SUNAC CHINA HOLDINGS LIMITED
融 創 中 國 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01918)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017:

- Contracted sales amount of the Group was approximately RMB362.01 billion, representing a growth rate of approximately 140.3% as compared to last year, and its industry ranking leaped up to the fourth;
- Revenue of the Group was approximately RMB65.87 billion, representing a growth rate of approximately 86.4% as compared to last year;
- Gross profit of the Group was approximately RMB13.63 billion, representing a growth rate of approximately 181.1% as compared to last year;
- Gross profit margin of the Group was approximately 20.7%, representing an increase of approximately 7.0 percentage points as compared to last year;
- Profit attributable to owners of the Company was approximately RMB11.00 billion, representing a growth rate of approximately 344.0% as compared to last year;
- Core profit attributable to owners of the Company was approximately RMB 11.12 billion, representing a growth rate of approximately 259.1%;
- As at 31 December 2017, cash balance of the Group was approximately RMB96.72 billion, representing an increase of approximately 38.5%;
- The Board proposed to declare a final dividend of RMB0.501 per share for the year ended 31 December 2017, representing an increase of approximately 94.9% as compared to last year.

The board (the "Board") of directors (the "Directors") of Sunac China Holdings Limited (the "Company" or "Sunac China") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017 with comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December	
	Note	**2017**	**2016**
		RMB'000	*RMB'000*
Revenue	4	**65,873,515**	35,343,492
Cost of sales	10	**(52,245,803)**	(30,495,461)
Gross profit		**13,627,712**	4,848,031
Selling and marketing costs	10	**(3,419,436)**	(916,229)
Administrative expenses	10	**(5,559,302)**	(1,339,442)
Other income and gains	11	**27,916,263**	3,280,274
Other expenses and losses	12	**(10,689,195)**	(22,690)
Operating profit		**21,876,042**	5,849,944
Finance income	13	**736,000**	392,232
Finance expenses	13	**(5,259,450)**	(3,190,588)
Finance expenses - net		**(4,523,450)**	(2,798,356)
Share of post-tax (losses)/profits of associates and joint ventures accounted for using the equity method, net	5	**(1,993,604)**	1,357,209
Profit before income tax		**15,358,988**	4,408,797
Income tax expense	14	**(3,694,608)**	(1,470,438)
Profit for the year		**11,664,380**	2,938,359
Other comprehensive income		**—**	—
Total comprehensive income for the year		**11,664,380**	2,938,359

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Total comprehensive income/(loss) attributable to:			
- Owners of the Company		**11,003,863**	2,478,353
- Holders of perpetual capital securities		**679,084**	302,758
- Other non-controlling interests		**(18,567)**	157,248
		11,664,380	2,938,359
Earnings per share attributable to owners of the Company (expressed in RMB per share):			
- Basic earnings per share	15	**2.76**	0.71
- Diluted earnings per share	15	**2.70**	0.71
Dividends	16	**2,200,773**	991,341

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

		As at 31 December	
	Note	**2017**	**2016**
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**39,262,620**	546,526
Investment properties		**12,821,611**	656,046
Intangible assets		**3,637,131**	421,353
Investments accounted for using the equity method	5	**58,613,221**	34,552,860
Deferred tax assets		**1,913,730**	2,385,982
Available-for-sale financial assets		**871,578**	160,000
Receivables		**915,750**	—
Amounts due from related companies		**500,016**	—
Prepayments	7	**4,950,793**	1,657,285
Derivative financial instruments		**14,865**	105,359
		123,501,315	40,485,411
Current assets			
Properties under development		**271,514,992**	106,962,516
Completed properties held for sale		**42,242,613**	23,658,662
Inventories		**10,771**	—
Trade and other receivables	6	**18,411,699**	8,416,425
Contract assets		**263,936**	—
Amounts due from related companies		**60,582,774**	37,919,092
Prepayments	7	**9,855,281**	5,928,319
Restricted cash		**28,285,601**	17,726,623
Cash and cash equivalents		**68,433,256**	52,086,050
		499,600,923	252,697,687
Total assets		**623,102,238**	293,183,098

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**377,608**	331,408
Other reserves		**16,649,452**	6,737,203
Retained earnings		**26,775,180**	16,200,861
		43,802,240	23,269,472
Perpetual capital securities		**9,288,432**	9,957,036
Other non-controlling interests		**7,547,553**	2,184,645
Total equity		**60,638,225**	35,411,153
Liabilities			
Non-current liabilities			
Borrowings	9	**140,597,186**	80,199,682
Derivative financial instruments		**167,634**	187,776
Deferred tax liabilities		**34,498,436**	8,790,371
Other payables	8	**1,492,327**	—
		176,755,583	89,177,829
Current liabilities			
Trade and other payables	8	**68,789,140**	41,413,335
Advanced proceeds from customers		**—**	34,376,367
Contract liabilities		**131,190,587**	—
Amounts due to related companies		**91,947,252**	51,671,111
Current tax liabilities		**14,411,985**	8,488,966
Borrowings	9	**78,672,660**	32,644,337
Derivative financial instruments		**53,839**	—
Provisions		**642,967**	—
		385,708,430	168,594,116
Total liabilities		**562,464,013**	257,771,945
Total equity and liabilities		**623,102,238**	293,183,098

NOTES

1 General information

Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the businesses of property development and investment, property management services and operations in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1- 9005, Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 Significant accounting policies

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, derivative financial instruments and investment property that are measured at fair value.

3 Changes in accounting policy and disclosures

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses — amendments to HKAS 12,
- Disclosure initiative — amendments to HKAS 7, and
- Disclosure of interest in other entities — amendments to HKFRS 12.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

The Group has also elected to early adopt the following standard:

HKFRS 15 *Revenue from Contracts with Customers* as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") is effective for the financial year beginning or after 1 January 2018.

The Group, however, has elected to early adopt HKFRS 15 for its 2017 financial year. The Group has also elected to apply the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2017 and that prior period comparatives will not be restated. The effects of the adoption of HKFRS 15 are set out in Note (c) below.

(b) ***New standards and interpretations not yet adopted***

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

HKFRS 9 *Financial instruments*

Nature of change

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.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The majority of the Group's debt instruments that are currently classified as available-for-sale financial assets will satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets.

The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The Group estimates that there is no significant impact on the Group's accounting for financial liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group entered into certain currency derivative contracts which were not qualified as hedging accounting. These are currently accounted as derivative financial instruments at fair value through profit or loss. The Group does not expect a significant impact on the accounting under HKFRS 9.

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. Based on the assessments undertaken to date, the Group expects that there may be insignificant increase in the loss allowance for amounts due from debtors.

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.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard.

HKFRS 16 *Leases*

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB185.8 million. The Group estimates that there may be insignificant impact relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory application date/ Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) ***Effects of the adoption of HKFRS 15***

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

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provisions of HKAS 18 *Revenue* ("HKAS18") and HKAS 11 *Construction contracts* ("HKAS11") that relate to the recognition, classification and measurement of revenue and costs.

The effects of the adoption of HKFRS 15 are as follows:

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets.

The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, are capitalised as contract assets.

Presentation of contract liabilities

Reclassifications were made as at 1 January 2017 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities recognised in relation to property development activities were previously presented as advanced proceeds received from customers.

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

	As at 1 January 2017			
	As previously stated	**Reclassifications under HKFRS 15**	**Adjustments under HKFRS 15**	**Restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated balance sheet (extract)				
Investments accounted for using the equity method	34,552,860	—	229,288	34,782,148
Deferred tax assets	2,385,982	—	49,111	2,435,093
Properties under development	106,962,516	—	(938,777)	106,023,739
Completed properties held for sale	23,658,662	—	(696,607)	22,962,055
Contract assets	—	—	120,734	120,734
Prepayments	5,928,319	—	(4,307)	5,924,012
Advanced proceeds from customers	34,376,367	(34,376,367)	—	—
Contract liabilities	—	34,376,367	(2,069,091)	32,307,276
Trade and other payables	41,413,335	—	162,485	41,575,820
Deferred tax liabilities	8,790,371	—	(63,773)	8,726,598
Current income tax liabilities	8,488,966	—	271,283	8,760,249
Retained earnings	16,200,861	—	451,560	16,652,421
Non-controlling interests	2,184,645	—	6,978	2,191,623

(ii) The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2017			
	Results without the early adoption of HKFRS 15	**Reclassifications under HKFRS 15**	**Effects of the early adoption of HKFRS 15**	**Results as reported**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated balance sheet (extract)				
Investments accounted for using the equity method	57,637,624	—	975,597	58,613,221
Deferred tax assets	1,809,498	—	104,232	1,913,730
Properties under development	276,585,006	—	(5,070,014)	271,514,992
Completed properties held for sale	44,590,288	—	(2,347,675)	42,242,613
Contract assets	—	—	263,936	263,936
Prepayments	9,865,332	—	(10,051)	9,855,281
Advanced proceeds from customers	140,746,494	(140,746,494)	—	—
Contract liabilities	—	140,746,494	(9,555,907)	131,190,587
Trade and other payables	68,060,787	—	728,353	68,789,140
Deferred tax liabilities	34,968,138	—	(469,702)	34,498,436
Current income tax liabilities	13,240,857	—	1,171,128	14,411,985
Retained earnings	24,808,767	—	1,966,413	26,775,180
Non-controlling interests	7,471,813	—	75,740	7,547,553

