings	—	34,794
Amounts due to subsidiaries	26,071	24,570
Other payables	—	1,458
	<b>26,071</b>	60,822
<b>Total liabilities</b>	<b>83,753</b>	86,434
<b>Total equity and liabilities</b>	<b>79,647</b>	96,125

The balance sheet of the Company was approved by the Board on 26 March 2018 and was signed on its behalf.

Hui Ka Yan  
Director

Pan Da Rong  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 39 Balance Sheet and Reserve Movements of the Company (Continued)

#### Reserve movement of the Company

	Other reserves RMB million	Retained earnings RMB million
At 1 January 2016	1,424	5,404
Loss for the year	—	1,369
Dividends	—	(5,262)
Issuance of shares pursuant to the option scheme	(17)	—
Employee share option schemes	79	—
Repurchase of shares	9	(659)
Distribution to holders of perpetual capital instruments	—	(960)
<b>At 31 December 2016</b>	<b>1,495</b>	<b>(108)</b>
At 1 January 2017	<b>1,495</b>	<b>(108)</b>
Profit for the year	—	<b>(1,708)</b>
Dividends	—	—
Issuance of shares pursuant to the option scheme	<b>(139)</b>	—
Employee share option schemes	<b>709</b>	—
Repurchase of shares	<b>50</b>	<b>(5,253)</b>
Distribution to holders of perpetual capital instruments	—	<b>(422)</b>
<b>At 31 December 2017</b>	<b>2,115</b>	<b>(7,491)</b>

### 40 Subsequent Events

In January 2018, the Company has partially redeemed the 6.98% PRC corporate bonds due 2019 with an aggregated principal amount of RMB5,482 million.

In February 2018, the Company issued 4.25% convertible bonds (the “Bonds”) due 2023 with an aggregated principal amount of HK\$18,000 million at the face value. The Bonds will mature in five years from the issuance date and is convertible to ordinary shares of the Company at the holder’s option at the conversion price of HK\$38.99 per share during the period from 27 March 2018 to the seventh day prior to the Bonds’ maturity date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 41 Benefits and Interests of Directors

#### (a) Directors' and chief executives' emoluments

The remuneration of directors of the Company for the year ended 31 December 2017 is set out below:

	Fees RMB'000	Salary RMB'000	Contribution to pension scheme RMB'000	Employees share option scheme RMB'000	Total RMB'000
Dr. Hui	224	—	—	—	224
Mr. Xia Haijun ( <i>Chief executive</i> )	224	280,044	15	17,786	298,069
Ms. He Miaoling	240	12,680	—	1,702	14,622
Mr. Pan Da Rong	420	6,365	52	2,722	9,559
Mr. Shi Junping	164	7,876	52	1,148	9,240
Mr. Andrew Huang	224	4,530	15	851	5,620
Mr. Chau Shing Yim David	336	—	—	193	529
Mr. He Qi	360	—	—	77	437
Ms. Xie Hongxi	360	—	—	116	476
	2,552	311,495	134	24,595	338,776

The remuneration of directors of the Company for the year ended 31 December 2016 is set out below:

	Fees RMB'000	Salary RMB'000	Contribution to pension scheme RMB'000	Employees share option scheme RMB'000	Total RMB'000
Dr. Hui	251	—	—	—	251
Mr. Xia Haijun ( <i>Chief executive</i> )	251	252,476	16	17,456	270,199
Mr. Tse Wai Wah (note (a))	311	6,348	12	1,047	7,718
Mr. Pan Da Rong (note (b))	142	8,831	40	—	9,013
Mr. Xu Wen	240	8,596	49	1,396	10,281
Ms. He Miaoling	240	13,628	—	1,746	15,614
Mr. Andrew Huang	251	4,817	16	873	5,957
Mr. Chau Shing Yim David	690	—	—	175	865
Mr. He Qi	360	—	—	175	535
Ms. Xie Hongxi	360	—	—	175	535
	3,096	294,696	133	23,043	320,968

(a): Resigned on 30 August 2016.

(b): Appointed on 30 August 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 41 Benefits and Interests of Directors (Continued)

#### (b) Directors' retirement benefits

During the year ended 31 December 2017, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note (a) above (2016: same).

#### (c) Directors' termination benefits

During the year ended 31 December 2017, there was no termination benefits received by the directors (2016: same).

#### (d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017, no consideration was paid for making available the services of the directors of the Company (2016: same).

#### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During year ended 31 December 2017, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors..

#### (f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### 42 Particulars of principal subsidiaries

The following is a list of the particulars of principal subsidiaries at 31 December 2017:

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
<i>Incorporated in the BVI with limited liability and operating in the PRC</i>					
ANJI (BVI) Limited	26 June 2006	US\$100	100%	—	Investment holding
ShengJian (BVI) Limited	29 January 2007	US\$100	—	100%	Investment holding
Ever Grace Group Limited	18 September 2008	US\$100	—	100%	Investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
<i>Incorporated in Hong Kong with limited liability and operating in the PRC</i>					
Success Will Group Limited	5 July 2007	HK\$1,000	—	100%	Investment holding
Wisdom Gain Group Limited	13 June 2003	US\$10,000	—	100%	Investment holding
Full Hill Limited	3 January 2002	US\$1	—	100%	Investment holding
Grandday Group Limited	16 January 2008	US\$100	—	100%	Investment holding
<i>Incorporated and operating in Hong Kong with limited liability</i>					
Pioneer Time Investment Limited	15 January 2016	US\$10,000	—	100%	Property investment
<i>Incorporated in the PRC with limited liability and operating in the PRC</i>					
恒大地產集團有限公司 Hengda Real Estate Group Company Limited	24 June 1996	RMB2,500,000,000	—	100%	Property development
恒大地產集團重慶有限公司 Hengda Real Estate Group (Chongqing) Company Limited	17 July 2006	RMB4,821,000,000	—	100%	Property development
鄂州恒大房地產開發有限公司 Ezhou Hengda Real Estate Development Company Limited	11 July 2008	RMB390,000,000	—	100%	Property development
恒大鑫豐(彭山)置業有限公司 Hengda Xinfeng (Pengshan) Property Company Limited	23 April 2010	RMB821,520,000	—	100%	Property development
啟東譽豪置業有限公司 Yuhao (Qidong) Property Company Limited	1 January 2007	USD66,070,000	—	100%	Property development
啟東勤盛置業有限公司 Qinsheng (Qidong) Property Company Limited	1 January 2007	USD141,100,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
恒大地產集團洛陽有限公司 Hengda (Luoyang) Real Estate Group Property Company Limited	5 September 2007	RMB457,000,000	—	100%	Property development
佛山市南海俊誠房地產開發有限公司 Nanhai Juncheng (Foshan) Real Estate Development Company Limited	23 November 2007	RMB1,632,653,061	—	100%	Property development
江西宏吉投資有限公司 Hongji (Jiangxi) Investment Company Limited	12 November 2012	RMB383,580,000	—	100%	Property development
天津市津麗湖投資有限公司 Jinli Lake (Tianjin) Investment Company Limited	13 November 2009	RMB690,000,000	—	100%	Property development
濟南恒大綠洲置業有限公司 Jinan Hengdalvzhou Property Corporation Limited	18 January 2010	RMB870,000,000	—	100%	Property development
成都天府水城房地產開發有限公司 Tianfu Shuicheng (Chengdu) Real Estate Development Company Limited	22 March 2010	USD230,000,000	—	100%	Property development
濟南恒大金碧房地產開發有限公司 Hengda Jinbi (Jinan) Real Estate Development Company Limited	18 May 2010	RMB740,000,000	—	100%	Property development
石家莊地益嘉房地產開發有限公司 Shijiazhuang Diyijia Real Estate Company Limited	5 April 2010	RMB5,000,000	—	100%	Property development
榆中俊興房地產開發有限公司 Yuzhong Junxing Real Estate Company Limited	28 July 2010	RMB790,000,000	—	100%	Property development



