2018 INTERIM REPORT 中期報告

融創中國控股有限公司
SUNAC CHINA HOLDINGS LIMITED
(於開曼群島註冊成立的有限責任公司)
(Incorporated in the Cayman Islands with limited liability)

STOCK CODE 股票代碼：01918.HK

ABOUT SUNAC
融創中國控股有限公司

SUNAC China Holdings Limited (the "Company" or "our Company" and together with its subsidiaries, collectively referred to as the "Group") is specialised in the integrated development of residential and commercial properties and is one of the leading real estate developers in the PRC. In line with its regional focus and high-end positioning strategy, the Company has developed or is developing many high-quality property projects ranging from high-rise residences, townhouses, retail properties and offices in tier 1 cities, tier 2 cities and surrounding cities of tier 1 cities in the PRC.

The Company focuses on high-end property development and management. Guided by its brand positioning of "Passion for Perfection", the Company has long been providing high-end products to customers. With the aim of becoming the leader of the real estate industry in China, the Company's pursuit of high-quality products and services never ends. It is always committed to providing a desirable, elegant life experience to its customers through quality products and services. With its accurate judgment of market trends, keen in-sights into consumer demands and emphasis on high product quality, the Company is ready to adopt cutting-edge concepts at the right time to design and develop its projects, and has created an advanced quality control and supervisory system.

融創中國控股有限公司（「本公司」，連同其附屬公司統稱為「本集團」）為中國的領先房地產發展商之一，專業從事住宅及商業地產綜合開發。本公司堅持區域聚焦和高端精品發展戰略，在中國的一線、二線及環一綫城市已發展或正發展眾多優質物業項目，項目涵蓋高層住宅、聯排別墅、零售物業、寫字樓等多種物業類型。

本公司專注於高端物業的開發和管理，以「至臻，致遠」為品牌方向，持之以恒的為客戶專注打造高端精品物業，立志成為對高端品質不懈追求的中國房地產行業領跑者。本公司用心為客戶提供大氣舒放、貴氣質感、富有品質的高端生活體驗，不懈追求具有恒久價值的優質產品和用心週到的服務。基於對市場發展的精準判斷，對消費者需求的敏鋭洞悉，以及對高品質的不懈追求，公司採用先進的設計理念和嚴格的管理監控體系，致力於不斷提升定位、產品規劃設計、建設和服務能力，提升項目綜合品質，打造精品項目。

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Sun Hongbin *(Chairman)*
Mr. Wang Mengde *(Chief Executive Officer)*
Mr. Jing Hong
Mr. Chi Xun
Mr. Tian Qiang
Mr. Shang Yu
Mr. Huang Shuping
Mr. Sun Kevin Zheyi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Poon Chiu Kwok
Mr. Zhu Jia
Mr. Li Qin
Mr. Ma Lishan

COMPANY SECRETARY

Mr. Gao Xi
Ms. Mok Ming Wai
(resigned with effect from 7 September 2018)

AUTHORIZED REPRESENTATIVES

Mr. Wang Mengde
Mr. Gao Xi (appointed with effect from 7 September 2018)
Ms. Mok Ming Wai
(resigned with effect from 7 September 2018)

AUDIT COMMITTEE

Mr. Poon Chiu Kwok *(Chairman)*
Mr. Zhu Jia
Mr. Li Qin
Mr. Ma Lishan

REMUNERATION COMMITTEE

Mr. Zhu Jia *(Chairman)*
Mr. Sun Hongbin
Mr. Poon Chiu Kwok
Mr. Li Qin
Mr. Ma Lishan

NOMINATION COMMITTEE

Mr. Sun Hongbin *(Chairman)*
Mr. Poon Chiu Kwok
Mr. Li Qin
Mr. Ma Lishan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HEADQUARTERS AND PRINCIPAL PLACES OF BUSINESS IN THE PRC

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REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin

As to Cayman Islands law:
Conyers Dill & Pearman

As to PRC law:
Jincheng Tongda & Neal Law Firm

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Bank of China
China Construction Bank
Agricultural Bank of China
China CITIC Bank
China Minsheng Bank
China Merchants Bank
Ping An Bank
China Bohai Bank
Shanghai Pudong Development Bank
Industrial Bank
Bank of Tianjin
HSBC
Hang Seng Bank Limited

STOCK CODE

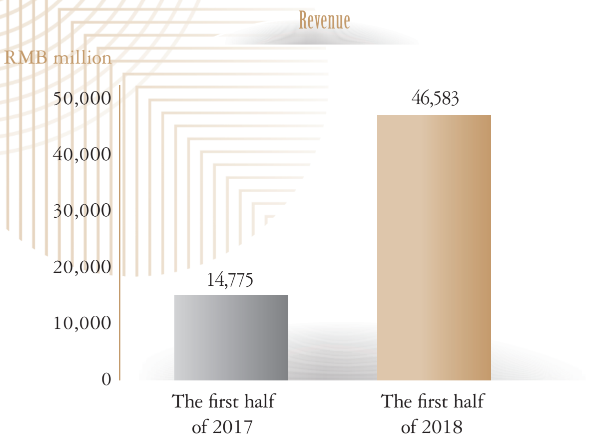
HKEx: 01918

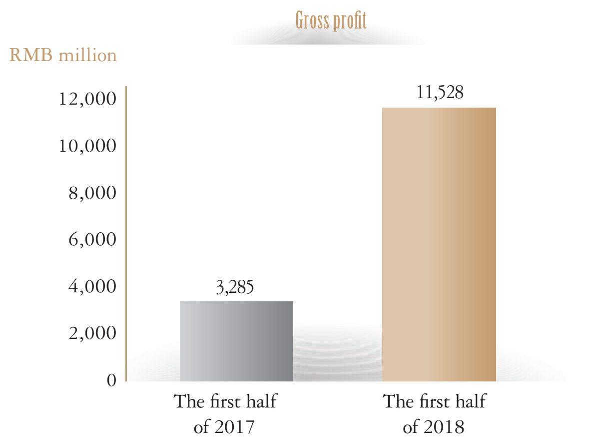
COMPANY'S WEBSITE

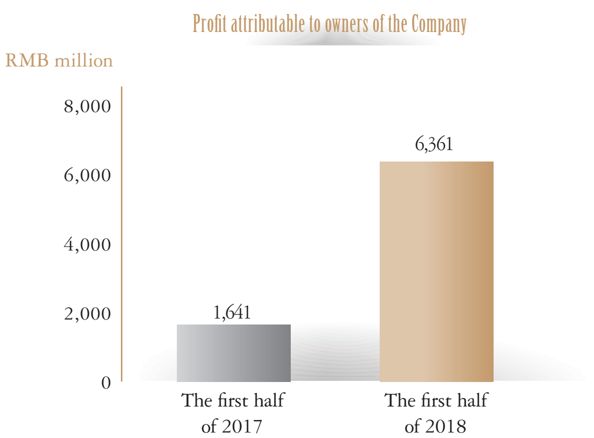
www.sunac.com.cn

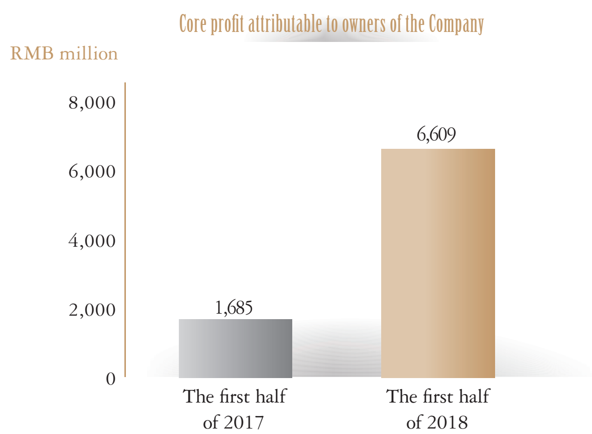
FINANCIAL SUMMARY

	For the six months ended 30 June (unaudited)		
	2018	2017 (Restated)	Increase
Revenue (RMB million)	**46,583**	14,775	215.3%
Gross profit (RMB million)	**11,528**	3,285	251.0%
Profit attributable to owners of the Company (RMB million)	**6,361**	1,641	287.7%
Core profit attributable to owners of the Company (RMB million)	**6,609**	1,685	292.3%
	2018	2017 (Restated)	Change
Gross profit margin (%)	**24.7%**	22.2%	2.5%









Financial review

The comparative figures for the six months ended 30 June 2017 referred in the following discussion and analysis have been restated pursuant to the adoption of HKFRS 15 *Revenue from Contracts with Customers*.

1 REVENUE

For the six months ended 30 June 2018, 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 and other services.

For the six months ended 30 June 2018, the Group's real estate development business included tier 1 & 2 cities and surrounding tier 1 cities in the People's Republic of China (the "PRC"). They were divided into 8 major regions for management, namely the Beijing region (including cities of Beijing, Jinan, Qingdao, etc.), the North China region (including cities of Tianjin, Zhengzhou, Xi'an, etc.), the Shanghai region (including cities of Shanghai, Suzhou, Nanjing, etc.), the Southwestern China region (including cities of Chongqing, Chengdu, Nanning, etc.), the Southeastern China region (including cities of Hangzhou, Hefei, Ningbo, etc.), the Guangzhou-Shenzhen region (including cities of Guangzhou, Shenzhen, Foshan, etc.), the Central China region (including cities of Wuhan, Changsha, Nanchang, etc.) and the Hainan region (including cities of Sanya, Haikou, Qionghai, etc.).

Total revenue of the Group for the six months ended 30 June 2018 amounted to approximately RMB46,583 million, representing a significant increase of approximately 215.3% comparing with the total revenue of approximately RMB14,775 million for the six months ended 30 June 2017.

For the six months ended 30 June 2018, revenue from the Group, its joint ventures and associates (excluding Leshi Internet Information & Technology Corp (Beijing) Co., Ltd., Lerong Zhixin Electronic Technology (Tianjin) Limited, Le Vision Pictures (Beijing) Co., Ltd., Jinke Property Group Co., Ltd. and Homelink Real Estate Agency Co., Ltd., the same below) (the "Affiliated Companies") was approximately RMB70,885 million, representing a significant increase of approximately RMB29,994 million (approximately 73.4%) as compared with the total revenue of approximately RMB40,891 million for the six months ended 30 June 2017, of which amounted to approximately RMB58,749 million profits attributable to owners of the Company, representing a significant increase of approximately RMB30,129 million (or approximately 105.3%) as compared to approximately RMB28,620 million for the six months ended 30 June 2017.

The following table sets forth certain details of the revenue:

	Six months ended 30 June			
	2018		2017 (Restated)	
	RMB billion	**%**	RMB billion	%
Revenue from sales of properties	**44.34**	**95.19**	14.28	96.66
Property management income	**0.49**	**1.05**	0.32	2.16
Revenue from cultural and tourism business	**1.05**	**2.26**	—	—
Other income	**0.70**	**1.50**	0.18	1.18
Total	**46.58**	**100.00**	14.78	100.00
Total gross floor area ("GFA") delivered (in million sq.m.)	**3.54**		0.89	

For the six months ended 30 June 2018, revenue from sales of properties increased by approximately RMB30,061 million (or approximately 210.5%) as compared with the amount for the six months ended 30 June 2017. Total area of delivered properties increased by approximately 2.65 million square meters ("sq. m.") (or approximately 299.7%) as compared with that for the six months ended 30 June 2017, mainly due to continuous increase in business scale of the Group's sales of properties, of which the delivered areas of property projects sold in various areas (particularly in Chongqing, Suzhou and Guangzhou) for the six months ended 30 June 2018 significantly increased as compared to the six months ended 30 June 2017.

2 COST OF SALES

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

For the six months ended 30 June 2018, the Group's cost of sales was approximately RMB35,055 million, representing an increase of approximately RMB23,565 million (or approximately 205.1%) as compared to the cost of sales of approximately RMB11,490 million for the six months ended 30 June 2017. Increase in cost of sales was mainly due to increase in the total area of delivered properties.

3 GROSS PROFIT

For the six months ended 30 June 2018, the Group's gross profit was approximately RMB11,528 million, which was approximately RMB8,243 million (or approximately 251.0%) higher than the gross profit of approximately RMB3,285 million for the six months ended 30 June 2017. Increase in gross profit was mainly due to increased sales revenue and higher gross profit margin of the Group.

For the six months ended 30 June 2018, the Group's gross profit margin was approximately 24.7%, representing an increase of approximately 2.5 percentage points as compared to approximately 22.2% for the six months ended 30 June 2017. This was mainly due to the increase in gross profit margin of sales income from properties in various areas, mainly including Shanghai, Suzhou and Hangzhou for the six months ended 30 June 2018 as compared with that for the six months ended 30 June 2017. Meanwhile, part of the Group's projects with higher gross profit margin (mainly located in Guangzhou) commenced delivery and recorded revenue during the six months ended 30 June 2018.