	Twelve months ended 31 December 2017		
	Results without the early adoption of HKFRS 15	**Effects of the early adoption of HKFRS 15**	**Results as reported**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of comprehensive income (extract)			
Revenue	63,050,150	2,823,365	65,873,515
Cost of sales	(50,291,004)	(1,954,799)	(52,245,803)
Other income and gains	27,888,033	28,230	27,916,263
Other expense and losses	(10,703,586)	14,391	(10,689,195)
Share of post-tax losses of associates and joint ventures accounted for using the equity method, net	(2,955,779)	962,175	(1,993,604)
Income tax expenses	(3,379,296)	(315,312)	(3,694,608)
Profit for the year	10,106,330	1,558,050	11,664,380
— Attributable to owners of the Company	9,489,010	1,514,853	11,003,863
— Attributable to other non- controlling interests	(61,764)	43,197	(18,567)

	Twelve months ended 31 December 2017		
	Results without the early adoption of HKFRS 15	**Effects of the early adoption of HKFRS 15**	**Results as reported**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated cash flow statement (extract)			
Cash generated from operations			
— Profit before income taxes	13,485,626	1,873,362	15,358,988
Adjustments for:			
— Share of post-tax losses of investments accounted for using equity method, net	3,108,780	(962,175)	2,146,605
— Gains from business combinations	(25,079,331)	(28,230)	(25,107,561)
— Losses on disposals of subsidiaries	275,665	(14,391)	261,274
Changes in working capital:			
— Properties under development and completed properties held for sale	(13,142,674)	1,954,799	(11,187,875)
— Contract assets	—	(143,202)	(143,202)
— Advanced proceeds from customers	50,859,168	(50,859,168)	—
— Contract liabilities	—	47,981,683	47,981,683
— Trade and other payables	(9,764,351)	197,322	(9,567,029)

4 Segment information

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

The executive directors assess the performance of the Group organised as follows:

- Property development

- All other segments

Other services include property management, cultural and tourism project operation, property rentals and fitting and decoration services. The results of these operations are included in the "all other segments" column. Cultural and tourism project operation including hotel operation is a new area the Group forayed into in year 2017. The performance of such operating segments is assessed based on a measure of profit/(loss) before income tax.

Segment assets primarily consist of all assets excluding deferred tax assets, available-for-sale financial assets, derivative financial instruments and certain investments accounted using the equity method, which are managed on a central basis. Segment liabilities primarily consist of all liabilities excluding deferred tax liabilities, current income tax liabilities and derivative financial instruments.

The analysis of the Group's profit before income tax by segment is as follows:

	Year ended 31 December 2017		
	Property development	**All other segments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Total segment revenue	62,569,237	3,773,621	66,342,858
Recognised at a point in time	49,040,247	—	49,040,247
Recognised over time	13,528,990	3,773,621	17,302,611
Inter-segment revenue	—	(469,343)	(469,343)
Revenue from external customers	62,569,237	3,304,278	65,873,515
Segment gross profit	12,164,294	1,463,418	13,627,712
Selling and marketing costs	(3,230,920)	(188,516)	(3,419,436)
Administrative expenses	(2,786,090)	(671,383)	(3,457,473)
Other income and gains	27,864,090	52,713	27,916,263
Other expenses and losses	(515,194)	(5,285)	(520,479)
Finance income	736,000	—	736,000
Finance expenses	(5,242,463)	(16,987)	(5,259,450)
Share of post-tax profits of associates and joint ventures accounted for using equity method, net	2,482,315	225	2,482,540
Profit before income tax	31,472,032	633,645	32,105,677

Other segment item is as follow:

Depreciation and amortisation	62,044	277,101	339,145
Reversal of impairment losses	(265,114)	—	(265,114)

	As at 31 December 2017		
	Property development	**All other segments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Total segment assets	565,926,857	52,318,793	618,245,650
Total segment liabilities	502,291,456	11,040,663	513,332,119

	Year ended 31 December 2016		
	Property development and investment	**Property management and other services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Total segment revenue	34,610,933	809,504	35,420,437
Inter-segment revenue	—	(76,945)	(76,945)
Revenue from external customers	34,610,933	732,559	35,343,492
Segment gross profit	4,688,516	159,515	4,848,031
Selling and marketing costs	(866,403)	(49,826)	(916,229)
Administrative expenses	(1,234,144)	(105,298)	(1,339,442)
Other income and gains	3,275,216	5,058	3,280,274
Other expenses and losses	(20,002)	(2,688)	(22,690)
Finance income	392,231	1	392,232
Finance expenses	(3,185,864)	(4,724)	(3,190,588)
Share of post-tax profits of associates and joint ventures accounted for using equity method, net	1,357,209	—	1,357,209
Profit before income tax	4,406,759	2,038	4,408,797

Other segment item is as follow:

Depreciation and amortisation	32,570	2,537	35,107
Impairment losses	606,350	—	606,350

	As at 31 December 2016		
	Property development and investment	**Property management and other services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Total segment assets	288,895,403	1,636,354	290,531,757
Total segment liabilities	238,292,582	2,012,250	240,304,832

Reportable segments' profits before income tax are reconciled to total profits before income tax as follows:

	2017	**2016**
	RMB'000	*RMB'000*
Total segment profits before income tax	**32,105,677**	4,408,797
Administrative expenses	**(2,101,829)**	—
Other expenses and losses	**(10,168,716)**	—
Share of losses of investments accounted for using equity method, net	**(4,476,144)**	—
Total profits before income tax	**15,358,988**	4,408,797

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

	31 December	**31 December**
	2017	*2016*
	RMB'000	*RMB'000*
Total segment assets	**618,245,650**	290,531,757
Deferred tax assets	**1,913,730**	2,385,982
Other assets	**2,942,858**	265,359
Total assets	**623,102,238**	293,183,098
Total segment liabilities	**513,332,119**	240,304,832
Deferred tax liabilities	**34,498,436**	8,790,371
Other liabilities	**14,633,458**	8,676,742
Total liabilities	**562,464,013**	257,771,945

5. Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Joint ventures	**32,302,811**	24,679,369
Associates	**26,310,410**	9,873,491
Total	**58,613,221**	34,552,860

The share of profits/(losses) from investment recognised in the income statement were as follows:

	2017	2016
	RMB'000	*RMB'000*
Share of profits of joint ventures	**760,084**	588,450
Share of (losses)/profits of associates	**(2,906,689)**	247,644
Gains from acquisitions of a joint venture	**153,001**	521,115
Total	**(1,993,604)**	1,357,209

5.1 Investments in joint ventures

The following table analyses, on an aggregate basis, the movement of the carrying amount of the Group's investments in joint ventures, and the shares of results of these joint ventures:

	2017	2016
	RMB'000	*RMB'000*
At beginning of year, as previously stated	**24,679,369**	10,691,975
Adjustment on adoption of HKFRS 15, net of tax	**138,091**	—
At beginning of year, after the adoption of HKFRS 15	**24,817,460**	10,691,975
Additions:		
- Capital contributions to joint ventures at establishment	**1,148,453**	5,634,040
- Acquisitions of joint ventures	**7,469,983**	6,401,571
- Additional investments in existing joint ventures	**1,961,936**	589,008
- Subsidiaries becoming joint ventures	**39,948**	38,551
- Additions attributable to business combinations	**—**	1,261,740
Disposals:		
- Disposal of investments in joint ventures	**—**	(49,869)
- Joint ventures becoming subsidiaries	**(1,373,805)**	(28,417)
- Joint ventures becoming associates	**(1,180,672)**	—
Capital deduction of joint ventures	**(489,196)**	—
Share of profits of joint ventures, net	**760,084**	588,450
Share of capital premium addition of a joint venture	**73,715**	—
Dividends from joint ventures	**(925,095)**	(447,680)
At end of year	**32,302,811**	24,679,369

All joint ventures are non-listed companies. A joint venture named Summer Sky Investments Limited is incorporated in Hong Kong, all remaining joint ventures of the Group are incorporated in the PRC.