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
恒大地產集團呼和浩特有限公司 Hengda (Huhehaote) Real Estate Group Company Limited	6 September 2010	RMB390,000,000	—	100%	Property development
哈爾濱市恒大偉業房地產開發 有限公司 Harbin Hengda Weiye Real Estate Development Company Limited	26 January 2011	RMB780,000,000	—	100%	Property development
清遠市銀湖城投資有限公司 Yinhucheng (Qingyuan) Investment Company Limited	28 September 2009	RMB800,000,000	—	100%	Property development
濰坊金碧置業有限公司 Jinbi (Weifang) Property Company Limited	4 March 2011	RMB600,000,000	—	100%	Property development
恒大地產集團韶關有限公司 Hengda (Shaoguan) Real Estate Group Company Limited	16 March 2011	RMB1,003,170,000	—	100%	Property development
六安粵通置業有限公司 Luan Yuetong Property Corporation Limited	13 July 2011	RMB290,000,000	—	100%	Property development
恒大地產集團恩平有限公司 Hengda (Enping) Real Estate Group Company Limited	21 February 2012	RMB1,020,000,000	—	100%	Property development
新鄉御景置業有限公司 Yujing (Xinxiang) Property Corporation Limited	23 May 2012	RMB100,000,000	—	100%	Property development
寧波御城置業有限公司 Yucheng (Ningbo) Property Company Limited	30 May 2012	USD76,834,508	—	100%	Property development
海口外灘城房地產有限公司 Waitancheng (Haikou) Real Estate Company Limited	5 September 2012	RMB700,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
濟南俊匯置業有限公司 Junhui (Jinan) Property Company Limited	13 May 2013	RMB288,000,000	—	100%	Property development
重慶恒大鑫泉置業有限公司 Hengda Xinquan (Chongqing) Property Company Limited	6 June 2013	RMB2,000,000,000	—	100%	Property development
北京沙河恒大置業有限公司 Shahe Hengda (Beijing) Property Company Limited	12 July 2013	RMB1,330,000,000	—	100%	Property development
宜昌楚天恒大房地產開發有限公司 Chutian Hengda (Yichang) Real Estate Company Limited	10 September 2013	RMB150,000,000	—	60%	Property development
常德鑫澤置業有限公司 Xinze (Changde) Property Company Limited	26 August 2013	RMB110,000,000	—	60%	Property development
恒大地產集團北京有限公司 Hengda (Beijing) Real Estate Group Company Limited	11 September 2013	RMB1,830,000,000	—	100%	Property development
杭州穗華置業有限公司 Hangzhou Suihua Property Company Limited	25 September 2013	RMB1,500,000,000	—	100%	Property development
南京旭泰房地產開發有限公司 Nanjing Xutai Real Estate Company Limited	20 November 2013	RMB970,000,000	—	100%	Property development
南京美旭房地產開發有限公司 Nanjing Meixu Real Estate Development Company Limited	20 November 2013	RMB1,503,000,000	—	100%	Property development
北京恒興盛房地產開發有限公司 Hengxingsheng (Beijing) Real Estate Company Limited	8 November 2013	RMB3,520,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
天津帝景房地產開發有限公司 Tianjin Dijing Real Estate Development Company Limited	23 December 2013	RMB30,000,000	—	100%	Property development
太原市俊恒房地產開發有限公司 Taiyuan Junheng Real Estate Company Limited	16 January 2014	RMB760,000,000	—	100%	Property development
北京正浩置業有限公司 Zhenghao (Beijing) Property Company Limited	4 March 2014	RMB1,750,000,000	—	100%	Property development
北京恒龍置業有限公司 Henglong (Beijing) Property Company Limited	12 March 2014	RMB1,200,000,000	—	100%	Property development
成都市恒大新西城置業有限公司 Hengda New West City Property Company Limited	29 April 2014	RMB710,000,000	—	100%	Property development
太原金世恒房地產開發有限公司 Jinshiheng (Taiyuan) Real Estate Company Limited	27 November 2014	RMB1,096,530,000	—	100%	Property development
鄭州恒林置業有限公司 Henglin (Zhengzhou) Property Company Limited	6 September 2013	RMB500,239,600	—	51%	Property development
濟南東進龍鼎置業有限公司 Jinan Dongjin Longding Property Company Limited	3 November 2014	RMB820,000,000	—	100%	Property development
莆田金碧置業有限公司 Putian Jinbi Property Company Limited	2 April 2015	RMB20,000,000	—	100%	Property development
贛州恒大地產有限公司 Hengda (Ganzhou) Real Estate Company Limited	6 May 2015	RMB261,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
重慶永利置業有限公司 Yongli (Chongqing) Property Company Limited	22 April 2015	RMB90,288,000	—	90%	Property development
張家港盛建置業有限公司 Shengjian (Zhangjiagang) Property Company Limited	13 May 2015	RMB350,000,000	—	90%	Property development
廈門恒大置業有限公司 Xiamen Hengda Property Company Limited	4 June 2015	RMB20,000,000	—	100%	Property development
重慶恒大鑫溉置業有限公司 Chongqing Hengda Xingai Property Company Limited	21 August 2014	RMB1,000,000,000	—	100%	Property development
北京恒隆興置業有限公司 Henglongxing (Beijing) Property Company Limited	25 June 2015	RMB1,000,000,000	—	100%	Property development
雲南恒雲置業有限公司 Yunnan Hengyun Property Company Limited	26 May 2015	RMB214,000,000	—	51%	Property development
武漢三江航天嘉園房地產開發 有限公司 Sanjiang Hangtian Jiayuan (Wuhan) Real Estate Development Company Limited	11 November 2015	RMB10,000,000	—	67%	Property development
湖北三江航天商業經營有限公司 Sanjiang Hangtian (Wuhan) Business Operation Company Limited	11 December 2015	RMB10,000,000	—	67%	Property development
重慶中渝物業發展有限公司 Zhongyu (Chongqing) Property Management Company Limited	10 July 2015	USD131,000,000	—	60%	Property development
愛米高實業(成都)有限公司 Avergo (Chengdu) Industrial Company Limited	14 July 2015	USD449,400,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
儋州中潤旅遊開發有限公司 Zhongrun (Danzhou) Tourism Development Company Limited	19 August 2015	RMB20,000,000	—	100%	Property development