For the six months ended 30 June 2018, the Group's cost of sales included the amortization of revaluation surplus related to gains from business combination for the properties acquired in the amount of approximately RMB4,370 million. The Group's gross profit was approximately RMB15,898 million and gross profit margin was approximately 34.1% for the six months ended 30 June 2018 without taking into account such impact.

Further, gross profit, gross profit margin and gross profit attributable to owners of the Company of the Group, its joint ventures and associated companies of the Group recorded a significant increase during the six months ended 30 June 2018. For the six months ended 30 June 2018, total gross profit of the Group, its joint ventures and associated companies of the Group was approximately RMB18,588 million, with a gross profit margin of approximately 26.2%, of which approximately RMB15,304 million was gross profit attributable to owners of the Company. For the six months ended 30 June 2017, total gross profit of the Group, its joint ventures and associated companies of the Group was approximately RMB7,802 million, with a gross profit margin of approximately 19.1%, of which approximately RMB5,510 million was gross profit attributable to owners of the Company.

4 SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

The Group's selling and marketing costs increased by approximately 146.2% from approximately RMB779 million for the six months ended 30 June 2017 to approximately RMB1,919 million for the six months ended 30 June 2018. The Group's administrative expenses increased by approximately 282.1% from approximately RMB775 million for the six months ended 30 June 2017 to approximately RMB2,962 million for the six months ended 30 June 2018. The increases in selling and marketing costs and administrative expenses were mainly due to continuous expansion of scale of property sales business, substantial increase in the number of property projects of the Group, as well as additional new businesses such as cultural and tourism business, etc., resulting in substantial increase in staff costs, advertisement and marketing costs.

5 OTHER INCOME AND GAINS

The Group's other income and gains increased by approximately RMB1,064 million from approximately RMB4,282 million for the six months ended 30 June 2017 to approximately RMB5,346 million for the six months ended 30 June 2018, mainly because the income on capital use fee received by the Group from joint ventures, associates and others increased by approximately RMB537 million compared to the six months ended 30 June 2017.

6 OPERATING PROFIT

Concluding from the above analysis, the Group's operating profit increased substantially by approximately RMB7,070 million from approximately RMB4,675 million for the six months ended 30 June 2017 to approximately RMB11,745 million for the six months ended 30 June 2018, mainly due to the following reasons:

(i) Gross profit increased by approximately RMB8,243 million;

(ii) Selling and marketing costs and administrative expenses increased by approximately RMB3,327 million; and

(iii) Other income and gains increased by approximately RMB1,064 million while other expenses and losses decreased by approximately RMB1,080 million.

7 FINANCE COSTS

The Group's finance costs increased by approximately RMB808 million from approximately RMB2,139 million for the six months ended 30 June 2017 to approximately RMB2,947 million for the six months ended 30 June 2018 mainly due to the following reasons:

(i) as the weighted average financing size and market interest rates increased compared to the six months ended 30 June 2017 resulting in increased total interest costs, interest expenses increased by approximately RMB444 million to approximately RMB2,517 million for the six months ended 30 June 2018 from approximately RMB2,073 million for the six months ended 30 June 2017; and

(ii) due to increase in exchange rate fluctuation, net foreign exchange loss increased by approximately RMB364 million to approximately RMB430 million for the six months ended 30 June 2018 from approximately RMB66 million for the six months ended 30 June 2017.

The Group's weighted average interest rate was approximately 6.74% for the six months ended 30 June 2018.

8 SHARE OF RESULTS OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

For the six months ended 30 June 2018, the Group recognised a net profit after tax of approximately RMB1,112 million with respect to its share of results of investments accounted for using equity method. While for the six months ended 30 June 2017, the Group recognised a net loss of approximately RMB177 million with respect to its share of results of investments accounted for using equity method. The change was mainly due to the substantial increase in gross profit margin of sales of properties of the Group's joint ventures and associated companies for the six months ended 30 June 2018 as compared with the amount for six months ended 30 June 2017, resulting in higher attributable net profit after tax.

9 PROFITS

Due to substantial increase in the Group's gross profit, the Group's profits attributable to owners of the Company increased substantially from approximately RMB1,641 million for the six months ended 30 June 2017 to approximately RMB6,361 million for the six months ended 30 June 2018.

The table below sets out profits attributable to the Company's owners, the perpetual capital securities holders and other non-controlling interests as at the stated dates:

	Six months ended 30 June	
	2018 **RMB billion**	2017 RMB billion (Restated)
Profits during the period	**6.78**	1.97
Attributable to:		
Owners of the Company	**6.36**	1.64
Holders of perpetual capital securities	**0.34**	0.35
Other non-controlling interests	**0.08**	(0.02)
	6.78	1.97

Excluding the impact of net exchange loss and changes in fair values of financial assets, derivative financial instruments and investment properties, the Group's core profit attributable to owners of the Company amounted to approximately RMB6,609 million for the six months ended 30 June 2018, representing a substantial increase of approximately 292.3% as compared with approximately RMB1,685 million for the six months ended 30 June 2017.

10 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.

Due to the Group's commitment to improving capital usage efficiency and decreasing the scale of interest-bearing liabilities, the Group's cash and cash equivalents (including restricted cash) slightly decreased by approximately 9.6% to approximately RMB87,417 million as at 30 June 2018 from approximately RMB96,719 million as at 31 December 2017, of which non-restricted cash slightly decreased to approximately RMB62,484 million as at 30 June 2018 from approximately RMB68,433 million as at 31 December 2017.

Non-restricted cash decreased due to the following main reasons:

(i) approximately RMB37,379 million of net cash inflow from operating activities due to increased revenue from pre-sale of the Group's properties;

(ii) approximately RMB28,693 million of net cash outflow used in investment activities mainly caused by the new projects obtained by the Group through direct investments or acquisition of equities; and

(iii) approximately RMB14,524 million of net cash outflow from financing activities mainly attributed to approximately RMB7,090 million of interest payment and approximately RMB11,336 million of borrowings outflow.

Currently, the Group believes that it has sufficient operating capital to resist risks besides supporting business growth in the foreseeable future.

11 BORROWINGS AND SECURITIES

As the Group further reduced its leverage level through measures such as formulating more prudent investment strategies for new projects, total borrowing decreased by approximately RMB9,503 million to approximately RMB209,767 million as at 30 June 2018 from approximately RMB219,270 million as at 31 December 2017.

As at 30 June 2018, approximately RMB179,744 million (as at 31 December 2017: approximately RMB187,604 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 approximately RMB180,230 million (as at 31 December 2017: approximately RMB164,408 million)) and equities (including those legally transferred as collateral) of certain of the Group's subsidiaries.

12 NET DEBT TO TOTAL ASSETS RATIO AND GEARING RATIO

Net debt to total asset ratio is calculated by dividing the total net liabilities with the total assets. Net debt is calculated by deducting cash and cash equivalents (including restricted cash) from total borrowings (including current and long-term borrowings). As at 30 June 2018, the Group's net debt to total assets ratio was approximately 18.3%, representing a decrease as compared to approximately 19.7% as at 31 December 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 30 June 2018, the Group's gearing ratio was approximately 65.8%, representing a decrease as compared to approximately 66.9% as at 31 December 2017.

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

13 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	
	30 June 2018 RMB billion	31 December 2017 RMB billion
Floating interests		
Less than 12 months	**13.81**	30.17
1-5 years	**48.51**	40.97
Over 5 years	**2.83**	5.32
Subtotal	**65.15**	76.46
Fixed interests		
Less than 12 months	**56.21**	48.50
1-5 years	**80.28**	91.29
Over 5 years	**8.13**	3.02
Subtotal	**144.62**	142.81
Total	**209.77**	219.27

As at 30 June 2018, 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.

14 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 30 June 2018, the Group recorded an exchange loss in the amount of approximately RMB430 million due to fluctuations in foreign exchange rates. However, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. The Group properly hedged against its exposure to fluctuations in foreign exchange rates through derivative financial instruments to ensure that the net exposure is maintained at an acceptable level.

15 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 total amount of such guarantees was approximately RMB69,253 million as at 30 June 2018 as compared with approximately RMB49,780 million as at 31 December 2017. 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.

BUSINESS REVIEW AND OUTLOOK

Review of the first half of 2018

In the first half of 2018, because of changes in the internal and external environments, the Chinese economy faced some challenges, but in general it maintained stable development, and achieved initial results in preventing and eliminating financial risks. The economic structure was further adjusted and optimized. The tightening trend of the real estate regulation policy has been maintained under the basic philosophy of "housing is for living in, not for speculation", with policies such as purchase and price restrictions continued to be strengthened, and the credit policy for the real estate industry was also further tightened. Under this market environment, most urban real estate sales continued to maintain a relatively high degree of fervor, but began to show significant differentiation. Benefiting from the Group's high-quality and cost-effective land bank and high-quality product advantages, and the Group's initiative to actively respond by improving investment standards and strictly controlling the pace of investment on the one hand and resolutely increasing the turnover and stepping up the destocking efforts on the other hand, the Group achieved excellent operating results in the first half of the year.

In the first half of 2018, the Group recorded revenue of approximately RMB46.6 billion, representing an increase of approximately 215.3% year-on-year; gross profit amounted to approximately RMB11.5 billion, representing an increase of approximately 251.0% year-on-year, and gross profit margin increased rapidly to approximately 24.7%. While revenue and gross profit margin grew rapidly, earnings also achieved rapid growth. In the first half of the year, profit attributable to owners of the Company amounted to approximately RMB6.4 billion, a substantial increase of approximately 287.7% year-on-year, and core net profit amounted to approximately RMB6.6 billion, representing a substantial increase of approximately 292.3% year-on-year.

In the first half of 2018, the Group continued to step up its destocking efforts. With the support of sufficient high-quality and available-for-sale resources, the realized amount of contracted sales was approximately RMB191.5 billion, an increase of approximately 76.0% over the same period last year. The attributable amount of contracted sales also reached approximately RMB137.8 billion, an increase of approximately 83.7% over the same period last year, securely ranking among the top five in the industry.

In the first half of 2018, the Group continued to maintain the cautious and conservative approach that began in the fourth quarter of 2016, further improved the land acquisition standard, controlled the pace and scale of land acquisition, effectively leveraged the product, project management and brand advantages, integrated and utilized the resources of partners, and obtained some quality projects with less investment. As at 30 August 2018, the new land bank acquired in 2018 amounted to approximately 29.2 million sq.m., of which the attributable land bank was approximately 15.45 million sq.m. and the average land cost was RMB3,620/sq.m. After taking into account the above-mentioned newly acquired projects and the contracted land reserve such as redevelopment of old residential properties, the land bank in aggregate amounted to approximately 231 million sq.m., with a total value of approximately RMB3.29 trillion which is mainly distributed in tier 1 & 2 cities and surrounding tier 1 cities. Adequate high quality land bank will provide support for the Group's stable development in the coming years.

Since the second half of 2017, the Group has been committed to releasing its competitive advantages into excellent financial performance and supporting more balanced development of the Company. In the first half of this year, this strategy continued to be implemented and the scale of operation was further expanded. Sales, revenue and earnings all achieved rapid growth. Meanwhile, the size of the Group's interest-bearing liabilities was under control and the amount was decreased by RMB9.5 billion. The net gearing ratio also decreased by approximately 9.5 percentage points from the end of 2017. (If perpetual debts are regarded as interest-bearing liabilities, the net gearing ratio in mid-2018 was down by approximately 24.5 percentage points from the end of 2017).

In the first half of 2018, the Group established an independent cultural and tourism group. In the future, the Group will focus on enhancing the operational efficiency and profitability of its cultural and tourism assets, and continue to enhance industry competitiveness so as to reserve new momentum for the Company's continued and stable development in the future.

Outlook for the second half of 2018

In the second half of 2018, the Group will continue to maintain and strengthen the competitive advantages of its real estate development business, and adhere to the overall strategy of enhancing operation, controlling investment and reducing leverage so as to enable the Company to quickly enter a new stage of more balanced and stable development.

In the second half of 2018, the Group will continue to adhere to the business philosophy of ensuring turnover and destocking. The reasonable land layout and land cost will enable the Group to actively respond to volatility in the market environment and meet policy requirements. It is anticipated that the Group will have over 360 projects under sales in the second half of the year, and the total saleable resources will exceed RMB490 billion. Adequate and high-quality available-for-sale resources will strongly support the achievement of the Group's business objectives and the maintenance of ample liquidity.

In the second half of 2018, it is expected that with the continuation of the regulatory policy and the continued tightening of liquidity, the overall land price of the land market will gradually decline and become more reasonable, and there will be more opportunities in the mergers and acquisitions market. However, based on the sufficient and high-quality land bank already owned by the Group, the Group will continue to adhere to the cautious strategy implemented in the first half of the year, insist on its high land acquisition standard, prudently grasp the pace of land acquisition and strictly control the scale.