5.2 Investments in associates

An analysis of the movement of equity investments in associates is as follows:

	2017	2016
	RMB'000	*RMB'000*
At beginning of year, as previously stated	**9,873,491**	4,568,606
Adjustment on adoption of HKFRS 15, net of tax	**91,197**	—
At beginning of year, after the adoption of HKFRS 15	**9,964,688**	4,568,606
Additions:		
- Capital contribution to an associate established by the Group	**271,000**	497
- Acquisitions of associates	**20,125,804**	5,641,999
- Additional investments in an existing associate	**1,437,146**	—
- A subsidiary becoming an associate	**5,439,506**	—
- Joint ventures becoming associates	**1,180,672**	—
- Investments in associates owned by newly acquired subsidiaries	**—**	6,500
Disposals:		
- An associate becoming a subsidiary	**(5,642)**	—
Impairment provision for investment in associates	**(8,928,907)**	—
Share of (losses)/profits of associates, net	**(2,906,689)**	247,644
Dividends from associates	**(267,168)**	(591,755)
At end of year	**26,310,410**	9,873,491

All associates of the Group are incorporated in the PRC. Except for Jinke Property Group Co., Ltd. and Leshi Internet Information & Technology Corp (Beijing), which are listed on the Shenzhen Stock Exchange, the remaining associates of the Group are non-listed companies.

6 Trade and other receivables

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Non-current -		
Receivables	**915,750**	—
Current -		
Trade receivables (Note (b))	**1,217,743**	819,863
Amounts due from non-controlling interests and their related parties	**7,343,578**	2,304,966
Amounts due from business partners	**1,798,150**	678,264
Notes receivables	**17,416**	—
Other receivables		
- Deposits	**3,060,803**	1,575,852
- Cash advances for potential projects	**1,849,082**	1,806,178
- Land costs receivable from government	**1,240,447**	347,468
- Payments on behalf of customers	**337,678**	191,331
- Interests receivable	**316,797**	159,494
- Others	**1,920,451**	614,883
	19,102,145	8,498,299
Less: Bad debt provision for other receivables	**(690,446)**	(81,874)
	18,411,699	8,416,425

(a) As at 31 December 2017 and 2016, the carrying amounts of the Group's trade and other receivables were all denominated in RMB.

(b) In the year ended 31 December 2017, the Group provided a credit period of 3-12 months to certain customers based on individual credit risk assessment.

Taking into account of the credit terms agreed in the property sale contract, the ageing analysis of trade receivables primarily arising from sales of properties is as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Within 90 days	**752,469**	293,554
91 - 180 days	**—**	60,206
181 - 365 days	**62,653**	64,658
Over 365 days	**402,621**	401,445
	1,217,743	819,863

Trade receivables are analysed as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Fully performing and under credit terms	**764,244**	397,001
Past due but not impaired	**453,499**	422,862
	1,217,743	819,863

As the Group normally holds collateral of the properties before collection of full contract amount and transfer of the legal titles to the customers, the Directors are of the view that the past due trade receivables would be recovered and no provision was made as at 31 December 2017.

7 Prepayments

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Non-current -		
Prepayments for equity investments	**5,361,814**	1,657,285
- Provision	**(411,021)**	—
Prepayments for equity investments-net	**4,950,793**	1,657,285
Current -		
Taxes payment upon pre-sale		
- Land appreciation tax ("LAT")	**3,745,618**	1,710,963
- Corporate income tax ("CIT")	**1,599,872**	1,116,130
- Business tax and surcharge	**678,983**	484,691
Input value added tax	**1,782,310**	378,313
Prepayments for land use rights acquisitions	**1,168,516**	2,106,690
Prepayments for project development costs	**786,338**	131,532
Others	**93,644**	—
	9,855,281	5,928,319

As at 31 December 2017 and 2016, the carrying amounts of the Group's prepayments were all denominated in RMB.

8 Trade and other payables

	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current -		
Other payables	**1,492,327**	—
Current -		
Trade payables (Note (a))	**36,766,815**	12,590,923
Un-paid considerations for equity acquisitions	**4,569,360**	21,050,567
Amounts due to non-controlling interests and their related parties	**7,031,599**	1,078,749
Notes payables	**230,198**	120,381
Other payables		
- Payables for PP&E and investment properties	**6,718,218**	—
- Deposits received	**5,117,756**	2,255,248
- Other taxes payable	**3,162,179**	1,213,390
- Interests payable	**2,250,505**	1,115,493
- Payroll and welfare payables	**1,090,426**	588,663
- Deed tax and maintenance funds received on behalf of customers	**963,903**	345,592
- Cash advanced from business partners	**400,001**	259,555
- Others	**488,180**	794,774
	68,789,140	41,413,335

(a) At 31 December 2017, the ageing analysis at the trade payable is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 90 days	**12,826,711**	6,294,239
91-180 days	**5,303,460**	820,408
181-365 days	**5,151,093**	1,668,365
Over 365 days	**13,485,551**	3,807,911
	36,766,815	12,590,923

9 Borrowings

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Non-current		
Secured,		
- Bank borrowings	**70,926,779**	31,178,520
- Other institution borrowings	**88,195,437**	35,732,344
- Senior notes	**9,059,336**	2,758,441
- Assets-backed securities	**3,093,089**	3,171,847
	171,274,641	72,841,152
Unsecured		
- Bank borrowings	**680,000**	76,000
- Other institution borrowings	**4,851,108**	3,611,230
- Corporate bonds	**9,927,847**	9,921,436
- Private domestic corporate bonds	**15,907,112**	14,816,878
	31,366,067	28,425,544
	202,640,708	101,266,696
Less: Current portion of non-current borrowings (Note (a))	**(62,043,522)**	(21,067,014)
	140,597,186	80,199,682
Current		
Secured,		
- Bank borrowings	**5,680,790**	6,679,423
- Other institution borrowings	**10,570,637**	4,741,200
- Assets-backed securities	**77,711**	110,700
	16,329,138	11,531,323
Unsecured,		
- Other institution borrowings	**300,000**	46,000
	16,629,138	11,577,323
Current portion of non-current borrowings (Note (a))	**62,043,522**	21,067,014
	78,672,660	32,644,337
Total borrowings	**219,269,846**	112,844,019

(a) As at 31 December 2017, current portion of non-current borrowings included RMB64,864 million (2016: RMB35,608 million) borrowings that were relating to certain of the Group's property development projects, and will be due for repayment when the percentage of pre-sale has accumulatively achieved 20% - 80%, as determined on the gross floor area of the respective projects. Based on the management's sales forecast, RMB10,400 million (2016: RMB10,280 million) of these borrowings will be due for repayment in the year ending 31 December 2018 and are included in current liabilities.

(b) The Group's long-term borrowings as at 31 December 2017 were repayable as follows:

	31 December 2017	**31 December 2016**
	RMB'000	*RMB'000*
Between 1 and 2 years	**54,214,137**	27,565,333
Between 2 and 5 years	**78,041,362**	39,623,359
Over 5 years	**8,341,687**	13,010,990
	140,597,186	80,199,682

(c) The weighted-average effective interest rates for the year ended 31 December 2017 was 6.24% (2016: 5.98%).

(d) Fair value of financial liabilities is not measured at fair value on a recurring basis (but fair value disclosures are required).

The carrying amounts of bank borrowings, borrowings from other financial institutions and assets-backed securities approximate their fair values. The fair values of Senior Notes as at 31 December 2017 amounted to RMB9,313 million, which were calculated based on the market price of the traded senior notes at the balance sheet date. The fair values of corporate bonds and private domestic corporate bonds as at 31 December 2017 amounted to RMB25,376 million, which were calculated based on the active market price at the balance sheet date. The fair values of Senior Notes are within level 1 of the fair value hierarchy and the fair values of corporate bonds and private domestic corporate bonds are within level 2 of the fair value hierarchy.

10 Expenses by nature

	2017	2016
	RMB'000	*RMB'000*
Costs of properties sold		
—Land use rights costs	**24,149,450**	14,328,447
—Construction costs and capitalised expenditures	**22,499,478**	11,770,165
—Capitalised finance costs	**2,947,531**	2,139,159
(Reversal of)/Provision for impairment of properties	**(244,501)**	380,448
Business tax and related surcharge	**1,050,478**	1,289,025
Staff costs	**2,937,400**	1,046,301
Provision for impairment of receivables	**2,023,891**	225,902
Advertisement and promotion costs	**2,147,682**	347,799
Consulting expenses	**364,453**	163,272
Depreciation and amortisation	**339,145**	35,107
Auditors' remunerations		
— Audit services	**21,240**	16,000
— Non-audit services	**6,460**	10,676

11 Other income and gains

	2017	2016
	RMB'000	*RMB'000*
Gains from business combination	**25,107,561**	1,693,354
Interest income	**2,032,562**	873,696
Gains from disposals of subsidiaries	**35,648**	271,880
Gain from disposal of a joint venture	**—**	22,705
Fair value gains on derivative financial instruments	**—**	100,696
Others	**740,492**	317,943
	27,916,263	3,280,274

12 Other expenses and losses

	2017	2016
	RMB'000	*RMB'000*
Impairment provisions for investments in associates	**8,928,907**	—
Impairment provisions for prepaid equity investments in associates	**411,021**	—
Impairment provision for financial guarantee provided to an associate	**352,286**	—
Impairment provisions for contractually committed of additional investments in associates	**290,681**	—
Losses on disposals of subsidiaries	**261,274**	—
Fair value losses and expense on derivative financial instruments	**185,821**	—
Fair value losses on investment properties	**13,491**	—
Impairment provisions for goodwill	**57,325**	—
Others	**188,389**	22,690
	10,689,195	22,690