儋州信恒旅遊開發有限公司 Xinheng (Danzhou) Tourism Development Company Limited	19 August 2015	RMB800,000,000	—	100%	Property development
江陰雅盛恒泰置業有限公司 Jiangyin Yasheng Hengtai Property Company Limited	19 July 2013	RMB400,000,000	—	100%	Property development
懷來恒天房地產開發有限公司 Hengtian (Huailai) Real Estate Development Company Limited	18 September 2015	RMB750,000,000	—	100%	Property development
重慶尖置房地產有限公司 Jianzhi (Chongqing) Real Estate Company Limited	10 July 2015	HKD5,880,000,000	—	69%	Property development
衡水隆澤房地產開發有限公司 Longze (Hengshui) Real Estate Development Company Limited	10 December 2015	RMB617,293,000	—	60%	Property development
南寧耀世龍庭房地產開發有限公司 Yaoshi Dragon Court (Nanning) Real Estate Development Company Limited	25 November 2015	RMB20,000,000	—	100%	Property development
南京臨江御景房地產開發有限公司 Linjiang Yujing (Nanjing) Real Estate Development Company Limited	11 December 2015	RMB1,471,650,000	—	100%	Property development
珠海市恒大海泉灣置業有限公司 Hengda Haiquanwan (Zhuhai) Property Company Limited	10 December 2015	RMB821,812,000	—	51%	Property development
海南陵水棕櫚泉置業有限公司 Lingshui Zonglvquan (Hainan) Property Company Limited	12 June 2015	RMB1,070,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
杭州晶立置業有限公司 Hangzhou Jingli Property Company Limited	2 February 2016	USD370,000,000	—	100%	Property development
貴陽新世界房地產有限公司 New World (Guiyang) Real Estate Company Limited	18 February 2016	USD301,350,000	—	100%	Property development
新世界中國地產(海口)有限公司 New World China Real Estate (Haikou) Company Limited	14 January 2016	USD750,000,000	—	100%	Property development
武漢新世界康居發展有限公司 New World Peaceful Living (Wuhan) Development Company Limited	5 January 2016	RMB96,000,000	—	60%	Property development
上海豐濤置業有限公司 Fengtao (Shanghai) Property Company Limited	14 March 2016	RMB316,949,620	—	90%	Property development
哈爾濱市佳業恒房地產開發有限公司 Jiaye (Harbin) Real Estate Development Company Limited	18 January 2016	RMB20,000,000	—	100%	Property development
青島金灣置業有限公司 Qingdao Jinwan Property Company Limited	25 January 2016	RMB1,000,000,000	—	100%	Property development
長沙湘江名苑房地產有限公司 Xiangjiang Mingyuan (Changsha) Real Estate Company Limited	22 April 2016	RMB410,000,000	—	51%	Property development
北京富華房地產開發有限公司 Fuhua (Beijing) Real Estate Development Company Limited	11 January 2016	USD29,900,000	—	100%	Property development
廣盛華僑(大亞灣)房產開發有限公司 Guangsheng Huaqiao (Dayawan) Real Estate Development Company Limited	29 April 2016	USD20,820,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
恒大地產集團鹽城城南置業有限公司 Chengnan (Yancheng) Real Estate Property Company Limited	27 January 2016	RMB620,000,000	—	100%	Property development
天津御景灣投資有限公司 Yujingwan (Tianjin) Investment Company Limited	29 February 2016	RMB740,000,000	—	100%	Property development
佛山市裕朗通房地產開發有限公司 Yulangtong (Foshan) Real Estate Development Company Limited	26 February 2016	RMB1,600,000,000	—	100%	Property development
瀋陽嘉興置業有限公司 Jiaying (Shenyang) Property Company Limited	28 March 2016	RMB350,000,000	—	100%	Property development
佛山市南海俊凱房地產開發有限公司 Nanhai Junkai (Foshan) Real Estate Development Company Limited	13 April 2016	RMB1,200,000,000	—	100%	Property development
廣東江門船廠有限公司 Jiangmen Chuanchang (Guangdong) Company Limited	17 October 2016	RMB50,000,000	—	100%	Property development
河南恒龍置業有限公司 Henglong (Henan) Property Company Limited	14 April 2016	RMB500,000,000	—	100%	Property development
甘肅恒源房地產開發有限公司 Hengyuan (Gansu) Real Estate Development Company Limited	25 March 2016	RMB60,000,000	—	100%	Property development
哈爾濱高登置業有限公司 Gaodeng (Harbin) Property Company Limited	31 March 2016	RMB941,200,000	—	100%	Property development
濟南御峰置業有限公司 Yufeng (Jinan) Property Company Limited	1 April 2016	RMB500,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
北海君海旅遊文化有限公司 Junhai (Beihai) Tourism Culture Company Limited	31 March 2016	RMB1,000,000	—	100%	Property development
成都心怡房地產開發有限公司 Xinyi (Chengdu) Real Estate Development Company Limited	3 May 2016	USD99,500,000	—	100%	Property development
武漢市金碧翡翠房地產開發有限公司 Jinbi Feicui (Wuhan) Real Estate Development Company Limited	13 May 2016	RMB975,000,000	—	100%	Property development
瀋陽嘉景置業有限公司 Jiajing (Shenyang) Property Company Limited	23 May 2016	RMB350,000,000	—	100%	Property development
開封國際城一號實業開發有限公司 Guojicheng Yihao (Kaifeng) Industrial Development Company Limited	17 May 2010	USD152,500,000	—	100%	Property development
山西蘭花康宇房地產開發有限公司 Lanhua Kangyu(Shanxi) Real Estate Development Company Limited	1 July 2016	RMB50,400,000	—	82%	Property development
成都盛世瑞城置業有限公司 Shengshi Ruicheng (Chengdu) Property Company Limited	4 July 2016	RMB530,000,000	—	100%	Property development
鄭州玖智房地產開發有限公司 Jiuzhi (Zhengzhou) Real Estate Development Company Limited	5 July 2016	RMB500,000,000	—	51%	Property development
貴陽中渝置地房地產開發有限公司 Zhongyu (Guiyang) Property Real Estate Development Company Limited	26 December 2016	USD130,000,000	—	100%	Property development
梅州大百匯品牌產業園有限公司 Big Parkway (Meizhou) Brand Industrial Park Company Limited	8 June 2016	RMB100,000,000	—	100%	Property development