In the second half of 2018, the Group will continue to strengthen its competitive advantages in the real estate development business, with the goal of releasing these competitive advantages into excellent financial performance to support the Group's more balanced and stable development. With respect to non-real estate development related investments, the Group will focus on managing and operating existing projects properly, continuously improving team capabilities and operational efficiency, leveraging the synergies between various sectors, and striving to build new business drivers for the Group in the future. For new investments, the Group will take a more cautious approach, focus on a small number of high-quality targets with a platform value and strong synergies with the main business, and strictly control the investment pace and scale.

In the second half of 2018, the Group will focus on the three public welfare plans comprising the "Saplings Charity Program", the "Rural Revitalization Program" and the "Architectural Heritage Conservation Program" through the established Sunac Public Welfare Foundation to fulfill social responsibility in a more active and systematic manner.

BUSINESS HIGHLIGHTS

1 Summary of land bank

As at 30 June 2018, the Group and its Affiliated Companies had a total land bank of approximately 155.9 million sq.m. and attributable land bank of approximately 109.4 million sq.m.. The breakdown of land bank by region and city as at 30 June 2018 was as follows:

Region	**City**	**Total land bank** *'000 sq.m.*	**Attributable land bank** *'000 sq.m.*
Beijing region	Beijing	789.5	431.1
	Ji'nan	8,622.3	6,471.4
	Qingdao	12,019.9	8,942.2
	Taiyuan	1,926.4	1,222.9
	Shijiazhuang	1,434.6	256.5
	Zhangjiakou	176.7	137.9
	Lanzhou	738.9	517.2
	Yantai	1,786.2	1,221.8
	Langfang	1,246.5	648.2
	Chengde	377.6	377.6
	Dezhou	531.6	318.9
	Subtotal	**29,650.2**	**20,545.7**
North China region	Tianjin	9,904.5	6,879.1
	Xi'an	5,875.3	3,422.1
	Zhengzhou	3,847.5	2,373.0
	Shenyang	2,516.9	1,404.2
	Dalian	1,855.4	1,713.5
	Harbin	2,919.1	2,269.7
	Changchun	311.5	155.7
	Daqing	252.9	252.9
	Subtotal	**27,483.1**	**18,470.2**

Region	City	Total land bank '000 sq.m.	Attributable land bank '000 sq.m.
Shanghai region	Shanghai	3,524.9	2,043.3
	Suzhou	2,724.7	1,337.6
	Nanjing	1,177.2	700.4
	Wuxi	4,561.3	3,834.7
	Urumqi	587.2	587.2
	Changzhou	592.7	548.2
	Zhenjiang	660.7	467.5
	Nantong	618.7	514.7
	Yangzhou	1,050.7	382.2
	Xuzhou	1,561.2	719.2
	Yancheng	83.5	27.6
	Taizhou	784.2	276.1
	Wuhu	527.2	264.7
	Ma'anshan	63.4	31.1
	Chuzhou	920.2	332.1
	Zaozhuang	164.8	49.4
	Subtotal	**19,602.6**	**12,116.0**
Southwestern China region	Chongqing	16,173.1	11,601.2
	Chengdu	5,886.5	5,165.6
	Nanning	2,360.4	1,471.4
	Kunming	5,162.2	3,451.4
	Guilin	1,955.8	1,779.8
	Guiyang	1,511.3	929.2
	Liuzhou	120.2	120.2
	Beihai	1,317.2	574.6
	Xishuangbanna	2,432.6	2,213.7
	Nanchong	176.5	105.9
	Mianyang	121.3	36.4
	Subtotal	**37,217.1**	**27,449.4**

Region	City	Total land bank '000 sq.m.	Attributable land bank '000 sq.m.
Southeastern China region	Hangzhou	4,269.9	2,352.2
	Hefei	2,645.1	2,211.7
	Xiamen	131.1	131.1
	Ningbo	1,970.0	1,203.6
	Jiaxing	953.7	648.9
	Huzhou	1,263.0	697.0
	Shaoxing	1,054.3	552.3
	Putian	149.3	149.3
	Quanzhou	334.4	318.1
	Zhoushan	776.1	263.8
	Taizhou	81.6	81.6
	Wenzhou	223.9	31.3
	Jinhua	224.9	49.7
	Subtotal	**14,077.3**	**8,690.6**
Guangzhou-Shenzhen region	Shenzhen	540.6	223.4
	Guangzhou	3,268.6	2,470.2
	Foshan	1,822.8	1,276.2
	Dongguan	260.1	235.1
	Huizhou	1,022.5	1,022.5
	Zhongshan	973.4	931.0
	Zhuhai	117.3	58.7
	Qingyuan	1,619.3	1,519.3
	Jiangmen	2,941.9	2,475.8
	Zhaoqing	1,318.5	1,129.5
	Zhanjiang	444.6	444.6
	Subtotal	**14,329.6**	**11,786.3**

Region	City	Total land bank '000 sq.m.	Attributable land bank '000 sq.m.
Central China region	Wuhan	4,992.8	4,027.7
	Changsha	1,505.4	1,486.1
	Nanchang	1,928.0	1,738.0
	Yichang	453.0	249.1
	Jingdezhen	103.7	103.7
	Ji'an	198.4	101.2
	Subtotal	**9,181.3**	**7,705.8**
Hainan region	Sanya	421.6	277.5
	Haikou	1,348.6	997.0
	Wanning	846.2	423.1
	Qionghai	1,284.7	642.4
	Ding'an	201.4	102.7
	Tunchang	200.8	120.5
	Wenchang	95.4	24.3
	Subtotal	**4,398.7**	**2,587.5**
	Total	**155,939.9**	**109,351.5**

As at 30 August 2018, the total land bank[Note] and attributable land bank of the Group and its Affiliated Companies amounted to approximately 160 million sq.m. and 112 million sq.m., respectively. Taking the contracted land reserve such as redevelopment of old residential properties into account, the total land bank[Note] of the Group and its Affiliated Companies amounted to approximately 231 million sq.m..

Note: The land bank is as of 30 June 2018 and also includes the land acquired from 1 July 2018 to 30 August 2018.

2 Contracted sales

For the six months ended 30 June 2018, the Group and its Affiliated Companies achieved contracted sales area of approximately 12.0 million sq.m. and contracted sales amount of approximately RMB191.5 billion, representing an increase of approximately 76.0% as compared with those for the six months ended 30 June 2017, and it ranks the fifth(Note) in the PRC real estate industry in terms of contracted sales amount.

Region	**Contracted sales area** *'000 sq.m.*	**Contracted sales amount** *RMB billion*
Beijing region	1,708.0	30.1
North China region	2,848.0	38.0
Shanghai region	1,632.0	31.6
Southwestern China region	2,432.0	30.6
Southeastern China region	1,730.0	36.6
Guangzhou-Shenzhen region	866.0	12.3
Central China region	604.0	8.2
Hainan region	144.0	4.1
Total	**11,964.0**	**191.5**

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code on corporate governance and had, throughout the six months ended 30 June 2018, complied with all applicable code provisions under the Corporate Governance Code.

The Board recognizes and appreciates the importance and benefits of good corporate governance and has adopted certain 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 statutory requirements. The Company has established an internal reporting practice within the Group in order to monitor the operation and business development of the Company.

CHANGES OF INFORMATION OF DIRECTORS

Mr. Poon Chiu Kwok, independent non-executive Director, resigned as a non-executive director of Chong Kin Group Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 1609), on 6 June 2018.

Save as disclosed in this report, there is no change in Directors' information that is required to be disclosed in accordance with Rules 13.51B(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2017 by the Company.

SHARE OPTION SCHEMES

The Company adopted a post-IPO share option scheme (the "2011 Share Option Scheme") on 29 April 2011 and a new share option scheme (the "2014 Share Option Scheme", together with the 2011 Share Option Scheme, the "Share Option Schemes") on 19 May 2014. The purpose of the Share Option Schemes is to provide an incentive for the employees of the Group and to commend their contribution.

1 THE 2011 SHARE OPTION SCHEME

At the annual general meeting of the Company held on 29 April 2011, the shareholders of the Company approved and adopted the 2011 Share Option Scheme. At the extraordinary general meeting of the Company held on 17 March 2014, the shareholders of the Company approved and adopted amendments to the 2011 Share Option Scheme. Details of the amendments are set forth in the Company's circular dated 28 February 2014.

As at 30 June 2018, the details and changes of the share options granted under 2011 Share Option Scheme were as follows:

Date of grant	Vesting date	Percentage of vesting	Expiry date	Exercise price per share (HK$)	Closing price before the date of grant (HK$)	Number of options granted	Accumulated number of options exercised from the date of grant to 30 June 2018	Accumulated number of options cancelled from the date of grant to 30 June 2018	Accumulated number of options lapsed from the date of grant to 30 June 2018	Number of outstanding options as at 30 June 2018	Number of options exercised for the six months ended 30 June 2018	Weighted-average closing price before the exercise date for the six months ended 30 June 2018 (HK$)
30/9/2011	30/9/2011 29/4/2012 29/4/2013	30% 30% 40%	28/4/2017	1.484	1.44	39,900,000	39,333,800	339,000	227,200	—	—	—
21/5/2012	21/5/2012 29/4/2013 29/4/2014	30% 30% 40%	28/4/2018	2.33	2.22	29,100,000	28,355,000	651,000	94,000	—	3,824,000	32.29
2/5/2013	2/5/2013 29/4/2014 29/4/2015	30% 30% 40%	28/4/2019	6.32	6.26	30,900,000	19,886,976	731,404	1,398,000	8,883,620	570,000	35.48
		Total				**99,900,000**	**87,575,776**	**1,721,404**	**1,719,200**	**8,883,620**	**4,394,000**	

For the six months ended 30 June 2018, the movements in the options granted to directors and employees under the 2011 Share Option Scheme were as follows:

Name of grantee	Granted on 30 September 2011	Granted on 21 May 2012	Granted on 2 May 2013	Granted in aggregate	Number of outstanding options as at 1 January 2018	Number of options exercised for the six months ended 30 June 2018	Number of options cancelled for the six months ended 30 June 2018	Number of options lapsed for the six months ended 30 June 2018	Number of outstanding options as at 30 June 2018
Directors									
Mr. Sun Hongbin	2,600,000	400,000	—	3,000,000	—	—	—	—	—
Mr. Wang Mengde	2,300,000	1,300,000	1,600,000	5,200,000	2,900,000	1,300,000	—	—	1,600,000
Mr. Jing Hong	2,600,000	1,200,000	1,300,000	5,100,000	900,000	—	—	—	900,000
Mr. Chi Xun	2,600,000	1,200,000	1,300,000	5,100,000	—	—	—	—	—
Mr. Tian Qiang	—	1,200,000	1,300,000	2,500,000	600,000	600,000	—	—	—
Mr. Shang Yu	2,300,000	1,200,000	1,300,000	4,800,000	2,500,000	1,200,000	—	—	1,300,000
Mr. Huang Shuping	2,100,000	770,000	950,000	3,820,000	950,000	—	—	—	950,000
Senior management and employees	25,400,000	21,830,000	23,150,000	70,380,000	5,499,620	1,294,000	—	72,000	4,133,620
Total	**39,900,000**	**29,100,000**	**30,900,000**	**99,900,000**	**13,349,620**	**4,394,000**	—	**72,000**	**8,883,620**

2 THE 2014 SHARE OPTION SCHEME

The 2014 Share Option Scheme was approved and adopted by the shareholders of the Company at the annual general meeting held on 19 May 2014.