13 Finance income and expenses

	2017	2016
	RMB'000	*RMB'000*
Interest expenses	**11,090,959**	4,161,660
Other finance costs	**—**	317,408
Less: capitalised finance costs	**(5,748,747)**	(2,007,466)
	5,342,212	2,471,602
Exchange (gains)/losses	**(82,762)**	718,986
	5,259,450	3,190,588
Finance income:		
- Interest income on bank deposits	**(736,000)**	(392,232)
	4,523,450	2,798,356

14 Income tax expenses

	2017	2016
	RMB'000	*RMB'000*
CIT		
Current income tax	**4,288,151**	1,612,025
Deferred income tax		
- Increase in deferred tax assets	**(1,736,022)**	(389,882)
- Decrease in deferred tax liabilities	**(1,465,590)**	(455,599)
	1,086,539	766,544
LAT	**2,608,069**	703,894
	3,694,608	1,470,438

(a) ***CIT***

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted-average tax rate applicable to profits of the consolidated entities as follows:

	2017	2016
	RMB'000	*RMB'000*
Profit before income tax	**15,358,988**	4,408,797
Income tax calculated at the PRC tax rate 25% (2016:25%)	**3,839,747**	1,102,199
Difference in overseas tax rates	**416,871**	191,726
LAT	**(652,017)**	(175,973)
Tax effect of amounts which are not deductible in calculating taxable income:		
- Losses on disposal of subsidiaries	**65,319**	—
- Entertainment expenses	**28,429**	9,002
- Staff welfare	**2,586**	385
- Penalty	**4,761**	1,825
- Others	**8,971**	121,063
Tax effect of amounts which are not taxable in calculating taxable income:		
- Gains from business combination	**(6,276,890)**	(423,339)
- Gains from disposals of subsidiaries	**(8,912)**	(67,970)
- Gain from disposal of a joint venture	**—**	(5,676)
- Others	**—**	(8,514)
Share of losses/(profits) of investments accounted for using equity method, net	**498,401**	(339,302)
Tax on losses for which no DTA were recognised	**202,230**	141,657
Tax on temporary differences for which no DTA were recognised	**3,037,077**	68,194
Utilisation of tax losses with no DTA recognition	**(128,196)**	(45,087)
Tax write-back on temporary differences with no DTA recognition	**(286,620)**	(36,106)
Write-off of DTA	**99,841**	101,717
Dividends tax for distributable profits of PRC subsidiaries	**234,941**	130,743
	1,086,539	766,544

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

Pursuant to the applicable rules and regulations of Cayman Islands and British Virgin Islands ("BVI"), the Company and the BVI subsidiaries of the Group are not subject to any income tax in those jurisdictions.

Income tax expense is recognised based on management's estimate of the weighted-average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ended 31 December 2017 was 25% (2016: 25%).

In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

(b) ***LAT***

PRC LAT 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 lease charges for land use rights and all property development expenditures. LAT is included in the income statement as income tax expense.

15 Earnings per share

(a) ***Basic***

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the year.

	2017	**2016**
Profit attributable to owners of the parent company (RMB'000)	**11,003,863**	2,478,353
Weighted-average number of ordinary shares in issue (thousand)	**3,991,551**	3,467,309

(b) ***Diluted***

Diluted earnings per share are calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2017	**2016**
Profit attributable to owners of the parent company (RMB'000)	**11,003,863**	2,478,353
Weighted-average number of ordinary shares in issue (thousand)	**3,991,551**	3,467,309
Adjusted for share options (thousand)	**78,804**	25,102
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	**4,070,355**	3,492,411

16 Dividends

The dividends paid in 2017 and 2016 were RMB991 million (RMB0.257 per share) and RMB660 million (RMB0.194 per share) respectively. A dividend in respect of the year ended 31 December 2017 of RMB0.501 per share, amounting to a total dividend of RMB2,201 million, is to be proposed at the annual general meeting. These financial statements did not reflect this dividend payable.

	Year ended 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.501 (2016: RMB0.257) per ordinary share	**2,200,773**	991,341

17 Events after the balance sheet date

On 29 January 2018, the Company entered into a strategic cooperation agreement with Dalian Wanda Group Co., Ltd. and Dalian Wanda Commercial Properties Co., Ltd. (" Dalian Wanda Commercial"). Pursuant to this agreement, the Company plans to utilise RMB9,500 million or the HK$ equivalent amount to acquire approximately 3.91% of the shares in Dalian Wanda Commercial held by its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Financial review

1.1 Revenue

For the year ended 31 December 2017, most of the Group's revenue came from sales of residential and commercial properties, with a small proportion of the Group's revenue from property management, cultural and tourism business income and other income.

For the year ended 31 December 2017, the Group's real estate development business covered all tier-1 cities, tier-2 cities and surrounding cities of tier-1 cities in the PRC. They were divided into 8 major regions for management, namely the Beijing region (including cities of Beijing, Jinan, Qingdao and Taiyuan, etc.), North China region (including cities of Tianjin, Xi'an, Zhengzhou and Harbin, etc.), Shanghai region (including cities of Shanghai, Suzhou, Nanjing and Wuxi, etc.), Southwestern China region (including cities of Chongqing, Chengdu and Kunming, etc.), Southeastern China region (including cities of Hangzhou, Hefei, Ningbo and Xiamen, etc.), Guangzhou-Shenzhen region (including cities of Shenzhen, Guangzhou, Foshan, and Dongguan, etc.), Central China region (including cities of Wuhan and Changsha, etc.) and Hainan region (including cities of Sanya, Haikou and Qionghai).

Total revenue of the Group for the year ended 31 December 2017 amounted to RMB65,874 million, representing a significant increase of 86.4% compared with the total revenue of RMB35,343 million for the year ended 31 December 2016.

For the year ended 31 December 2017, the total revenue from subsidiaries, joint ventures and associates of the Group (excluding Leshi Internet Information & Technology Corp (Beijing) ("Leshi Internet"), New Leshi Zhijia Electronic Technology (Tianjin) Limited ("New Leshi Zhijia") and Le Vision Pictures (Beijing) Co., Ltd. ("Le Vision Pictures") (hereinafter collectively referred to as "Leshi Companies"), Jinke Property Group Co., Ltd. and Homelink Real Estate Agency Co., Ltd., the same below) was RMB140,470 million, representing a significant increase of RMB64,230 million (approximately 84.2%) compared with the total revenue of approximately RMB76,240 million for the year ended 31 December 2016, of which approximately RMB100,360 million was profits attributable to owners of the Company, representing a significant increase of RMB44,190 million (approximately 78.7%) as compared to RMB56,170 million for the year ended 31 December 2016.

The following table sets forth certain details of the Group's revenue:

	Year ended 31 December			
	2017		**2016**	
	RMB billion	*%*	*RMB billion*	*%*
Revenue from sales of properties				
— Revenue from sales of properties delivered	**59.75**	**90.70**	34.60	97.90
— Revenue from sales of properties to be delivered	**2.82**	**4.29**	—	—
Sub-total	**62.57**	**94.99**	34.60	97.90
Property management income	**0.90**	**1.37**	0.73	2.07
Cultural and tourism business and other income	**2.40**	**3.64**	0.01	0.03
Total	**65.87**	**100.00**	35.34	100.00
Total gross floor area ("GFA") delivered (in million sq.m.)	**4.86**		2.16	
Average selling price sold (RMB per sq.m.)	**12,294**		16,006	

For the year ended 31 December 2017, revenue from sales of properties increased by approximately RMB27,973 million (or 80.9%) as compared with the amount for the year ended 31 December 2016. Recognised revenue from sales of properties delivered increased by RMB25,149 million (or 72.7%) as compared with the amount for the year ended 31 December 2016. Total area of delivered properties for the year ended 31 December 2017 increased by 2.699 million square meters (or 124.9%), mainly due to the fact that for the year ended 31 December 2017, the Group acquired the interest in certain Wanda cultural and tourism projects, which delivered properties with an area of approximately 1.827 million square meters in total during the period from the acquisition date to 31 December 2017. Apart from this, the area of delivered properties of the Group's projects located in Chongqing, Nanjing and Wuhan for the year ended 31 December 2017 increased as compared with that of the year ended 31 December 2016.

Average unit price of sales of properties dropped from RMB16,006 per sq. m. for the year ended 31 December 2016 to RMB12,294 per sq. m. for the year ended 31 December 2017. This is mainly due to the fact that for the year ended 31 December 2017, areas of delivered properties with comparatively lower average unit price (mainly located in Chongqing, Chengdu and Qingdao) increased, sales income represented a more significant portion of total properties sales income.

For the year ended 31 December 2017, total area of delivered properties of the Group's subsidiaries, joint ventures and associates reached 8.522 million sq. m. (The corresponding average unit price of sales was RMB15,214 per sq. m.), representing an increase of 4.367 million sq. m. (or 105.1%) as compared to 4.155 million sq. m. for the year ended 31 December 2016.