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
涑水利華房地產開發有限公司 Laishui Lihua Real Estate Development Company Limited	8 July 2016	RMB142,857,000	—	65%	Property development
四川亞天瑞和投資有限公司 Yatian Ruihe (Sichuan) Investment Company Limited	6 June 2016	RMB102,500,000	—	100%	Property development
成都樹仁置業有限公司 Shuren (Chengdu) Property Company Limited	14 July 2016	RMB10,000,000	—	100%	Property development
上饒市恒大置業有限公司 Hengda (Shangrao) Property Company Limited	11 August 2016	RMB50,000,000	—	100%	Property development
大連東方盛都置地有限公司 Dongfang Shengdu (Dalian) Real Estate Company Limited	8 July 2016	RMB110,000,000	—	100%	Property development
新津恒大新城置業有限公司 Hengda Xincheng (Xinjin) Property Company Limited	22 June 2016	RMB483,118,005	—	100%	Property development
無錫雲廈置業有限公司 Yunxia (Wuxi) Property Company Limited	25 July 2016	RMB560,000,000	—	100%	Property development
濟南源浩置業有限公司 Jinan Yuanhao Property Company Limited	18 July 2016	RMB9,000,000,000	—	100%	Property development
柳州山水韻和置業有限公司 Shanshui Yunhe (Liuzhou) Property Company Limited	24 August 2016	RMB33,333,400	—	85%	Property development
濟南西開置業有限公司 Jinan Xikai Property Company Limited	16 August 2016	RMB18,000,000	—	100%	Property development
濟南西業置業有限公司 Jinan Xiye Property Company Limited	16 August 2016	RMB18,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
威海華府置業有限公司 Huafu (Weihai) Property Company Limited	6 September 2016	RMB300,000,000	—	100%	Property development
佛山市三水盈盛房地產發展有限公司 Sanshui Yingsheng (Foshan) Real Estate Development Company Limited	8 September 2016	RMB880,000,000	—	100%	Property development
成都裕龍壹號房地產開發有限公司 Yulong Yihao (Chengdu) Real Estate Development Company Limited	18 September 2012	RMB525,000,000	—	100%	Property development
唐山市福家房地產開發有限公司 Fujia (Tangshan) Real Estate Development Company Limited	11 December 2008	RMB200,000,000	—	100%	Property development
汕頭市恒合置業有限公司 Henghe (Shantou) Property Company Limited	3 December 2015	RMB200,000,000	—	100%	Property development
湖州市烏虹湖置業有限公司 Wuhonghu (Huzhou) Property Company Limited	27 October 2016	RMB1,632,653,061	—	51%	Property development
昆明恒海房地產開發有限公司 Henghai (Kunming) Real Estate Development Company Limited	24 October 2016	RMB20,000,000	—	51%	Property development
臨沂恒金置業有限公司 Hengjin (Linyi) Property Company Limited	23 September 2016	RMB50,000,000	—	60%	Property development
太原恒德隆房地產開發有限公司 Hengdelong (Taiyuan) Real Estate Development Company Limited	4 November 2016	—	—	100%	Property development
西安遠聲實業有限公司 Yuansheng (Xian) Industrial Company Limited	26 December 2016	RMB120,000,000	—	100%	Property development