As at 30 June 2018, the details and changes of the share options granted under the 2014 Share Option Scheme were as follows:

Date of grant	Vesting date	Percentage of vesting	Expiry date	Exercise price per share (HK$)	Closing price before the date of grant (HK$)	Number of options granted	Accumulated number of options exercised from the date of grant to 30 June 2018	Accumulated number of options cancelled from the date of grant to 30 June 2018	Accumulated number of options lapsed from the date of grant to 30 June 2018	Number of outstanding options as at 30 June 2018	Number of options exercised for the six months ended 30 June 2018	Weighted-average closing price before the exercise date for the six months ended 30 June 2018 (HK$)
5/6/2014	5/6/2014 5/6/2015 5/6/2016	30% 30% 40%	4/6/2019	4.07	3.96	33,267,000	21,413,500	1,363,400	359,000	10,131,100	710,000	35.91
9/7/2015	9/7/2015 9/7/2016 9/7/2017	30% 30% 40%	8/7/2020	7.27	6.34	33,267,000	11,315,500	900,280	914,520	20,136,700	313,200	35.25
20/6/2016	20/6/2016 20/6/2017 20/6/2018	30% 30% 40%	19/6/2021	4.62	4.56	39,920,000	8,988,000	590,000	120,000	30,222,000	618,000	31.36
22/12/2017	22/12/2017 22/12/2018 22/12/2019	30% 30% 40%	21/12/2022	30.25	30.25	59,920,246	164,000	—	—	59,756,246	164,000	35.99
		Total				**166,374,246**	**41,881,000**	**2,853,680**	**1,393,520**	**120,246,046**	**1,805,200**	

For the six months ended 30 June 2018, the movements in the share options granted to directors and employees under the 2014 Share Option Scheme were set out as follows:

Name of grantee	Granted on 5 June 2014	Granted on 9 July 2015	Granted on 20 June 2016	Granted on 22 December 2017	Granted in aggregate	Number of outstanding options as at 1 January 2018	Number of options exercised for the six months ended 30 June 2018	Number of options cancelled for the six months ended 30 June 2018	Number of options lapsed for the six months ended 30 June 2018	Number of outstanding options as at 30 June 2018
Directors										
Mr. Sun Hongbin	1,300,000	—	—	—	1,300,000	1,300,000	—	—	—	1,300,000
Mr. Wang Mengde	1,200,000	1,300,000	2,000,000	2,800,000	7,300,000	7,300,000	—	—	—	7,300,000
Mr. Jing Hong	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	5,400,000	—	—	—	5,400,000
Mr. Chi Xun	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	6,000,000	—	—	—	6,000,000
Mr. Tian Qiang	1,100,000	1,200,000	1,800,000	2,600,000	6,700,000	5,600,000	—	—	—	5,600,000
Mr. Shang Yu	1,100,000	1,200,000	1,500,000	2,500,000	6,300,000	6,300,000	—	—	—	6,300,000
Mr. Huang Shuping	1,100,000	1,100,000	1,800,000	1,830,082	5,830,082	5,830,082	—	—	—	5,830,082
Senior management and employees	25,267,000	26,067,000	28,820,000	44,590,164	124,744,164	84,509,564	1,805,200	60,000	128,400	82,515,964
Total	33,267,000	33,267,000	39,920,000	59,920,246	166,374,246	122,239,646	1,805,200	60,000#	128,400	120,246,046

The exercise price of these 60,000 cancelled share options is HK$4.62 per share.

SHARE AWARD SCHEME

In order to encourage the employees of the Group to continuously make greater contributions for the Group's long-term growth in the future, the Group further optimizes the remuneration system for its employees by adjusting the existing remuneration system of integrating salary with share option schemes to one integrating salary with share award schemes. Based on the foregoing, the Board resolved to adopt a share award scheme (the "2018 Share Award Scheme") on 8 May 2018 (the "Adoption Date").

Unless early terminated by the Board, the 2018 Share Award Scheme shall be effective for ten years from the Adoption Date. Pursuant to the 2018 Share Award Scheme, the Company will entrust the trustee of the 2018 Share Award Scheme to purchase existing Shares in the open market based on the Company's overall remuneration incentive plan. The trustee will hold such Shares on behalf of the relevant selected employees on trust, until such Shares are vested with the relevant selected employees in accordance with the rules of the 2018 Share Award Scheme. The aggregated maximum number of Shares that the trustee may purchase must not exceed 5% of the total share capital in issue of the Company on the Adoption Date.

For the six months ended 30 June 2018, the trustee of the 2018 Share Award Scheme purchased 12,412,000 Shares from the open market at a total consideration of approximately HK$360 million pursuant to the terms of the trust deed and the rules of the 2018 Share Award Scheme. As at 30 August 2018, on a cumulative basis, the trustee of the 2018 Share Award Scheme has purchased on the open market a total of 39,245,000 shares at the total consideration of approximately HK$1,040 million.

As at 30 June 2018, no share had been awarded to the selected employees under the 2018 Share Award Scheme on a cumulative basis since the Adoption Date.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2018, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

(I) INTERESTS IN SHARES OF THE COMPANY ("SHARES")

Name of Director	Nature of Interest	Number of ordinary Shares of the Company[2]	Approximate percentage of interest in the Company[3]
Mr. Sun Hongbin	Interest in controlled corporations[1]	2,091,329,884 (L)	47.50%
	Beneficial interest	10,090,000 (L)	0.23%
Mr. Wang Mengde	Beneficial interest	9,448,000 (L)	0.23%
Mr. Jing Hong	Beneficial interest	6,406,000 (L)	0.15%
	Interest of spouse	609,000 (L)	0.01%
Mr. Chi Xun	Beneficial interest	4,384,000 (L)	0.10%
Mr. Tian Qiang	Beneficial interest	3,202,000 (L)	0.07%
Mr. Shang Yu	Beneficial interest	1,550,000 (L)	0.04%

Notes:

(1) Among the 2,091,329,884 Shares, 2,042,623,884 Shares are held by Sunac International Investment Holdings Ltd. ("Sunac International") and 48,706,000 Shares are held by 天津標的投資諮詢有限公司 (for identification only, Tianjin Biaodi Investment Consultancy Company Limited) ("Tianjin Biaodi"). 70% of the total issued share capital of Sunac International is directly held by Mr. Sun Hongbin and the remaining 30% is indirectly held by two family trusts of Mr. Sun's family (the "Family Trusts"). The Family Trusts were established in May and June 2018, respectively, the beneficiary of which are family members of Mr. Sun Hongbin. All the equity interest in Tianjin Biaodi is held by Mr. Sun Hongbin. In accordance with the SFO, Mr. Sun Hongbin is deemed to be interested in the aforesaid Shares.

(2) The letter "L" denotes the person's long position in such shares.

(3) Calculated on the basis of 4,402,653,209 Shares in issue as at 30 June 2018.

(II) INTERESTS IN THE UNDERLYING SHARES OF THE COMPANY

Name of Director	Number of outstanding Share options[1]	Approximate percentage of interest in the Company[2]
Mr. Sun Hongbin	1,300,000	0.03%
Mr. Wang Mengde	8,900,000	0.20%
Mr. Jing Hong	6,300,000	0.14%
Mr. Chi Xun	6,000,000	0.14%
Mr. Tian Qiang	5,600,000	0.13%
Mr. Shang Yu	7,600,000	0.17%
Mr. Huang Shuping	6,780,082	0.15%

Notes:

(1) The outstanding Share options are the Share options granted under the 2011 Share Option Scheme and the 2014 Share Option Scheme (as appropriate).

(2) Calculated on the basis of 4,402,653,209 Shares in issue as at 30 June 2018.

Save as disclosed herein, as at 30 June 2018, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 30 June 2018, the following persons (other than a Director or chief executive of the Company) had an interest in 5% or more in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of Interest/Capacity	Number of Shares(1)	Approximate percentage of interest in the Company(3)
Sunac International	Beneficial interest	2,042,623,884 (L)	46.40%
Ping An Bank Company Limited, Shanghai Pilot Free-Trade Zone Branch (平安銀行股份有限公司上海自貿試驗區分行) (2)	Security interest	1,589,549,451 (L)	36.10%
Ping An Bank Company Limited (平安銀行股份有限公司) (2)	Interest in a controlled corporation	1,589,549,451 (L)	36.10%
Ping An Insurance (Group) Company of China, Ltd. (中國平安保險 (集團) 股份有限公司) (2)	Interest in a controlled corporation	1,589,549,451 (L)	36.10%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) Ping An Bank Company Limited, Shanghai Pilot Free-Trade Zone Branch, which was wholly owned by Ping An Bank Company Limited, had a security interest in 1,589,549,451 Shares held by Sunac International. Ping An Bank Company Limited was owned as to 49.56% by Ping An Insurance (Group) Company of China, Ltd. As a result, Ping An Bank Company Limited and Ping An Insurance (Group) Company of China, Ltd. were deemed to have security interest in 1,589,549,451 Shares.

(3) Calculated on the basis of 4,402,653,209 Shares in issue as at 30 June 2018.

Save as disclosed herein, as at 30 June 2018, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

For the six months ended 30 June 2018, the trustee of the 2018 Share Award Scheme purchased 12,412,000 Shares from the open market at a total consideration of approximately HK$360 million pursuant to the terms of the trust deed and the rules of the 2018 Share Award Scheme. As at 30 August 2018, on a cumulative basis, the trustee of the 2018 Share Award Scheme has purchased on the open market a total of 39,245,000 shares at the total consideration of approximately HK$1,040 million.

On 17 April 2018, the Company successfully issued the US$650 million 7.35% senior notes due 2021 and the US$450 million 8.35% senior notes due 2023. On 25 July 2018, the Company successfully issued the US$400 million 8.625% senior notes due 2020.

Save as the aforesaid, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the securities of the Company for the six months ended 30 June 2018.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

As stated in the Company's announcement dated 26 June 2017, on 26 June 2017, Shining View Investments Limited ("Shining View"), an indirect wholly-owned subsidiary of the Company (as borrower), the Company (as guarantor), and Lead Star Holdings Limited, a direct wholly-owned subsidiary of the Company (as chargor), entered into a facility agreement (the "Facility Agreement") with Industrial and Commercial Bank of China (Asia) Limited (as lender) (the "Lender"), pursuant to which the Lender agreed to make available to Shining View a RMB1,000,000,000 term loan facility with a term of 3 years. Pursuant to the Facility Agreement, if Mr. Sun Hongbin, the controlling shareholder of the Company, (i) ceases to be directly or indirectly the single largest shareholder of the Company or (ii) ceases to control the Company, an event of default will occur in accordance with the Facility Agreement. As at 30 June 2018, the above specific performance obligation on the part of Mr. Sun Hongbin continued to subsist.

Save as disclosed above, there was no other matter subsisting as at 30 June 2018 which requires disclosure in this report pursuant to Rule 13.21 of the Listing Rules.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2018, the Group had a total of 24,105 employees in the PRC and Hong Kong. For the six months ended 30 June 2018, the staff cost of the Group was approximately RMB2.05 billion.

The employees' remuneration policy of the Group is determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff.

In order to attract and retain excellent talents, the Company adopted the 2011 Share Option Scheme on 29 April 2011 and the 2014 Share Option Scheme on 19 May 2014 for granting share options to eligible persons (including employees of the Group) entitling them the right to subscribe for shares of the Company, details of which are set out on pages 19 to 22 of this interim report. Furthermore, the Company adopted the 2018 Share Award Scheme on 8 May 2018 for the award of shares to selected employees which will be held on trust by the trustee subject to vesting of the awarded shares, in each case in accordance with the trust deed and rules of the 2018 Share Award Scheme, details of which are set out on page 22 of this interim report. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness. The Group did not experience any major difficulties in recruitment of employees, nor did it experience any material loss in manpower or any material labour dispute for the six months ended 30 June 2018.

The emoluments of the Directors are first reviewed by the remuneration committee of the Company and then approved by the Board, with regard to the Directors' skill, knowledge, involvement in the Group's affairs and the performance of each Director, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company. Upon specific enquiries being made with all Directors, each Director confirmed that he had complied with the required standards set out in the Model Code during the six months ended 30 June 2018 in relation to their securities dealings, if any.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established the audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3 of the Corporate Governance Code. The Audit Committee 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 Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters related to auditing, internal control and risk management systems and financial reporting matters, including the review of the unaudited interim financial results of the Group for the six months ended 30 June 2018.

The unaudited interim financial information for the six months ended 30 June 2018 has been reviewed by the independent auditor of the Company in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 30 August 2018

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

To the Board of Directors of Sunac China Holdings Limited
(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 29 to 82, which comprises the interim condensed consolidated balance sheet of Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2018

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**47,325,097**	39,262,620
Investment properties	9	**13,942,829**	12,821,611
Intangible assets	10	**4,207,379**	3,637,131
Deferred tax assets		**2,535,060**	1,913,730
Investments accounted for using the equity method	11	**62,123,352**	58,613,221
Financial assets at fair value through profit or loss	4(B)	**2,361,716**	—
Available-for-sale financial assets	4(B)	—	871,578
Receivables	14	**608,750**	915,750
Prepayments	15	**2,012,413**	4,950,793
Derivative financial instruments	22	**69,492**	14,865
Amounts due from related companies	35	**705,168**	500,016
Total non-current assets		**135,891,256**	123,501,315
Current Assets			
Properties under development	12	**283,935,546**	271,514,992
Completed properties held for sale	13	**44,499,334**	42,242,613
Inventories		**8,606**	10,771
Trade and other receivables	14	**28,347,990**	18,411,699
Contract assets		**143,856**	263,936
Amounts due from related companies	35	**74,903,130**	60,582,774
Prepayments	15	**14,795,939**	9,855,281
Restricted cash	16	**24,932,892**	28,285,601
Cash and cash equivalents		**62,483,563**	68,433,256
Total current assets		**534,050,856**	499,600,923
Total assets		**669,942,112**	623,102,238
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	**378,107**	377,608
Other reserves	18	**14,207,003**	16,649,452
Retained earnings		**33,064,917**	26,775,180
		47,650,027	43,802,240
Perpetual capital securities	19	**7,592,227**	9,288,432
Other non-controlling interests		**8,297,483**	7,547,553
Total equity		**63,539,737**	60,638,225