1.2 Cost of sales

Cost of sales includes the Group's costs incurred in respect of delivered properties in the direct property development business and property management business costs.

For the year ended 31 December 2017, the Group's cost of sales was RMB52,246 million, representing an increase of RMB21,751 million (or 71.3%) as compared to the cost of sales of RMB30,495 million for the year ended 31 December 2016. Increase in cost of sales was mainly due to increase in area of delivered properties.

1.3 Gross profit

For the year ended 31 December 2017, the Group's gross profit was RMB13,628 million, which was RMB8,780 million (or 181.1%) higher than the gross profit of RMB4,848 million for the year ended 31 December 2016. Increase in gross profit was mainly due to increased sales revenue and higher gross profit margin of the Group.

For the year ended 31 December 2017, the Group's gross profit margin was 20.7%, representing a substantial increase of approximately 7 percentage points as compared to 13.7% for the year ended 31 December 2016. This was mainly due to increase in gross profit margin of sales income from properties in Shanghai, Hangzhou and Nanjing for the year ended 31 December 2017 as compared with the year ended 31 December 2016.

Besides, for the year ended 31 December 2017, total gross profit of the Group's subsidiaries, joint ventures and associated companies was RMB31,521 million, with a gross profit margin of 22.4%, of which RMB21,971 million was gross profit attributable to owners of the Company. For the year ended 31 December 2016, total gross profit of the Group's subsidiaries, joint ventures and associated companies was only RMB12,619 million, with a gross profit margin of 16.6%, of which RMB8,840 million was gross profit attributable to owners of the Company.

1.4 Selling and marketing costs and administrative expenses

The Group's sales and marketing costs increased by 273.2% from RMB916 million for the year ended 31 December 2016 to RMB3,419 million for the year ended 31 December 2017. The Group's administrative expenses increased by 315.0% from RMB1,339 million for the year ended 31 December 2016 to RMB5,559 million for the year ended 31 December 2017. Among these, the Group made prudent impairment provisions for loss arising from bad debts of RMB2,102 million in respect of amounts due from Leshi Companies and their related parties. Excluding those factors, administrative expenses of the Group increased by 158.1% as compared to that of the year ended 31 December 2016.

The increase in sales and marketing costs was mainly due to substantial increase in the number of properties and business scale of the Group for the year ended 31 December 2017 after the Group has completed the layout in all tier-1 cities, tier-2 cities and surrounding cities of tier-1 cities in China in the year ended 31 December 2016, resulting in substantial increase in staff costs, advertisement and marketing costs.

1.5 Other income and gains

The Group's other income and gains increased by RMB24,636 million from RMB3,280 million for the year ended 31 December 2016 to RMB27,916 million for the year ended 31 December 2017 mainly due to the Group's gains from business combination increased by RMB23,414 million, which mainly includes income from the acquisition by the Group of interests in certain Wanda cultural and tourism projects, Tianjin Xingyaowuzhou Project, Hefei Raycom City Project and Wuhan Raycom Celestial Heights Project etc.

1.6 Other expenses and losses

The Group's other expenses and losses increased by RMB10,666 million from RMB23 million for the year ended 31 December 2016 to RMB10,689 million for the year ended 31 December 2017, which was mainly due to the prudent impairment provision totailing to RMB9,983 million made by the Group for its investment in and financial guarantees for Leshi Companies for the year ended 31 December 2017.

1.7 Operating profit

Concluding from the above analysis, the Group's operating profit increased substantially by RMB16,026 million from RMB5,850 million for the year ended 31 December 2016 to RMB21,876 million for the year ended 31 December 2017, mainly due to the following reasons:

(i) Gross profit increased by RMB8,780 million; and

(ii) Other income and gains increased by RMB24,636 million; other expenses and losses increased by RMB10,666 million; sales and marketing costs and administrative expenses increased by RMB6,723 million.

1.8 Finance costs

The Group's finance costs increased by RMB2,068 million from RMB3,191 million for the year ended 31 December 2016 to RMB5,259 million for the year ended 31 December 2017 mainly due to the following reasons:

(i) As the scale of financing increased resulting in increased total interest costs, interest expenses increased by RMB2,870 million to RMB5,342 million for the year ended 31 December 2017 from RMB2,472 million for the year ended 31 December 2016; and

(ii) Due to changes in the trend of exchange rate fluctuation, the Group recorded an exchange gain of RMB83 million the year ended 31 December 2017, compared with an exchange loss of RMB719 million for the year ended 31 December 2016.

The Group's weighted average effective interest rate edged up from 5.98% for the year ended 31 December 2016 to 6.24% for the year ended 31 December 2017, due to rising interest rates in the general market as a result of tightening monetary policies.

1.9 Share of results of investments accounted for using equity method

For the year ended 31 December 2017, the Group recognised a net loss of RMB1,994 million with respect to its share of results of investments accounted for using equity method. While for the year ended 31 December 2016, the Group recognised a net profit after tax of RMB1,357 million with respect to its share of results of investments accounted for using equity method. The change was mainly due to the fact that the Group recorded a loss of RMB4,476 million with respect to its share of results of investments accounted for using equity method in Leshi Companies for the year ended 31 December 2017. Excluding those factors, the Group recognised a net profit after tax of RMB2,482 million with respect to its share of results of investments accounted for using equity method.

1.10 Profits

For the year ended 31 December 2017, based on the prudent principle, the Group had sufficiently considered the impairment provisions made for the relevant investments in Leshi Companies and the losses recorded under the equity method as set out above in 1.4, 1.6 and 1.9 respectively, the total amount was RMB16,561 million. Although this will have a greater impact on the profit of the Company for 2017, however, the Company still holds a positive view about the development prospects of large-screen operation and content area in the long run, and believe that New Leshi Zhijia and Le Vision Pictures will accelerate its business development gradually by eliminating the external adverse effects and overcoming staged difficulties.

Even affected by the above factors, the Group's profits attributable to owners of the Company significantly increased by 344.0% from RMB2,478 million for the year ended 31 December 2016 to RMB11,004 million for the year ended 31 December 2017 due to the increase in Group's gross profits and increase in gains from business combination.

The table below sets out profits attributable to the Company's owners and non-controlling interests as at the stated dates:

	Year ended 31 December	
	2017	**2016**
	RMB billion	*RMB billion*
Profits during the year	**11.66**	2.94
Attributable to:		
Owners of the Company	**11.00**	2.48
Perpetual bond holders	**0.68**	0.30
Non-controlling interests	**(0.02)**	0.16
	11.66	2.94

Excluding the impact of net exchange gain and changes in fair values of both derivative financial instruments and investment properties, the Group's core profit attributable to owners of the Company amounted to RMB11,120 million for the year ended 31 December 2017, representing a substantial increase of 259.1% as compared with RMB3,100 million for the year ended 31 December 2016.

1.11 Cash status

The Group operates in a capital-intensive industry and has historically financed, and expects to continue to finance its working capital, capital expenditures and other capital requirements through proceeds from the pre-sale and sale of properties, borrowings from commercial banks and other parties, capital contributions from shareholders and new share issuances. The Group's short-term liquidity requirements relate to servicing its debt and meeting its working capital requirements, and the Group's sources of short-term liquidity include cash balances, proceeds from pre-sales and sales of properties and new loans. The Group's long-term liquidity requirements relate to funding the development of its new property projects and repaying its long-term debt, and the Group's sources of long-term liquidity include loans, capital contributions from shareholders and share issuances.

The Group's cash and cash equivalents (including restricted cash) increased by 38.5% to RMB96,719 million as at 31 December 2017 from RMB69,813 million as at 31 December 2016, of which non-restricted cash increased to RMB68,433 million as at 31 December 2017 from RMB52,086 million as at 31 December 2016.

Increasing non-restricted cash was mainly due to the following reasons:

(i) RMB75,099 million of net cash inflow from operating activities was due to increased revenue from pre-sale of the Group's properties;

(ii) RMB120,169 million of net cash outflow used in investment activities was mainly caused by the new projects obtained by the Group through direct investments or acquisition of equities;

(iii) RMB61,364 million of net cash inflow from financing activities was mainly attributed to RMB61,320 million of net borrowings inflow (including conversion between non-restricted cash and restricted cash due to borrowings).

Currently, the Group has sufficient operating capital which remains at healthy and safe level and is sufficient to resist risks besides supporting business growth in the foreseeable future.

1.12 Borrowings and securities

Due to the requirement for continuous business expansion of the Group, total borrowing increased by RMB106,430 million to RMB219,270 million as at 31 December 2017 from RMB112,840 million as at 31 December 2016.

As at 31 December 2017, RMB187,604 million (as at 31 December 2016: RMB84,370 million) of the Group's total borrowings were secured or jointly secured by the Group's restricted cash, properties under development, completed properties held for sale, investment properties, fixed assets and intangible assets (total amount was RMB164,408 million (as at 31 December 2016: RMB82,180 million)) and equities (including those legally transferred as collateral) of certain of the Group's subsidiaries.