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
重慶同景宏航置地有限公司 Tongjing Honghang (Chongqing) Land Limited	22 December 2016	RMB220,000,000	—	100%	Property development
南通盛建置業有限公司 Shengjian (Nantong) Property Company Limited	9 January 2017	RMB500,000,000	—	100%	Property development
四川川大科技園(南區)開發有限公司 Sichuan University Science Park (Southern District) Development Company Limited	13 January 2017	RMB34,482,800	—	100%	Property development
佛山市三水區能潤置地房地產開發 有限公司 Sanshui Nengrun (Foshan) Real Estate Development Company Limited	4 April 2007	RMB752,000,000	—	100%	Property development
濟南西創置業有限公司 Xichuang (Jinan) Property Company Limited	18 January 2017	RMB18,000,000	—	100%	Property development
濟南西實置業有限公司 Xishi (Jinan) Property Company Limited	18 January 2017	RMB18,000,000	—	100%	Property development
四川雍橋置業有限公司 Yongqiao (Sichuan) Property Company Limited	26 October 2009	RMB100,000,000	—	100%	Property development
南京東潤置業有限公司 Dongrun (Nanjing) Property Company Limited	1 April 2017	RMB640,000,000	—	100%	Property development

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

#### (a) Non-controlling Interest

Set out below is summarised financial information for Hengda Real Estate Group Company Limited (“Hengda Real Estate”) with non-controlling interests that are material to the Group. The amounts disclosed for Hengda Real Estate are before inter-company elimination.

#### Summarised consolidated balance sheet

	31 December 2017 RMB million
Current assets	1,384,781
Current liabilities	(971,551)
Net current assets	413,230
Non-current assets	185,281
Non-current liabilities	(339,838)
Non-current net liabilities	(154,557)
<b>Net assets</b>	<b>258,673</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Particulars of Principal Subsidiaries (Continued)

#### (a) Non-controlling Interest (Continued)

##### Summarised consolidated statement of comprehensive income

	Year ended 31 December 2017 RMB million
Revenue	299,543
Profit for the year	41,998
Other comprehensive income	1,808
<b>Total comprehensive income</b>	<b>43,806</b>
Total comprehensive income attributable to shareholders of Hengda Real Estate	41,004
Total comprehensive income attributable to non-controlling interest	2,802