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Note	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	21	**134,462,072**	140,597,186
Derivative financial instruments	22	**102,685**	167,634
Deferred tax liabilities		**35,331,004**	34,498,436
Other payables	20	**1,450,738**	1,492,327
Total non-current liabilities		**171,346,499**	176,755,583
Current liabilities			
Trade and other payables	20	**75,849,443**	68,789,140
Contract liabilities		**172,413,787**	131,190,587
Amounts due to related companies	35	**93,462,197**	91,947,252
Current tax liabilities		**17,399,035**	14,411,985
Borrowings	21	**75,304,788**	78,672,660
Derivative financial instruments	22	**28,087**	53,839
Provisions	23	**598,539**	642,967
Total current liabilities		**435,055,876**	385,708,430
Total liabilities		**606,402,375**	562,464,013
Total equity and liabilities		**669,942,112**	623,102,238

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

The condensed consolidated interim financial information on pages 29 to 82 was approved by the Board of Directors on 30 August 2018 and was signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 RMB'000	 2017 (Restated) RMB'000
Revenue	7	**46,582,781**	14,775,107
Cost of sales	24	**(35,054,944)**	(11,490,405)
Gross profit		**11,527,837**	3,284,702
Other income and gains	25	**5,345,943**	4,282,423
Selling and marketing costs	24	**(1,919,192)**	(779,424)
Administrative expenses	24	**(2,962,393)**	(775,364)
Other expenses and losses	26	**(247,456)**	(1,337,749)
Operating profit		**11,744,739**	4,674,588
Finance income	27	**324,391**	323,016
Finance expenses	27	**(2,947,210)**	(2,139,161)
Share of results of investments accounted for using equity method	11	**1,112,198**	(176,953)
Profit before income tax		**10,234,118**	2,681,490
Income tax expense	28	**(3,456,390)**	(707,593)
Profit for the period		**6,777,728**	1,973,897
Other comprehensive income for the period		—	—
Total comprehensive income for the period		**6,777,728**	1,973,897
Attributable to:			
– Owners of the Company		**6,361,210**	1,640,965
– Holders of perpetual capital securities	19	**339,478**	351,537
– Other non-controlling interests		**77,040**	(18,605)
		6,777,728	1,973,897
Earnings per share attributable to owners of the Company (expressed in RMB per share):	29		
– Basic earnings per share		**1.45**	0.42
– Diluted earnings per share		**1.43**	0.42

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

		Unaudited						
		Attributable to owners of the Company				Perpetual	Other non-	
	Notes	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	capital securities RMB'000 (Note 19)	controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		377,608	16,649,452	26,775,180	43,802,240	9,288,432	7,547,553	60,638,225
Change in accounting policy	4(B)	—	—	(71,473)	(71,473)	—	—	(71,473)
Restated balance at 1 January 2018		377,608	16,649,452	26,703,707	43,730,767	9,288,432	7,547,553	60,566,752
Total comprehensive income for the period ended 30 June 2018		—	—	6,361,210	6,361,210	339,478	77,040	6,777,728
Transactions with owners, recognised directly in equity								
Non-controlling interests arising on business combination	33	—	—	—	—	—	735,351	735,351
Capital contributions from non-controlling interests		—	—	—	—	—	14,000	14,000
Disposal of subsidiaries	34	—	—	—	—	—	(20,477)	(20,477)
Transactions with non-controlling interests	32	—	(70,847)	—	(70,847)	—	(55,984)	(126,831)
Issue of perpetual capital securities		—	—	—	—	340,600	—	340,600
Redemption of perpetual capital securities		—	—	—	—	(1,913,100)	—	(1,913,100)
Distributions to holders of perpetual capital securities		—	—	—	—	(463,183)	—	(463,183)
Employees share option schemes:								
– Value of employee services	17,18	—	146,518	—	146,518	—	—	146,518
– Proceeds from shares issued	17,18	499	20,076	—	20,575	—	—	20,575
Share repurchase		—	(337,423)	—	(337,423)	—	—	(337,423)
Dividends provided for or paid	18	—	(2,200,773)	—	(2,200,773)	—	—	(2,200,773)
		499	(2,442,449)	—	(2,441,950)	(2,035,683)	672,890	(3,804,743)
Balance at 30 June 2018		378,107	14,207,003	33,064,917	47,650,027	7,592,227	8,297,483	63,539,737

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

		Unaudited						
		Attributable to owners of the Company						
	Notes	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000 (Note 19)	Other non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		331,408	6,737,203	16,200,861	23,269,472	9,957,036	2,184,645	35,411,153
Adjustment on adoption of HKFRS15, net of tax		—	—	451,560	451,560	—	6,978	458,538
Restated balance at 1 January 2017		331,408	6,737,203	16,652,421	23,721,032	9,957,036	2,191,623	35,869,691
Total comprehensive income/(loss) for the period ended 30 June 2017 (Restated)	4(A)	—	—	1,640,965	1,640,965	351,537	(18,605)	1,973,897
Transactions with owners, recognised directly in equity								
Non-controlling interests arising on business combination		—	—	—	—	—	1,520,376	1,520,376
Capital contributions from non-controlling interests		—	—	—	—	—	60,001	60,001
Disposal of subsidiaries		—	—	—	—	—	(1,528,545)	(1,528,545)
Transactions with non-controlling interests		—	(446,814)	—	(446,814)	—	(343,383)	(790,197)
Dividends to non-controlling interests		—	—	—	—	—	(306,321)	(306,321)
Share of capital premium addition of a joint venture	11.1	—	73,715	—	73,715	—	—	73,715
Issue of perpetual capital securities		—	—	—	—	959,100	—	959,100
Redemption of perpetual capital securities		—	—	—	—	(1,480,900)	—	(1,480,900)
Distributions to holders of perpetual capital securities		—	—	—	—	(475,064)	—	(475,064)
Employees share option schemes:								
– Value of employee services	17,18	—	20,389	—	20,389	—	—	20,389
– Proceeds from shares issued	17,18	3,950	152,429	—	156,379	—	—	156,379
Dividends provided for or paid	18	—	(991,341)	—	(991,341)	—	—	(991,341)
		3,950	(1,191,622)	—	(1,187,672)	(996,864)	(597,872)	(2,782,408)
Balance at 30 June 2017 (Restated)		335,358	5,545,581	18,293,386	24,174,325	9,311,709	1,575,146	35,061,180

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June **2018** **RMB'000**	 2017 RMB'000
Cash flows from operating activities			
Cash generated from operations		**44,898,938**	31,578,782
Income tax paid		**(7,519,829)**	(5,367,673)
Net cash generated from operating activities		**37,379,109**	26,211,109
Cash flows from investing activities			
Payments for business combinations, net	33	**(2,424,380)**	(12,168,891)
Disposal of subsidiaries, net	34	**(365,191)**	(190,877)
Payments for previous years or uncompleted equity transactions		**(5,532,099)**	(23,030,805)
Investments in joint ventures and associates		**(3,982,830)**	(22,630,923)
Dividend received from joint ventures		**—**	324,220
Payments for available-for-sale financial assets		**—**	(2,600,000)
Payments for financial assets at fair value through profit or loss ("FVPL")		**(1,764,331)**	—
Purchases of property, plant and equipment ("PP&E"),intangible assets and investment properties		**(6,214,254)**	(26,573)
Proceed received from redemption of financial assets at FVPL		**340,000**	—
Loans granted to joint ventures and associates		**(13,472,217)**	(7,886,810)
Loan repayments received from joint ventures and associates		**5,518,492**	3,154,319
Loans to business partners		**(645,915)**	(21,426)
Loans granted to non-controlling interests		**(845,750)**	—
Interest received		**682,572**	285,638
Others		**13,398**	11,186
Net cash used in investing activities		**(28,692,505)**	(64,780,942)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**20,575**	156,379
Proceeds paid for repurchase of shares		**(337,423)**	—
Proceeds from issuance of perpetual capital securities		**340,600**	959,100
Redemption of perpetual capital securities		**(1,913,100)**	(1,480,900)
Proceeds from borrowings	21(F)	**53,206,524**	78,324,345
Repayments of borrowings	21(F)	**(64,542,882)**	(12,463,448)
Payments for derivative financial instruments		**(28,828)**	(31,128)
Dividends paid to holders of perpetual capital securities		**(463,183)**	(475,064)
Dividends or deem dividends paid to non-controlling interests		**—**	(306,321)
Loans from non-controlling interests		**1,211,332**	—
Loans repayments to non-controlling interests		**(1,213,027)**	(41,795)
Acquisitions of additional interests in subsidiaries		**(53,918)**	(578,615)
Interest paid		**(7,090,329)**	(4,233,397)
Deposit guaranteed for bank borrowings		**6,334,316**	12,775
Contribution from non-controlling interests		**—**	30,001
Others		**5,000**	(2,658,380)
Net cash (used in)/generated from financing activities		**(14,524,343)**	57,213,552
Net (decrease)/increase in cash and cash equivalents		**(5,837,739)**	18,643,719
Cash and cash equivalents at beginning of period		**68,433,256**	52,086,050
Effect of exchange difference		**(111,954)**	(69,133)
Cash and cash equivalents at end of period		**62,483,563**	70,660,636

The above condensed consolidated statement of cash flows should be read in conjunction with the accompany 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.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

2 Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 *Interim financial reporting*. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017.

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(A) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards and amendments for the first time for the 2018 interim reports and the Group had to change its accounting policies:

- HKFRS 9 *Financial Instruments* ("HKFRS 9"),
- *Classification and Measurement of Share-based Payment Transactions – Amendments to HKFRS 2*,
- *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts – Amendments to HKFRS 4*,
- *Annual improvements 2014-2016 cycle*,
- *Transfers of Investment Property – Amendments to HKAS 40*, and
- HK (IFRIC)-Int 22 *Foreign Currency Transactions and Advance Consideration.*

The impact of the adoption of HKFRS 9 has been disclosed in Note 4(B) below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

The Group has early adopted HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") on 1 January 2017 and the impact of the adoption of HKFRS 15 for the interim financial information for six months ended 30 June 2017 has been disclosed in Note 4(A) below.

(B) IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE GROUP

(i) HKFRS 16 *Leases*

HKFRS 16 was issued in May 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.

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 RMB138 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

4 Changes in accounting policies

(A) The interim financial information for six months ended 30 June 2017 was prepared in accordance with HKAS 18 and HKAS 11. Subsequently, the Group elected to early adopt HKFRS 15 for its annual report for the year ended 31 December 2017 and elected to apply the modified retrospective approach. As a result of this change in the Group's accounting policies, the corresponding amounts recognised in the interim condensed consolidated statements of comprehensive income and change in equity for the six months ended 30 June 2017 were restated accordingly. The impact on the Group's interim financial information for the six months ended 30 June 2017 by the application of HKFRS 15 is as follows:

	Six months ended 30 June 2017		
	As previously stated RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Restated RMB'000
Interim Condensed Consolidated Statement of Comprehensive Income (extract)			
Revenue	13,332,544	1,442,563	14,775,107
Cost of sales	(10,716,609)	(773,796)	(11,490,405)
Other income and gains	4,512,679	(230,256)	4,282,423
Other expenses and losses	(1,352,140)	14,391	(1,337,749)
Share of post-tax losses of associates and joint ventures accounted for using the equity method, net	(397,157)	220,204	(176,953)
Income tax expenses	(394,653)	(312,940)	(707,593)
Profit/(loss) for the year			
– Attributable to owners of the Company	1,300,070	340,895	1,640,965
– Attributable to other non-controlling interests	(37,876)	19,271	(18,605)

4 Changes in accounting policies *(continued)*

(B) HKFRS 9 – IMPACT OF ADOPTION

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 4(C) below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings. Provisions for impairment have not been restated in the comparative period, as well.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Notes	Amount RMB'000
Closing retained earnings 31 December 2017 - HKAS 39		**26,775,180**
Reclassify investments from available-for-sale to FVPL	(i)	—
Increase in provision for contract assets and trade and other receivables (excluding loans to third parties)	(iii)	**(51,530)**
Increase in provision for loans to related and third parties	(iii)	**(43,767)**
Increase in deferred tax assets relating to impairment provisions		**23,824**
Opening retained earnings 1 January 2018 - HKFRS 9		**26,703,707**

4 Changes in accounting policies *(continued)*

(B) HKFRS 9 – IMPACT OF ADOPTION *(continued)*

(i) Classification and measurement of financial instrument

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	**Fair value through other comprehensive income ("FVOCI") (Available-for-sale 2017)**	FVPL
	RMB'000	RMB'000
Closing balance 31 December 2017 – HKAS 39	**871,578**	—
Reclassify investments from available-for-sale to FVPL	**(871,578)**	871,578
Opening balance 1 January 2018 - HKFRS 9	—	871,578

Certain investments were reclassified from available-for-sale to financial assets at FVPL. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9. For the six months ended 30 June 2018, net fair value gains of RMB61.6 million relating to these investments were recognised in profit or loss.