1.13 Net debt to total asset ratio and gearing ratio

Net debt to total asset ratio is calculated by dividing the total net liabilities with total asset amount. Net debt is calculated by deducting cash and cash equivalents (including restricted cash) from total borrowings (including current and long-term borrowings). As at 31 December 2017, the Group's net debt to total asset ratio was 19.7%, representing a decrease as compared to 21.0% as at 30 June 2017.

Gearing ratio is calculated by dividing the net debt with total capital. Total capital is calculated by adding total equities and net debt. As at 31 December 2017, the Group's gearing ratio was 66.9%, representing a decrease as compared to 72.2% as at 30 June 2017.

The Group will continue to pay attention to and manage the financial structure and their potential risks in the course of development.

1.14 Interest rate risk

As the Group has no material interest-bearing assets, the Group's income and operating cash flows are substantially independent from changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

The table below sets out the Group's exposure to interest rate risks. Included in the tables are the liabilities stated at carrying amounts, categorized by maturity dates.

	As at 31 December 2017	As at 31 December 2016
	RMB billion	*RMB billion*
Floating interests		
Less than 12 months	**30.17**	12.95
1-5 years	**40.97**	14.08
Over 5 years	**5.32**	0.02
Subtotal	**76.46**	27.05
Fixed interests		
Less than 12 months	**48.50**	19.69
1-5 years	**91.29**	53.11
Over 5 years	**3.02**	12.99
Subtotal	**142.81**	85.79
Total	**219.27**	112.84

As at 31 December 2017, the Group did not use any interest rate swaps to hedge its exposure to interest rate risk. The Group monitors its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

1.15 Foreign exchange risks

As all the Group's operating entities are located in China, the Group operates its business mainly in RMB. Some of the Group's bank deposits and senior notes are denominated in US dollar, Euro or Hong Kong dollars, meaning that the Group is exposed to foreign exchange risks. For the year ended 31 December 2017, the Group recorded a net exchange gain in the amount of RMB83 million. As such, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. The Group will continue to closely track and manage its exposure to the fluctuation in foreign exchange rates.

1.16 Contingent liabilities

The Group provides guarantees to banks for the mortgage loans obtained by certain property buyers to ensure that the buyers perform their obligations of mortgage loan repayment. The amount was RMB49,780 million as at 31 December 2017 as compared with RMB11,379 million as at 31 December 2016. The guarantees shall terminate at the earliest occurrence of either of the following: (i) transfer of property ownership certificate to the buyer. Such certificate is generally transferred within 6 months from the date of property delivery; or (ii) full repayment of mortgage loan by the property buyer. The period of guarantee provided by the Group starts from the date when the mortgage is granted.

2. BUSINESS HIGHLIGHTS

2.1 *Summary of Principal Properties*

As at 31 December 2017, the Group is engaging in a total of 340 property development projects across 70 cities in the People's Republic of China, with a total site area of approximately 74.02 million square meters ("sq.m."), an estimated total gross floor area ("GFA") of approximately 182.16 million sq.m. and an estimated saleable or rentable GFA of approximately 152.36 million sq.m. The table below sets forth the breakdown by regions and cities:

Region	**City**	**Total site area**	**Estimated aggregate GFA**	**Estimated saleable/ rentable GFA**
		'000 sq.m.	*'000 sq.m.*	*'000 sq.m.*
Beijing region	Beijing	1,247.7	2,543.1	2,053.3
	Ji'nan	3,109.8	8,527.5	6,973.0
	Qingdao	6,177.3	13,614.7	11,838.3
	Taiyuan	339.4	1,622.5	1,188.8
	Shijiazhuang	360.8	1,396.2	1,322.1
	Zhangjiakou	54.9	176.7	126.5
	Langfang	393.5	1,239.2	1,132.5
	Chengde	117.5	377.6	318.4
	Yantai	279.2	769.1	749.4
	Subtotal	**12,080.1**	**30,266.6**	**25,702.3**

Region	City	Total site area	Estimated aggregate GFA	Estimated saleable/ rentable GFA
		'000 sq.m.	*'000 sq.m.*	*'000 sq.m.*
North China region	Tianjin	5,870.6	13,187.7	12,308.3
	Xi'an	1,631.9	6,069.0	5,538.5
	Zhengzhou	674.1	2,482.3	1,936.0
	Shenyang	568.7	1,760.5	1,616.7
	Dalian	553.4	1,809.2	1,700.9
	Harbin	971.3	3,624.8	2,973.7
	Daqing	222.0	514.2	500.0
	Subtotal	**10,492.0**	**29,447.7**	**26,574.1**
Shanghai region	Shanghai	1,659.6	4,583.5	3,970.8
	Suzhou	1,239.4	2,690.8	2,052.8
	Nanjing	628.3	1,198.9	1,027.9
	Wuxi	4,672.6	10,100.5	8,537.8
	Changzhou	449.1	1,191.6	1,072.3
	Zhenjiang	123.5	192.0	162.2
	Nantong	412.9	644.6	543.6
	Yangzhou	286.7	932.4	854.8
	Xuzhou	534.1	1,096.5	960.0
	Yancheng	29.4	83.5	82.6
	Taizhou	193.4	465.9	373.0
	Wuhu	118.8	315.8	269.4
	Ma'anshan	30.3	65.4	59.5
	Subtotal	**10,378.1**	**23,561.4**	**19,966.7**

Region	City	Total site area	Estimated aggregate GFA	Estimated saleable/ rentable GFA
		'000 sq.m.	*'000 sq.m.*	*'000 sq.m.*
Southwestern China region	Chongqing	9,062.6	22,914.4	16,171.4
	Chengdu	4,309.5	9,951.0	8,047.6
	Nanning	309.4	1,820.8	1,720.3
	Kunming	1,455.3	4,830.6	4,000.4
	Guilin	1,565.1	1,952.9	1,494.7
	Guiyang	294.0	1,183.6	1,167.6
	Liuzhou	34.8	120.3	115.3
	Beihai	334.3	955.6	913.2
	Xishuangbanna	3,166.8	3,370.5	2,987.7
	Subtotal	**20,531.8**	**47,099.7**	**36,618.2**
Southeastern China region	Hangzhou	2,086.5	6,497.7	4,666.4
	Hefei	2,335.6	6,474.7	5,315.3
	Xiamen	32.5	141.9	95.9
	Ningbo	364.1	873.2	625.2
	Jiaxing	524.7	884.3	795.8
	Huzhou	398.4	822.3	661.5
	Shaoxing	322.4	632.5	508.1
	Putian	45.2	149.3	133.7
	Quanzhou	70.5	376.5	299.0
	Zhoushan	146.0	471.8	353.9
	Taizhou	165.3	419.6	322.0
	Wenzhou	44.9	209.4	206.1
	Subtotal	**6,536.1**	**17,953.2**	**13,982.9**
Guangzhou-Shenzhen region	Shenzhen	17.7	140.6	63.2
	Guangzhou	1,848.3	5,093.0	4,100.7
	Foshan	455.2	2,021.8	1,932.8
	Dongguan	125.1	387.3	375.5
	Huizhou	401.7	1,200.1	1,077.9
	Zhongshan	329.0	994.7	978.9
	Zhuhai	18.1	127.8	91.4

Region	City	Total site area	Estimated aggregate GFA	Estimated saleable/ rentable GFA
		'000 sq.m.	*'000 sq.m.*	*'000 sq.m.*
	Qingyuan	586.4	1,603.7	1,603.2
	Jiangmen	748.9	2,627.1	2,514.1
	Zhaoqing	262.0	904.3	872.3
	Subtotal	**4,792.4**	**15,100.4**	**13,610.0**
Central China region	Wuhan	1,503.1	6,125.8	5,249.6
	Changsha	694.0	2,291.2	1,819.7
	Nanchang	2,862.5	4,998.2	4,310.9
	Yichang	100.0	450.4	424.9
	Jingdezhen	148.8	312.0	292.6
	Subtotal	**5,308.4**	**14,177.6**	**12,097.7**
Hainan region	Sanya	750.1	578.5	295.9
	Haikou	435.9	1,089.4	987.1
	Wanning	856.1	973.2	832.1
	Qionghai	1,647.5	1,708.7	1,600.7
	Ding'an	215.9	201.4	93.3
	Subtotal	**3,905.5**	**4,551.2**	**3,809.1**
	Total	**74,024.4**	**182,157.8**	**152,361.0**

As at the date of this announcement, the total site area, estimated aggregate GFA, and estimated saleable or rentable GFA of the Group's properties projects under development are approximately 75.86 million sq. m., 188 million sq. m. and 157 million sq. m., respectively.

2.2 Summary of land bank

As at 31 December 2017, the Group had a total land bank of approximately 141.73 million sq.m. and attributable land bank of approximately 107.12 million sq.m., the breakdown of land bank by region and city is as follows:.