##### Summarised consolidated statement of cash flows

	Year ended 31 December 2017 RMB million
Cash flows of operating activities, net	(78,398)
Cash flows of investing activities, net	(42,775)
Cash flows of financing activities, net	83,486
Exchange loss on cash and cash equivalents	(254)
<b>Net decrease in cash and cash equivalents</b>	<b>(37,941)</b>

# FIVE YEARS FINANCIAL SUMMARY

## Consolidated Assets, Equity and Liabilities

(as at 31 December)

	2013 RMB million	2014 RMB million	2015 RMB million	2016 RMB million	2017 RMB million
<b>ASSETS</b>					
Non-current assets	58,770	90,812	144,691	237,233	<b>238,805</b>
Current assets	289,378	383,650	612,344	1,113,635	<b>1,522,947</b>
<b>Total assets</b>	<b>348,148</b>	<b>474,462</b>	<b>757,035</b>	<b>1,350,868</b>	<b>1,761,752</b>
<b>Total equity</b>	<b>79,343</b>	<b>112,378</b>	<b>142,142</b>	<b>192,532</b>	<b>242,208</b>
<b>LIABILITIES</b>					
Non-current liabilities	80,608	93,847	158,212	424,942	<b>434,689</b>
Current liabilities	188,197	268,237	456,681	733,394	<b>1,084,855</b>
<b>Total liabilities</b>	<b>268,805</b>	<b>362,084</b>	<b>614,893</b>	<b>1,158,336</b>	<b>1,519,544</b>
<b>Total equity and liabilities</b>	<b>348,148</b>	<b>474,462</b>	<b>757,035</b>	<b>1,350,868</b>	<b>1,761,752</b>

## FIVE YEARS FINANCIAL SUMMARY

### Consolidated Statements of Comprehensive Income

(for the year ended 31 December)

	2013 RMB million	2014 RMB million	2015 RMB million	2016 RMB million	2017 RMB million
Revenue	93,672	111,398	133,130	211,444	<b>311,022</b>
Cost of sales	(66,023)	(79,614)	(95,717)	(152,022)	<b>(198,760)</b>
<b>Gross Profit</b>	<b>27,649</b>	<b>31,784</b>	<b>37,413</b>	<b>59,422</b>	<b>112,262</b>
Fair value gains on investment properties	5,815	9,393	12,859	5,124	<b>8,513</b>
Other gains	—	534	323	6,986	<b>(6,022)</b>
Other income	1,041	1,431	2,262	4,937	<b>5,547</b>
Selling and marketing costs	(4,310)	(9,154)	(13,325)	(15,983)	<b>(17,210)</b>
Administrative expenses	(3,472)	(4,039)	(6,139)	(9,598)	<b>(12,246)</b>
Other operating expenses	(1,679)	(1,396)	(1,077)	(2,663)	<b>(5,599)</b>
<b>Operating profit</b>	<b>25,044</b>	<b>28,553</b>	<b>32,316</b>	<b>48,225</b>	<b>85,245</b>
Fair value gain on financial assets at fair value through profit or loss	—	3,757	2,515	141	<b>(437)</b>
Fair value loss on derivative financial liabilities	—	—	—	—	<b>(820)</b>
Finance (costs)/income, net	352	(1,015)	(2,994)	(11,301)	<b>(7,917)</b>
Share of gains/(losses) of investments accounted for using equity method	—	(104)	(392)	(203)	<b>1,402</b>
<b>Profit before income tax</b>	<b>25,396</b>	<b>31,191</b>	<b>31,445</b>	<b>36,862</b>	<b>77,473</b>
Income tax expenses	(11,687)	(13,175)	(14,105)	(19,245)	<b>(40,424)</b>
<b>Profit for the year</b>	<b>13,709</b>	<b>18,016</b>	<b>17,340</b>	<b>17,617</b>	<b>37,049</b>
Other comprehensive income, net of tax	(157)	157	30	(4,892)	<b>3,861</b>
Total comprehensive income for the year	13,552	18,173	17,370	12,725	<b>40,910</b>
<b>Total comprehensive income attributable to:</b>					
Shareholders of the Company	12,454	12,761	10,490	199	<b>27,432</b>
Holder of perpetual capital instruments	657	4,339	5,088	10,646	<b>—</b>
Non-controlling interests	441	1,073	1,792	1,880	<b>13,478</b>
Total comprehensive income for the year	13,552	18,173	17,370	12,725	<b>40,910</b>







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