There is no impact on the Group's accounting for financial liabilities as the Group does not have any non-derivative liabilities that are measured at fair value. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

(ii) Derivatives and hedging activities

The Group entered into certain currency derivative contracts accounted as derivative financial instruments at FVPL which were not qualified as hedging accounting currently. In prior periods, the change in fair value of the entire currency derivative contracts was recognised in profit or loss. There is no impact on the accounting under HKFRS 9.

4 Changes in accounting policies *(continued)*

(B) HKFRS 9 – IMPACT OF ADOPTION *(continued)*

(iii) Impairment of financial assets

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- contract assets
- trade and other receivables (excluding loans to third parties)
- loans to related and third parties

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 4(B) above.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Contract assets and trade and other receivables (excluding loans to third parties)

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contract assets and trade and other receivables (excluding loans to third parties).

To measure the expected credit losses, contract assets and trade and other receivables (excluding loans to third parties) have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

On that basis, the loss allowance of RMB51.53 million as at 1 January 2018 (previous loss allowance was RMB81.84 million) was recognised in retained earnings and a further increase in the allowance by RMB8.40 million in the six months ended 30 June 2018.

4 Changes in accounting policies *(continued)*

(B) HKFRS 9 – IMPACT OF ADOPTION *(continued)*

(iii) Impairment of financial assets *(continued)*

Contract assets and trade and other receivables (excluding loans to third parties) are written off when there is no reasonable expectation of recovery.

Loans to related and third parties

For loans to related and third parties already in place at 1 January 2018, the Group has determined that reliably assessing the probability of default at the initial recognition of each loan to related and third parties would result in undue cost and effort. As permitted by HKFRS 9, the credit provision will be determined based on whether credit risk is low only at each reporting date, until the loan is derecognised and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for financial instruments when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The Group uses four categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories.

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

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 90 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

4 Changes in accounting policies *(continued)*

(B) HKFRS 9 – IMPACT OF ADOPTION *(continued)*

(iii) Impairment of financial assets *(continued)*

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data.

Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB43.8 million on 1 January 2018 (previous loss allowance was nil) and a further increase in the allowance by RMB54.77 million in the six months ended 30 June 2018.

(C) HKFRS 9 – ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018

(i) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

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

Measurement

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

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

4 Changes in accounting policies *(continued)*

(C) HKFRS 9 – ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018 *(continued)*

(i) Investments and other financial assets *(continued)*

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

4 Changes in accounting policies *(continued)*

(C) HKFRS 9 – ACCOUNTING POLICIES APPLIED FROM 1 JANUARY 2018 *(continued)*

(i) Investments and other financial assets *(continued)*

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

5 Estimates

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements and estimations made by management were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017 except for impairment of financial assets.

For the impairment of financial assets, the loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 4(B).

6 Financial risk management and financial instruments

6.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

There have been no significant changes in the risk or in any risk management policies since 31 December 2017.

6.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(i) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2018 and 31 December 2017 on a recurring basis:

At 30 June 2018	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets				
Financial assets at FVPL	—	—	**2,361,716**	**2,361,716**
Derivative financial instruments	—	**69,492**	—	**69,492**
Financial liabilities				
Derivative financial instruments	—	**130,772**	—	**130,772**

At 31 December 2017	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Available-for-sale financial assets	—	—	871,578	871,578
Derivative financial instruments	—	14,865	—	14,865
Financial liabilities				
Derivative financial instruments	—	221,473	—	221,473

6 Financial risk management and financial instruments *(continued)*

6.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(i) Fair value hierarchy *(continued)*

During the six months ended 30 June 2018, there were no transfers between different levels.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the fair value of the currency derivative contracts is calculated using option pricing model and the present value of the estimated future premium payments set out in these contracts
- the fair value of option embedded in the corporate bond contracts is determined using the option pricing model
- the fair value of the equity instruments is determined using price/booking multiple method with lack of marketability discount and direct market quote with adjustments for counterparty or own credit risk
- the fair value of remaining financial instrument is determined using discounted cash flow analysis.

The financial instruments classified as level 2 represent currency derivative contracts entered into with certain commercial banks and option embedded in the corporate bond contracts. The contracts do not qualify for hedge accounting, so that they are classified as derivative financial instruments on the balance sheet and with fair value changes recognised in the profit or loss.

6 Financial risk management and financial instruments *(continued)*

6.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(iii) Fair values of other financial instruments (unrecognised)

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 30 June 2018:

	Carrying amount RMB'000	Fair value RMB'000
Non-current borrowings		
– Corporate bonds (Note 21)	9,932,887	9,638,639
– Private domestic corporate bonds (Note 21)	14,946,444	15,423,778
	24,879,331	25,062,417

7 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. 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, financial assets at FVPL (available-for-sale financial assets in 2017), 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 tax liabilities, provisions and derivative financial instruments.

7 Segment information *(continued)*

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

	Six months ended 30 June 2018		
	Property development RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	44,342,656	3,042,034	47,384,690
Recognised over time	13,026,653	2,665,139	15,691,792
Recognised at a point in time	31,316,003	376,895	31,692,898
Inter-segment revenue	—	(801,909)	(801,909)
Revenue from external customers	44,342,656	2,240,125	46,582,781
Profit before income tax	10,000,970	206,198	10,207,168

	30 June 2018		
	Property development RMB'000	All other segments RMB'000	Total RMB'000
Total segment assets	594,068,611	67,211,706	661,280,317
Total segment liabilities	539,104,035	13,838,990	552,943,025

7 Segment information *(continued)*

	Six months ended 30 June 2017 (Restated)		
	Property development RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	14,282,433	577,819	14,860,252
Recognised over time	3,743,288	577,819	4,321,107
Recognised at a point in time	10,539,145	—	10,539,145
Inter-segment revenue	—	(85,145)	(85,145)
Revenue from external customers	14,282,433	492,674	14,775,107
Profit before income tax	4,120,968	62,645	4,183,613

	31 December 2017		
	Property development RMB'000	All other segments RMB'000	Total 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

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000 (Restated)
Total segment profits before income tax	**10,207,168**	4,183,613
Administrative expenses	**34,007**	—
Other expenses and losses	**(119,434)**	(1,110,225)
Other income and gains	**229,323**	—
Share of losses of investments accounted for using equity method, net	**(116,946)**	(391,898)
Total profits before income tax	**10,234,118**	2,681,490

7 Segment information *(continued)*

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Total segment assets	**661,280,317**	618,245,650
Deferred tax assets	**2,535,060**	1,913,730
Other assets	**6,126,735**	2,942,858
Total assets	**669,942,112**	623,102,238
Total segment liabilities	**552,943,025**	513,332,119
Deferred tax liabilities	**35,331,004**	34,498,436
Other liabilities	**18,128,346**	14,633,458
Total liabilities	**606,402,375**	562,464,013

8 Property, plant and equipment

	Buildings RMB'000	**Vehicles** RMB'000	**Furniture and office equipment** RMB'000	**Leasehold Improve-ments** RMB'000	**Construction in progress ("CIP")** RMB'000	**Total** RMB'000
At 31 December 2017						
Cost	21,987,326	112,827	227,274	208,665	17,058,907	39,594,999
Accumulated depreciation	(244,722)	(44,051)	(2,181)	(41,425)	—	(332,379)
Net book amount	21,742,604	68,776	225,093	167,240	17,058,907	39,262,620
Half-year ended 30 June 2018						
Opening net book amount	21,742,604	68,776	225,093	167,240	17,058,907	39,262,620
Acquisition of subsidiaries (Note 33)	85,256	2,246	2,336	1,577	1,682,802	1,774,217
Additions	179,575	9,904	38,930	29,924	7,221,526	7,479,859
Transfer	3,915,876	—	—	—	(4,686,044)	(770,168)
Disposal of subsidiaries (Note 34)	—	—	(1,305)	—	—	(1,305)
Disposals	—	(1,048)	(11,680)	(528)	—	(13,256)
Depreciation charge	(329,088)	(10,475)	(38,984)	(28,323)	—	(406,870)
Closing net book amount	25,594,223	69,403	214,390	169,890	21,277,191	47,325,097
At 30 June 2018						
Cost	26,168,033	122,021	250,388	239,962	21,277,191	48,057,595
Accumulated depreciation	(573,810)	(52,618)	(35,998)	(70,072)	—	(732,498)
Net book amount	25,594,223	69,403	214,390	169,890	21,277,191	47,325,097

9 Investment properties

Office buildings and commercial properties at fair value:

	Completed Investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At 31 December 2017	8,835,107	3,986,504	12,821,611
Additions	—	1,121,218	1,121,218
At 30 June 2018	8,835,107	5,107,722	13,942,829

The Group's investment properties are all office building and commercial properties located in the PRC.

As at 30 June 2018, all the investment properties are within level 3 of the fair value hierarchy.

10 Intangible assets

	Land use right RMB'000	Goodwill [a] RMB'000	Others RMB'000	Total RMB'000
At 31 December 2017				
Cost	2,818,800	906,791	224,181	3,949,772
Accumulated amortisation and impairment	(21,099)	(267,279)	(24,263)	(312,641)
Net book amount	2,797,701	639,512	199,918	3,637,131
Half-year ended 30 June 2018				
Opening net book amount	2,797,701	639,512	199,918	3,637,131
Acquisition of subsidiaries (Note 33)	20,124	58,909	15	79,048
Additions	—	—	20,927	20,927
Transfer from CIP	558,914	—	—	558,914
Depreciation charge	(71,017)	—	(17,624)	(88,641)
Closing net book amount	3,305,722	698,421	203,236	4,207,379
At 30 June 2018				
Cost	3,397,838	965,700	245,123	4,608,661
Accumulated amortisation and impairment	(92,116)	(267,279)	(41,887)	(401,282)
Net book amount	3,305,722	698,421	203,236	4,207,379

10 Intangible assets *(continued)*

(a) Goodwill was generated from business combination and allocated to each project or a group of projects, which is expected to benefit from the synergies of the combination. Each project or a group of projects is identified as a CGU. Management reviews the business performance and monitors the goodwill on individual CGU basis. The recoverable amount of all CGUs are determined based on fair value less costs of disposal calculations. A pre-tax discount rate of 20% was used for the analysis of each CGU in the operating entities as at 30 June 2018 (2017 pre-tax discount rate: 20%).

There is no individual CGU, for which the carrying amount of goodwill is significant in comparison with the total carrying amount of goodwill. The goodwill is mainly attributable to the segment of property development.

11 Investments accounted for using the equity method

The investment amounts recognised in the balance sheet were as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Joint ventures	**35,330,849**	32,302,811
Associates	**26,792,503**	26,310,410
	62,123,352	58,613,221

The amounts of the share of the results from investment recognised in the profit/(loss) using the equity method were as follows:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000 (Restated)
Share of profits of joint ventures	**613,372**	18,495
Share of profits/(losses) of associates	**463,607**	(195,448)
Gains on acquisitions of joint ventures and an associate	**35,219**	—
	1,112,198	(176,953)

11 Investments accounted for using the equity method *(continued)*

11.1 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 share of results of these joint ventures.

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
		(Restated)
At beginning of year, after the adoption of HKFRS 15	**32,302,811**	24,817,460
Additions:		
– Capital contributions to joint ventures at establishment	**775,418**	1,226,790
– Acquisition of joint ventures	**1,961,731**	7,088,070
– Additional investments in existing joint ventures	**142,180**	911,936
– Subsidiaries became joint ventures (Note 34)	**131,470**	21,280
Disposals:		
– Disposal of investments in joint ventures	**(340,138)**	—
– Joint ventures became subsidiaries (Note 33(A))	**(255,995)**	(1,132,211)
– A joint venture became an associate	—	(56,890)
Share of profit of joint ventures, net	**613,372**	18,495
Share of capital premium addition of a joint venture	—	73,715
Dividends from joint ventures	—	(363,677)
At end of period	**35,330,849**	32,604,968

11 Investments accounted for using the equity method *(continued)*

11.2 INVESTMENTS IN ASSOCIATES

The following table analyses, on an aggregate basis, the movement of the carrying amount of the Group's investments in associates, and the share of results of these associates.

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
		(Restated)
At beginning of year, after the adoption of HKFRS 15	**26,310,410**	9,964,688
Additions:		
– Capital contributions to associates at establishment	**132,000**	—
– Acquisitions of associates	**148,044**	17,690,262
– Additional investments in existing associates	**313,961**	1,180,156
– A subsidiary became an associate	—	5,655,370
– A joint venture became an associate	—	56,890
Disposals:		
– Associates became subsidiaries (Note 33(A))	**(575,519)**	(5,642)
Provision for investment in associates	—	(1,110,225)
Share of profits/(losses) of associates, net	**463,607**	(195,448)
At end of period	**26,792,503**	33,236,051

12 Properties under development

	30 June 2018 RMB'000	31 December 2017 RMB'000
Land use rights	**221,773,134**	213,382,393
Construction costs and capitalised expenditures	**44,953,912**	43,223,371
Capitalised finance costs	**17,407,574**	15,071,910
	284,134,620	271,677,674
Less: Provision for loss on realisable value	**(199,074)**	(162,682)
	283,935,546	271,514,992
To be completed within 12 months	**73,718,829**	82,915,216
To be completed after 12 months	**210,216,717**	188,599,776
	283,935,546	271,514,992

The properties under development ("PUDs") are all located in the PRC.