Region	**City**	**Total land bank** *('000 sq.m.)*	**Attributable land bank** *('000 sq.m.)*
Beijing region	Beijing	918.4	507.5
	Ji'nan	7,879.3	5,856.2
	Qingdao	11,731.6	10,024.0
	Taiyuan	1,622.5	1,040.6
	Shijiazhuang	1,396.2	693.5
	Zhangjiakou	176.7	137.9
	Langfang	1,239.2	644.4
	Chengde	377.6	377.6
	Yantai	629.9	629.9
	Subtotal	**25,971.4**	**19,911.6**
North China region	Tianjin	9,715.2	6,590.8
	Xi'an	5,559.5	3,108.3
	Zhengzhou	2,190.2	1,457.6
	Shenyang	1,760.0	1,217.3
	Dalian	1,625.0	1,598.3
	Harbin	2,806.7	2,554.1
	Daqing	256.6	256.6
	Subtotal	**23,913.2**	**16,783.0**

Region	City	Total land bank ('000 sq.m.)	Attributable land bank ('000 sq.m.)
Shanghai region	Shanghai	3,657.6	2,095.1
	Suzhou	2,232.8	1,462.4
	Nanjing	1,015.1	617.5
	Wuxi	4,958.9	4,425.4
	Changzhou	684.6	635.0
	Zhenjiang	192.0	192.0
	Nantong	644.6	540.7
	Yangzhou	932.4	353.8
	Xuzhou	1,096.5	735.0
	Yancheng	83.5	27.6
	Taizhou	465.9	181.2
	Wuhu	315.8	315.8
	Ma'anshan	65.4	32.1
	Subtotal	**16,345.1**	**11,613.6**
Southwestern China region	Chongqing	14,880.6	11,651.7
	Chengdu	6,990.7	6,153.7
	Nanning	1,820.8	1,201.7
	Kunming	4,354.4	3,282.5
	Guilin	1,952.9	1,777.2
	Guiyang	1,183.6	603.7
	Liuzhou	120.3	120.3
	Beihai	955.6	430.0
	Xishuangbanna	2,598.7	2,364.8
	Subtotal	**34,857.6**	**27,585.6**

Region	City	Total land bank *('000 sq.m.)*	Attributable land bank *('000 sq.m.)*
Southeastern China region	Hangzhou	3,933.5	2,318.5
	Hefei	3,306.0	2,979.3
	Xiamen	141.9	141.9
	Ningbo	873.2	600.2
	Jiaxing	884.3	613.5
	Huzhou	799.9	527.7
	Shaoxing	632.5	351.9
	Putian	149.3	149.3
	Quanzhou	376.5	359.9
	Zhoushan	471.8	160.4
	Taizhou	308.3	237.4
	Wenzhou	209.4	29.3
	Subtotal	**12,086.6**	**8,469.3**
Guangzhou-Shenzhen region	Shenzhen	140.6	140.6
	Guangzhou	4,229.4	3,340.7
	Foshan	1,922.1	1,205.6
	Dongguan	387.3	332.0
	Huizhou	960.3	655.1
	Zhongshan	994.7	947.6
	Zhuhai	127.8	63.9
	Qingyuan	1,603.7	1,503.7
	Jiangmen	2,627.1	2,310.7
	Zhaoqing	904.3	904.3
	Subtotal	**13,897.3**	**11,404.2**

Region	City	Total land bank *('000 sq.m.)*	Attributable land bank *('000 sq.m.)*
Central China region	Wuhan	5,177.2	4,205.0
	Changsha	1,503.4	1,486.1
	Nanchang	3,301.4	2,987.6
	Yichang	450.4	247.7
	Jingdezhen	211.7	211.7
	Subtotal	**10,644.1**	**9,138.1**
Hainan region	Sanya	504.8	331.2
	Haikou	1,089.4	667.3
	Wanning	972.3	486.1
	Qionghai	1,248.7	624.4
	Ding'an	201.4	102.7
	Subtotal	**4,016.6**	**2,211.7**
	Total	**141,731.9**	**107,117.1**

As at the date of this announcement, the total land bank[1] and attributable land bank of the Group amounted to approximately 147 million sq. m. and 110 million sq. m., respectively. Taking the contracted land reserve such as old residential renovation into account, the total land bank[1] of the Group amounted to approximately 218 million sq.m..

Note 1: The land bank is as of 31 December 2017 and also includes the land acquired since January 2018.

2.3 Contracted sales

For the year ended 31 December 2017, the Group achieved a contracted sales area of approximately 22.033 million sq.m. and a contracted sales amount of approximately RMB362.01 billion, representing an increase of approximately 140.3% as compared with the year ended 31 December 2016, and its industry ranking in the PRC real estate industry leaped to the fourth[1] in terms of contracted sales amount.

Region	**Contracted sales area** *('000 sq.m.)*	**Contracted sales amount** *(RMB billion)*
Beijing region	3,434.0	60.7
North China region	4,685.0	70.0
Shanghai region	3,783.0	68.9
Southwestern China region	4,778.0	54.0
Southeastern China region	2,054.0	51.2
Guangzhou-Shenzhen region	1,255.0	19.4
Central China region	1,465.0	25.2
Hainan region	579.0	12.6
Total	**22,033.0**	**362.0**

Note 1: The ranking in respect of contracted sales amount were co-released by CRIC China and China Real Estate Appraisal Center.

BUSINESS REVIEW AND OUTLOOK

Review of 2017

In 2017, the government continued to implement proactive fiscal policies and prudent monetary policies, put forth effort to adjust and optimize the economic structure, and thus achieved high-quality economic growth. In 2017, the government adhered to the policy idea in respect of the real estate industry that housing is for people to live in, implemented differentiated market regulation, and accelerated the establishment and improvement of the long-term mechanism to promote the stable and healthy development of the real estate market; meanwhile, under the macroeconomic environment of overall economic deleveraging, the credit policies for the real estate industry have been continuously tightened. The government's regulation on the overheated real estate market was conducive to the long-term healthy and stable development of the industry, and had achieved remarkable results. The rapid increase in house prices in most cities had been effectively suppressed since the second quarter, and house prices in some cities had begun to experience reasonable adjustments since the second half of the year, although the overall market volume remained relatively stable. In terms of the land market, the government also took measures to cool down the furious bidding, auction and listing market, and the increase in land prices had gradually been controlled in the second half of the year. However, due to the better destocking level in the industry and the strong desire of many companies to supplement their land bank, land prices remained higher.

In 2017, the Group achieved significant increase in operating results with revenue amounted to approximately RMB65.87 billion, representing an increase of approximately 86.4% year-on-year, and gross profit was approximately RMB13.63 billion, representing an increase of approximately 181.1% year-on-year. Gross profit margin also recovered remarkably and increased significantly to 20.7% from 13.7% in 2016, representing an increase of approximately 7 percentage points. Profit attributable to owners of the Company reached approximately RMB11.00 billion, representing a substantial growth of 344% year-on-year. Core net profit amounted to approximately RMB11.12 billion, representing a significant increase of 259.1% year-on-year. As the Group's profits increased rapidly, its financial performance became more stable and had more abundant liquidity. As of 31 December 2017, carrying amount of cash of the Group reached approximately RMB96.72 billion, representing an increase of approximately 38.5% year-on-year, the short-term debt coverage reached more than 1.2 times. Since the beginning of second half of the year, with the realization of profits and the high quality of equity financing, the Group's net assets increased significantly to RMB60.64 billion, representing an increase of approximately 71.2%. With a prudent investment strategy adopted in 2017, Group's net gearing ratio at the end of the year dropped by about 60 percentage points as compared to that of 30 June 2017, and its leverage ratio also decreased significantly. Given the remarkable performance of the Group and to bring better return for our Shareholders, the Board proposed to declare a final dividend of RMB0.501 per share for 2017, representing an increase of approximately 94.9% year-on-year.

In 2017, with the support from the Group's adequate and high-quality land bank, the Group continued to increase its sales efforts, and achieved a contracted sales amount of approximately RMB362.01 billion for the year, representing an increase of approximately 140.3% year-on-year; the industry ranking of the Group then leaped up from seventh to fourth. Attributable contracted sales value also reached approximately RMB265.60 billion, representing a year-on-year increase of approximately 155.5%. Meanwhile, the Group continued to maintain its leading market position in key cities where it operates, and ranked among the top ten in terms of sales in 27 core cities such as Beijing, Shanghai, Tianjin, Chongqing, Hangzhou, and Wuhan. The Group's operating history in nearly 20 of the aforesaid core cities was less than 3 years, which demonstrated its outstanding market competitiveness and development potential.

On the basis that the Group seized market opportunities to replenish a large number of high-quality land bank in 2016, the Group calmly responded to the overheated land market in 2017 and adopted more prudent land acquisition strategies in the open market to control investment risks. Meanwhile, by fully leveraging its advantages of brands and reputation in respect of mergers and acquisitions as well as cooperation field, the Group acquired more high-quality projects through mergers and acquisitions, which further replenished quality land bank for the Group and reinforced the strategic presence in land bank of the Group. In 2017, the Group acquired new land bank of approximately 67.64 million sq. m. and attributable land bank of approximately 52.53 million sq. m. As of the date of this announcement, taking into account of the land under agreement of urban redevelopment, the Group has total land bank of approximately 218 million sq.m., with the total asset value amounting to RMB3 trillion, of which over 96% were located in first-tier and second-tier cities and surrounding cities of tier 1 cities. Our adequate and high-quality land bank will strongly support the Group's rapid, healthy and steady development.