As at 30 June 2018, certain PUDs amounted to RMB142,420 million were pledged as collateral for the Group's borrowings (31 December 2017: RMB122,596 million) (Note 21).

13 Completed properties held for sale

	30 June 2018 RMB'000	31 December 2017 RMB'000
Completed properties held for sale, gross	**45,410,419**	42,987,485
Less: Provision for loss on realisable value	**(911,085)**	(744,872)
	44,499,334	42,242,613

The completed properties held for sale are all located in the PRC.

As at 30 June 2018, certain completed properties held for sale amounting to RMB14,756 million (31 December 2017: RMB13,974 million) were pledged as collateral for the Group's borrowings (Note 21).

14 Trade and other receivables

	30 June 2018 RMB'000	31 December 2017 RMB'000
Non-current -		
Receivables	**608,750**	915,750
Current -		
Trade receivables (Note (a))	**1,801,973**	1,217,743
Amounts due from non-controlling interests and their related parties (Note (b))	**8,223,464**	7,343,578
Amounts due from business partners in joint arrangements	**4,482,571**	1,798,150
Notes receivables	—	17,416
Other receivables		
– Deposits	**6,482,952**	3,060,803
– Payments on behalf of customers	**392,074**	337,678
– Interests receivable	**44,814**	316,797
– Cash advances for uncompleted equity transactions	**3,890,178**	1,849,082
– Cash advances for land use rights acquisitions	**1,299,341**	1,240,447
– Others	**1,970,923**	1,920,451
	28,588,290	19,102,145
Less: Loss allowance	**(240,300)**	(690,446)
	28,347,990	18,411,699

As at 30 June 2018 and 31 December 2017, the carrying amounts of the Group's trade and other receivables were all denominated in RMB and the carrying amounts of trade and other receivables approximated their fair values.

14 Trade and other receivables *(continued)*

Notes:

(a) In the six months ended 30 June 2018, the Group provided a credit period 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:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 90 days	**1,258,426**	752,469
91 - 180 days	—	—
181 - 365 days	**140,511**	62,653
Over 365 days	**403,036**	402,621
	1,801,973	1,217,743

(b) The amounts due from non-controlling interests and their related parties are unsecured, interest free and have no fixed repayment terms.

15 Prepayments

	30 June 2018 RMB'000	31 December 2017 RMB'000
Non-current -		
Prepayments for equity transactions	**2,573,014**	5,361,814
Less: Provision	**(560,601)**	(411,021)
Prepayments for equity transactions-net	**2,012,413**	4,950,793
Current -		
Taxes payment upon pre-sale		
– Land appreciation tax ("LAT")	**4,646,914**	3,745,618
– Corporate income tax ("CIT")	**3,547,787**	1,599,872
– Business tax and surcharge	**852,682**	678,983
Input value added tax	**1,975,866**	1,782,310
Prepayments for land use rights acquisitions	**2,166,646**	1,168,516
Prepayments for project development costs	**1,348,446**	786,338
Others	**257,598**	93,644
	14,795,939	9,855,281

As at 30 June 2018 and 31 December 2017, the carrying amounts of the Group's prepayments were all denominated in RMB.

16 Restricted cash

	30 June 2018 RMB'000	31 December 2017 RMB'000
Guarantee deposits as reserve for bank loans	**6,480,117**	12,078,030
Restricted cash from property pre-sale proceeds (Note (a))	**14,290,500**	13,900,549
Restricted cash from an equity transaction	—	664,962
Guarantee deposits for mortgage	**1,525,928**	427,677
Others	**2,636,347**	1,214,383
	24,932,892	28,285,601

Note:

(a) In certain subsidiaries of the Company, a portion of the proceeds from pre-sale of properties is saved as guarantee bank deposits in accordance with the municipal regulations and is released in line with certain development progress milestones.

17 Share capital

	Number of shares (thousands)	Share capital HK$'000	Share capital Equivalent to RMB'000
Ordinary shares of HK$0.1 each, issued and fully paid	10,000,000	1,000,000	
As at 1 January 2018	4,396,454	439,651	377,608
Proceeds from shares issued upon exercise of employees' share options (Note (a))	6,199	620	499
As at 30 June 2018	4,402,653	440,271	378,107

Note:

(a) The Company adopted a Post-IPO Share Option Scheme (the "2011 Share Option Scheme") on 29 April 2011 and a new Share Option Scheme (the "2014 Share Option Scheme") on 19 May 2014 respectively.

The total expense recognised in the profit or loss for share options granted to directors and employees for the six months ended 30 June 2018 was RMB146.52 million (2017: RMB20.39 million) (Note 18).

For the six months ended 30 June 2018, 4,394,000 shares in connection with the 2011 Share Option Scheme and 1,805,200 shares in connection with the 2014 Share Option Scheme were exercised by the employees, which resulted in an increase of RMB0.5 million in the share capital and RMB20.1 million in share premium (Note 18).

As at 30 June 2018, 8,884 thousand shares of the 2011 Share Option Scheme and 78,302 thousand shares of the 2014 Share Option Scheme were exercisable (31 December 2017: 13,350 thousand shares in the 2011 Share Option Scheme and 64,707 thousand shares in the 2014 Share Option Scheme).

18 Reserves

	Note	Share premium RMB'000	Share option reserve RMB'000	Other reserves RMB'000	Total RMB'000
Six months ended 30 June 2018					
At 1 January 2018		**12,959,681**	**469,935**	**3,219,836**	**16,649,452**
Transactions with non-controlling interests	32	—	—	**(70,847)**	**(70,847)**
Employees share option schemes:					
– Value of employee services		—	**146,518**	—	**146,518**
– Exercise of employees' share options		**20,076**	—	—	**20,076**
Share repurchase		**(337,423)**	—	—	**(337,423)**
Dividends provided for or paid		**(2,200,773)**	—	—	**(2,200,773)**
At 30 June 2018		**10,441,561**	**616,453**	**3,148,989**	**14,207,003**
Six months ended 30 June 2017					
At 1 January 2017		3,717,227	259,565	2,760,411	6,737,203
Transactions with non-controlling interests	32	—	—	(446,814)	(446,814)
Share of capital premium addition of a joint venture		—	—	73,715	73,715
Employees share option schemes:					
– Value of employee services		—	20,389	—	20,389
– Exercise of employees' share options		152,429	—	—	152,429
Dividends provided for or paid		(991,341)	—	—	(991,341)
At 30 June 2017		2,878,315	279,954	2,387,312	5,545,581

19 Perpetual capital securities

As at 30 June 2018, six perpetual bonds issued by the subsidiaries of the Group (the "Instrument Issuers") were still outstanding, of which principal and interests accrued totalling RMB7,592 million. One of these perpetual bonds contracts was guaranteed by Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate", an indirect wholly owned subsidiary of the Company) and secured by the equity interests owned by the shareholder in one of the Instrument Issuers. Another perpetual bonds contract was guaranteed by Sunac Real Estate and secured by the equity interests in certain joint ventures as owned by one of the Instrument Issuers. The perpetual bonds have no maturity date.

The Instrument issuers may elect to defer interest payment, and are not subject to any limit as to the number of times interest payment can be deferred. The perpetual bonds are callable by the Instrument issuers.

As the perpetual bonds only impose contractual obligations on the Group to repay principal or to pay any distribution under certain circumstances, which are at Group's discretion, they have in substance offered the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligation. Therefore, the net proceeds of the perpetual bonds are classified as capital instruments presented in the equity of the Group. The accrual of respective nominal interests according to the bond terms are treated as distribution to the holders of these perpetual capital instruments.

20 Trade and other payables

	30 June 2018 RMB'000	31 December 2017 RMB'000
Non-current -		
Other payables	**1,450,738**	1,492,327
Current -		
Trade payables (Note (a))	**39,535,043**	36,766,815
Un-paid considerations for equity transactions	**4,717,609**	4,569,360
Amounts due to non-controlling interests and their related parties (Note (b))	**3,689,161**	7,031,599
Dividend payables	**2,200,773**	—
Notes payable	**998,425**	230,198
Other payables		
– Payables for PP&E and investment properties	**8,263,164**	6,718,218
– Deposits received	**6,781,457**	5,117,756
– Other taxes payable	**3,598,508**	3,162,179
– Interests payable	**2,150,970**	2,250,505
– Payroll and welfare payables	**391,562**	1,090,426
– Deed tax and maintenance funds received on behalf of customers	**1,010,461**	963,903
– Cash advanced from business partners	**2,038,223**	400,001
– Others	**474,087**	488,180
	75,849,443	68,789,140

Note:

(a) The ageing analysis of the Group's trade payables is as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 90 days	**13,799,070**	12,826,711
91-180 days	**5,710,312**	5,303,460
181-365 days	**8,549,475**	5,151,093
Over 365 days	**11,476,186**	13,485,551
	39,535,043	36,766,815

(b) The amounts due to non-controlling interests are unsecured, interest free and have no fixed repayment terms.

21 Borrowings

	30 June 2018 RMB'000	31 December 2017 RMB'000
Non-current		
Secured,		
– Bank borrowings	**68,016,317**	70,926,779
– Other borrowings	**75,851,939**	88,195,437
– Senior notes (Note (A))	**16,411,127**	9,059,336
– Asset-backed securities (Note (D))	**2,979,921**	3,093,089
	163,259,304	171,274,641
Unsecured,		
– Bank borrowings	**—**	680,000
– Other borrowings	**4,713,378**	4,851,108
– Corporate bonds (Note (B))	**9,932,887**	9,927,847
– Private domestic corporate bonds (Note (C))	**14,946,444**	15,907,112
	192,852,013	202,640,708
Less: Current portion of long-term borrowings (Note (E))	**(58,389,941)**	(62,043,522)
	134,462,072	140,597,186
Current		
Secured,		
– Bank borrowings	**540,000**	5,680,790
– Other borrowings	**15,795,628**	10,570,637
– Asset-backed securities (Note (D))	**149,219**	77,711
	16,484,847	16,329,138
Unsecured,		
– Other borrowings	**430,000**	300,000
	16,914,847	16,629,138
Current portion of long-term borrowings (Note (E))	**58,389,941**	62,043,522
	75,304,788	78,672,660
Total borrowings	**209,766,860**	219,269,846

21 Borrowings *(continued)*

(A) SENIOR NOTES

The Company issued senior notes ("Senior Notes") on the Singapore Exchange Securities Trading Limited, payable semi-annually in arrears. As at 30 June 2018, the issue dates, principals and interest rates of the outstanding Senior Notes were shown as below:

Issue dates	Maturity	Principal USD million	Interest rate
5 December 2014	5 years	400	8.75%
8 August 2017	3 years	400	6.875%
8 August 2017	5 years	600	7.95%
19 April 2018	3.25years	650	7.35%
19 April 2018	5 years	450	8.35%
		2,500	

According to the terms of the Senior Notes, at any time and from time to time on or after the redemption date set forth below, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interests, if any, to (but not including) the redemption date.

The redemption prices are shown as below:

Redemption time	Redemption prices
(i) USD400 million:	
Prior to 5 December 2017	
– Redemption up to 35%	
– Redemption in whole but not in part (Note (i))	100%+ customary make-whole premium
5 December 2017 to 31 December 2017	104.4%
2018 and thereafter	102.2%
(ii) USD400 million:	
Prior to 8 August 2020	
– Redemption up to 35%	106.88%
– Redemption in whole but not in part (Note(ii))	100%+ customary make-whole premium

21 Borrowings *(continued)*

(A) SENIOR NOTES *(continued)*

The redemption prices are shown as below: *(continued)*

Redemption time		**Redemption prices**
(iii)	USD600 million:	
	Prior to 8 August 2020	
	– Redemption up to 35%	107.95%
	– Redemption in whole but not in part (Note (iii))	100%+ customary make-whole premium
	8 August 2020 to 31 December 2020	103.98%
	2020 and beyond	101.99%
(iv)	USD650 million:	
	Prior to 19 July 2020	
	– Redemption up to 35%	107.35%
	– Redemption in whole but not in part (Note(iv))	100%+ customary make-whole premium
	After 19 July 2020	103.675%
(v)	USD450 million:	
	Prior to 19 April 2021	
	– Redemption up to 35%	108.35%
	– Redemption in whole but not in part (Note(v))	100%+ customary make-whole premium
	19 April 2021 to 31 December 2021	104.175%
	2022 and afterwards	102.0875%

Notes:

(i) The customary make-whole premium is the greater of (1) 1% of the principal amount and (2) the excess of the present value of 104.4% of the principal plus the accrued and unpaid interest amount for the period from the redemption date to 5 December 2017 over the principal amount at the redemption.