With regard to new business layout, the Group completed the layout of its cultural and tourism sector from a high starting point through its cooperation with 13 cultural and tourism projects of Dalian Wanda Commercial, thus it is expected that the Group will become one of the largest operators of high quality cultural and tourism real estate in the future. Looking forward to the promising prospect of China's economy, amidst the backdrop of rapid and high-quality economic growth, continuous increase in household disposable income and accelerating consumption upgrading, the Group sees great potentials in cultural and tourism sector in the long run.

In 2017, based on prudential principle, having duly regard to the provision for the impairment of our investment in Leshi and losses under equity method, notwithstanding those significant impacts on the Group's profits in 2017, the Group is still optimistic about the development outlook of large-screen operation and content fields, and believes that New Leshi Zhijia and Le Vision Pictures will gradually eliminate external impacts, step out of the stage difficulty and speed up its business recovery and growth.

Furthermore, the Group made strategic investments respectively in Dalian Wanda Commercial, an enterprise that is very competitive in the business market, and Ziroom, a locomotive enterprise in the long-term lease apartment market, both of which are quality investment subjects and also have more potential synergy effect with our various businesses.

In 2017, the Group's overall operation arrived at a new milestone by consolidating and reinforcing its competitiveness strength of property development as its core business and making more beneficial exploration and layout in respect of new businesses, which laid a good foundation for the sustainable healthy growth of the Group in the future.

Outlook for 2018

In 2018, the Group anticipates that the possibility for the government of loosening its regulating policies in real estate industry is remote. In addition, the government will continue to accelerate the establishment and improvement of a long-term mechanism to promote the steady and healthy development of the real estate market. At the same time, the increasingly tightened liquidity will continue to have a material effect on the industry. Under such circumstances, the Group will remain cautious about the real estate market in 2018, but the core cities with anticipated healthy supply and demand will remain stable. There will not be major fluctuations in the overall market. Meanwhile, the real estate market that tends to be steady and normal, together with the increasingly tightened liquidity, will make the land market further more reasonable, especially the merger and acquisition market may therefore present better opportunities, which will further promote the integration of the industry.

In 2018, the Group will have over 340 projects under sales throughout the year, and it is expected that the total saleable resources will be approximately RMB674.5 billion. Adequate and high-quality available-for-sale resources will support the stable growth of the Group's sales. In addition, in terms of sales strategy, the Group will also adhere to the idea of accelerating turnover and keeping destocking. As a consequence, a large amount of sales receipts will allow the Group to maintain sufficient liquidity, thus making it have the ability to grasp the land market opportunities while calmly responding to possible market fluctuations. In terms of land acquisition strategy, the Group will also remain cautious, pay close attention to changes in the market and track various opportunities. It will give full play to the brand advantage in the merger and acquisition market and seize opportunities to select quality projects. In the case of absolute safety of cash flow, the Company reasonably replenishes high-quality land reserves to maintain and further strengthen the Group's competitive advantage in terms of land bank.

In 2018, in addition to paying high attention on and maintaining sufficient liquidity as usual, the Group will continue to further reduce its leverage level through measures such as continuously delivering sales and financial performance and more prudent investment strategies for new projects.

In 2018, the Group will set up an independent cultural and tourism group and is committed to improve the operating capabilities and profitability of the Group's cultural and tourism projects that have been deployed from a high starting point. The long-term goal of the cultural and tourism group is to become one of the most competitive operators of cultural and tourism real estate in the industry of the PRC, so as to become the new growth point of the Group in the future.

In respect of new businesses layout, the Group will focus on managing its current strategic investment projects to secure and facilitate the release of long-term value. Meanwhile, under the premise of not affecting the competitive advantages and development in the main business of real estate, the Group will continue to explore market opportunities in consumption upgrading with prudence. The Group will strive to become a benchmark enterprise in providing high-quality residence, family entertainment and cultural and tourism products, and a quality operator and service provider that contributes to a better life for Chinese families.

ANNUAL GENERAL MEETING, FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Company's 2017 annual general meeting (the "AGM") is expected to be held on Tuesday, 12 June 2018, and the notice of AGM will be published and dispatched to Shareholders in the manner as required by the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in due course.

For the purpose of determining the eligibility of the shareholders of the Company (the "Shareholders") to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 7 June 2018 to Tuesday, 12 June 2018 (both days inclusive), during which period no transfer of shares of the Company (the "Shares") will be registered. In order to qualify for attending and voting at the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 6 June 2018.

At the meeting of the Board held on 28 March 2018, the Board proposed to declare a final dividend of RMB0.501 per share, being approximately RMB2,201 million in aggregate, for the year ended 31 December 2017, subject to approval of the Shareholders at the forthcoming AGM of the Company. The proposed final dividends are expected to be paid on or around 8 August 2018 to those Shareholders whose names appear on the register of members of the Company as at 22 June 2018. The proposed final dividends will be paid in Hong Kong dollars, such amount to be calculated by reference to the central parity rate published by the People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at 12 June 2018.

For the purpose of determining the Shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Tuesday, 19 June 2018 to Friday, 22 June 2018 (both days inclusive), during which period no transfer of Shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted on at the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 15 June 2018.

PLACING OF SHARES AND BONDS ISSUED DURING THE YEAR

On 3 August 2017, the Company completed the top-up placing of 220,000,000 Shares at a price of HK$18.33 per Share, details of which are set out in the Company's announcement dated 25 July 2017. The proceeds had been utilized as intended as general working capital of the Company.

On 8 August 2017, the Company issued the 6.875% senior notes due 2020 with a principal amount of US$400 million (the "2020 Notes") and the 7.950% senior notes due 2022 with a principal amount of US$600 million (the "2022 Notes"). The 2020 Notes and 2022 Notes are listed and traded on the Singapore Stock Exchange. Details of issuance of the 2020 Notes and the 2022 Notes are set out in the Company's announcements dated 2 August 2017, 3 August 2017 and 10 August 2017. The proceeds had been fully utilized as intended for re-financing the Group's existing indebtedness.

On 27 December 2017, the Company completed the top-up placing of 251,500,000 Shares at a price of HK$31.1 per Share, details of which are set out in the Company's announcement dated 15 December 2017. The proceeds had been fully utilized as intended as general working capital of the Company.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

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

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2017, the Group had a total of 19,271 employees in the PRC and Hong Kong. The Group's employee remuneration policy is determined by reference to factors such as remuneration standard of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and employee performance. The Group conducts annual performance appraisals for its employees, the results of which are applied in annual salary and promotional assessment. Social insurance are paid by the Group for its PRC employees in accordance with the relevant PRC regulations. The Group also operates insurance and mandatory provident fund schemes for Hong Kong employees.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealings in securities of the Company. Following specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards as set out in the Model Code in relation to their securities dealings during the year ended 31 December 2017, if any.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance and had, throughout the year ended 31 December 2017, complied with all applicable code provisions of the Corporate Governance Code.

The Board recognises and appreciates the importance and benefits of good corporate governance practices and has adopted corporate governance and disclosure practices for achieving a higher standard of transparency and accountability. The Board members have regular discussions about the performance and business strategies of the Group. They, together with the relevant senior executives of the Company, have also attended regular trainings on the Listing Rules and other regulatory requirements. The Company has established an internal reporting practice within the Group in order to monitor the operation and business development of the Group.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Listing Rules and the code provisions of the Corporate Governance Code. The Audit Committee currently consists of four independent non-executive Directors, namely, Mr. Poon Chiu Kwok, Mr. Zhu Jia, Mr. Li Qin and Mr. Ma Lishan, and is chaired by Mr. Poon Chiu Kwok who possesses accounting and related financial management expertise. The primary duties of the Audit Committee are to assist the Board to fulfill the functions of reviewing and monitoring the financial reporting procedure, internal control and risk management systems of the Company, to review the corporate governance policies and practices of the Group and to perform other duties and responsibilities as assigned by the Board.

The annual results of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expresssed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.sunac.com.cn). The Company's 2017 annual report will be despatched to Shareholders along with the AGM circular, the notice of AGM and the proxy form for use at the AGM and such documents will be published on the aforementioned websites in due course.

By the order of the Board
Sunac China Holdings Limited
SUN Hongbin
Chairman

Hong Kong, 29 March 2018

As at the date of this announcement, the executive Directors are Mr. SUN Hongbin, Mr. WANG Mengde, Mr. JING Hong, Mr. CHI Xun, Mr. TIAN Qiang, Mr. SHANG Yu, Mr. HUANG Shuping and Mr. SUN Kevin Zheyi; and the independent non-executive Directors are Mr. POON Chiu Kwok, Mr. ZHU Jia, Mr. LI Qin and Mr. MA Lishan.