(ii) The customary make-whole premium is the greater of (1) 1% of the principal amount and (2) the excess of the present value of the principal plus the accrued and unpaid interest amount for the period from the redemption date to 8 August 2020 over the principal amount at the redemption.

(iii) The customary make-whole premium is the greater of (1) 1% of the principal amount and (2) the excess of the present value of 103.98% of the principal plus the accrued and unpaid interest amount for the period from the redemption date to 8 August 2020 over the principal amount at the redemption.

21 Borrowings *(continued)*

(A) SENIOR NOTES *(continued)*

Notes: *(continued)*

(iv) The customary make-whole premium is the greater of (1) 1% of the principal amount and (2) the excess of the present value of 103.675% of the principal plus the accrued and unpaid interest amount for the period from the redemption date to 19 July 2020 over the principal amount at the redemption.

(v) The customary make-whole premium is the greater of (1) 1% of the principal amount and (2) the excess of the present value of 104.175% of the principal plus the accrued and unpaid interest amount for the period from the redemption date to 19 April 2021 over the principal amount at the redemption.

These early redemption options are regarded as embedded derivatives not closely related to the host contract. The Directors are of the view that the fair value of the above early redemption option is not material on initial recognition and as at 30 June 2018.

(B) CORPORATE BONDS

Sunac Real Estate issued corporate bonds (the "Corporate Bonds") on the Shanghai Stock Exchange, payable annually in arrears. The issued dates, principals and interest rates are shown as below:

Issue dates	Principal RMB'000	Interest rate	Maturity
15 August 2015	2,500,000	4.50%	5 years
15 August 2015	2,500,000	5.70%	5 years
1 September 2015	1,000,000	4.48%	5 years
16 August 2016	1,200,000	3.44%	5 years
16 August 2016	2,800,000	4.00%	7 years
	10,000,000		

Except for the bond issued on 15 August 2015 with the interest rate of 5.7%, all the other Corporate Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the third or fifth years.

The underwriting fees of the Corporate Bonds were charged at 0.3%~0.6% of the issue size.

The options embedded in the Corporate Bonds were not closely related to the host contracts and were recognised at fair value at the respective issue date and 30 June 2018 (Note 22).

21 Borrowings *(continued)*

(C) PRIVATE DOMESTIC CORPORATE BONDS

Sunac Real Estate issued private domestic corporate bonds on Shanghai Stock Exchange and Shenzhen Stock Exchange. The details are shown as below:

Issue date	Principal amount RMB'000	Interest rate	Maturity
22 January 2016	5,000,000	6.39%	7 years
7 March 2016	3,500,000	5.40%	5 years
3 May 2016	2,700,000	5.85%	6 years
13 June 2016	2,300,000	5.45%	6 years
5 July 2017	1,000,000	6.50%	3 years
11 April 2018	500,000	9.50%	3 years
	15,000,000		

Except for the bonds issued in 2017 and 2018, all the other Private Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the second, third or fifth years.

The options embedded were not closely related to the host contracts and were recognised at fair value at the issue date and 30 June 2018 (Note 22).

(D) ASSET-BACKED SECURITIES

The Group entered into asset-backed special agreements with third-party financing institutions in the form of asset securitisation. These asset-backed securities are backed by the right of receipt of the property management service fee or the certain contract receivables rights of property sales. These securities are guaranteed by Sunac Real Estate. As at 30 June 2018, the details of the outstanding assets-backed securities are shown as below:

Issue dates	Principal amount RMB'000	Interest rate	Maturity
26 April 2016	707,000	5.30%-5.70%	2-5 years
11 October 2016	2,280,000	4.28%	3 years
16 March 2018	149,219	6.80%	1 year
	3,136,219		

21 Borrowings *(continued)*

(E) LONG-TERM BORROWINGS

As at 30 June 2018, included in long-term borrowing, RMB61,725 million (31 December 2017: RMB64,864 million) of borrowings for property development projects will be due for repayment upon an aggregated 20% - 80% pre-sale status in term of gross floor area of the respective projects were achieved. Based on the management's sales forecast, RMB3,356 million (31 December 2017: RMB10,400 million) of borrowings will be due for repayment in the twelve months ending 30 June 2019 and are included in current liabilities.

(F) MOVEMENT IN BORROWINGS

	RMB'000
Six months ended 30 June 2018	
Opening amount as at 1 January 2018	**219,269,846**
Additions	**53,206,524**
Acquisition of subsidiaries (Note 33)	**1,309,000**
Repayments	**(64,542,882)**
Adjustment of financial costs using effective interest rate	**206,246**
Exchange loss	**318,126**
Closing amount as at 30 June 2018	**209,766,860**
Six months ended 30 June 2017	
Opening amount as at 1 January 2017	112,844,019
Additions	78,324,345
Disposal of subsidiaries	(588,971)
Acquisition of subsidiaries	3,096,272
Repayments	(12,463,448)
Adjustment of financial costs using effective interest rate	88,028
Exchange gain	(3,266)
Closing amount as at 30 June 2017	181,296,979

As at 30 June 2018, the Group's borrowings of RMB179,744 million (31 December 2017: RMB187,604 million) were secured or joint secured by the Group's certain current assets and non-current assets, and the equity interests of certain subsidiaries.

22 Derivative financial instruments

	30 June 2018 RMB'000	31 December 2017 RMB'000
Financial assets		
– Currency derivative contracts (i)	**38,994**	14,865
– Option derivative contract	**30,498**	—
	69,492	14,865
Financial liabilities		
– Options embedded in Corporate Bonds and Private Bonds (Note 21)	**130,772**	221,473

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The change of fair value is recognised immediately in profit or loss. For information about the methods and assumptions used in determining the fair value of derivatives, please refer to Note 6.2.

(i) As at 30 June 2018, the currency derivative contracts comprised various contracts with nominal amount totalling USD 600 million (31 December 2017: USD 600 million). According to the contracts, the Group will be able to buy USD nominal amount at the agreed strike price with CNY on the settlement date.

23 Provisions

	30 June 2018 RMB'000	31 December 2017 RMB'000
Provisions for financial guarantee provided to an associate	**457,438**	352,286
Provision for loss contracts	**141,101**	290,681
	598,539	642,967

24 Expenses by nature

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000 (Restated)
Costs of properties sold	**33,405,558**	10,888,689
Business tax and related surcharges	**374,294**	167,684
Staff costs	**2,052,262**	751,404
Net impairment losses for properties	**202,605**	106,868
Net impairment losses on financial assets	**29,160**	—
Reversal of impairment of receivables	—	(157,212)
Advertisement and promotion costs	**1,035,295**	383,563
Depreciation and amortisation	**495,511**	28,434

25 Other income and gains

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
		(Restated)
Gains from business combination (Note 33)	**3,282,786**	3,513,332
Gains from disposal of subsidiaries (Note 34)	**85,737**	—
Interest income	**1,233,384**	696,035
Fair value gains on derivative financial instruments	**121,200**	66,001
Fair value gains on financial assets	**65,807**	—
Others	**557,029**	7,055
	5,345,943	4,282,423

26 Other expenses and losses

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
		(Restated)
Impairment provision for:		
– Financial guarantee provided to an associate	**114,735**	—
– Investments in associates (Note 11.2)	—	1,110,225
Loss on business acquisition (Note 33)	**31,975**	646
Loss on disposal of a subsidiary (Note 34)	**5,787**	120,305
Fair value loss on derivative financial instruments	**4,699**	43,853
Others	**90,260**	62,720
	247,456	1,337,749

27 Finance income and expenses

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest expenses	**7,129,627**	4,172,518
Less: Capitalised finance costs	**(4,612,497)**	(2,099,224)
	2,517,130	2,073,294
Exchange loss	**430,080**	65,867
	2,947,210	2,139,161
Finance income:		
– Interest income on bank deposits	**(324,391)**	(323,016)
Net finance expenses	**2,622,819**	1,816,145

28 Income tax expenses

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
		(Restated)
CIT		
– Current income tax	**3,970,012**	471,129
– Deferred income tax	**(2,045,245)**	(668,558)
	1,924,767	(197,429)
LAT	**1,531,623**	905,022
	3,456,390	707,593

28 Income tax expenses *(continued)*

(A) CIT

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the six months ended 30 June 2018 based on existing legislations, interpretations and practices.

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profits arising in or derived from Hong Kong for the period (2017: nil).

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 six months ended 30 June 2018 was 25% (2017: 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.

29 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 period.

	Six months ended 30 June	
	2018	2017 (Restated)
Profit attributable to owners of the parent company (RMB'000)	**6,361,210**	1,640,965
Weighted-average number of ordinary shares in issue (thousand)	**4,400,636**	3,876,742
Adjusted for repurchase of ordinary shares (thousand)	**(841)**	—
Weighted-average number of ordinary shares for basic earnings per share (thousand)	**4,399,795**	3,876,742

(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.

	Six months ended 30 June	
	2018	2017 (Restated)
Profit attributable to owners of the parent company (RMB'000)	**6,361,210**	1,640,965
Weighted-average number of ordinary shares in issue (thousand)	**4,400,636**	3,876,742
Adjusted for repurchase of ordinary shares (thousand)	**(841)**	—
Adjusted for share options (thousand)	**63,024**	63,260
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	**4,462,819**	3,940,002

30 Commitments

(A) PROPERTY DEVELOPMENT EXPENDITURES AT THE BALANCE SHEET DATE BUT NOT YET INCURRED IS AS FOLLOWS:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Property development expenditures		
– PUDs and completed properties held for sale	**42,488,438**	41,508,503
– PP&E	**8,515,597**	7,888,754
– Investment properties	**2,797,138**	3,958,371
– Intangible assets	**7,028**	26,170
	53,808,201	53,381,798

(B) EQUITY TRANSACTIONS

	30 June 2018 RMB'000	31 December 2017 RMB'000
– Contracted but not provided for	**1,250,300**	3,505,319

(C) OPERATING LEASE COMMITMENTS

The future aggregate minimum lease rental expense in respect of certain office buildings under non-cancellable operating leases contracts are payable in the following periods:

	30 June 2018 RMB'000	31 December 2017 RMB'000
No later than 1 year	**56,706**	77,059
Later than 1 year and no later than 5 years	**81,415**	104,138
Later than 5 years	**49**	4,638
	138,170	185,835

(D) FINANCIAL GUARANTEE COMMITMENT

In November 2017, the Group entered into an Entrusted Guarantee Agreement, pursuant to which the Group conditionally agreed to accept the entrustment by Leshi Companies to provide guarantees not exceeding a total amount of RMB3,000 million for their external borrowings. As at 30 June 2018, the Group has provided financial guarantee for bank borrowings of Leshi Companies amounted to RMB563 million. The remaining balance amounting to RMB2,437 million has not been draw downed under this agreement.

31 Contingent liabilities

(A) GUARANTEE ON MORTGAGE FACILITIES

The Group and the Company had the following contingent liabilities in respect of financial guarantees on mortgage facilities:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**69,253,026**	49,779,582

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) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months of the properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting 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 date of grant of the mortgage. The Directors consider that the likelihood of default of payments by purchasers is minimal.

In addition, the Group had provided guarantees for certain joint ventures and associates for their borrowings amounted to RMB14.84 billion (31 December 2017: RMB16.72 billion) together with the business partners on pro rata basis.

32 Transactions with non-controlling interests

The following transactions with non-controlling interests resulted in the total decrease in non-controlling interests of RMB55.98 million and total decrease in net assets attributable to the owners of the Company of RMB70.85 million.

(a) In January 2018, the Group completed the acquisition of additional 5% equity interest of a 95% owned subsidiary, Zhongshan Huayu Real Estate Development Co. Ltd. This transaction resulted in a decrease in non-controlling interest of RMB3.77 million and a decrease in net assets attributable to the owners of the Company of RMB6.37 million.

(b) In January 2018, the Group completed the acquisition of additional 10% equity interest of a 90% owned subsidiary, Hainan Shengli industrial Co., Ltd. This transaction resulted in a decrease in non-controlling interest of RMB6.64 million and a decrease in net assets attributable to the owners of the Company of RMB66.28 million.

(c) In March 2018, the Group completed the acquisition of additional 40% equity interest of a 60% owned subsidiary, Shanghai Jiarui investment Co. Ltd. This transaction resulted in an decrease in non-controlling interest of RMB0.77 million and a decrease in net assets attributable to the owners of the Company of RMB7.48 million.

(d) In April 2018, the Group completed the acquisition of additional 25% equity interest of a 75% owned subsidiary, Tianjin Sunac Yuanhao Real Estate Co., Ltd. This transaction resulted in an increase in non-controlling interest of RMB7.44 million and a decrease in net assets attributable to the owners of the Company of RMB32.44 million.

(e) In May 2018, the Group completed the acquisition of additional 5% equity interest of a 95% owned subsidiary, Foshan Rongteng Real Estate Co., Ltd. This transaction resulted in a decrease in non-controlling interest of RMB12.46 million and an increase in net assets attributable to the owners of the Company of RMB7.46 million.

(f) In June 2018, the Group completed the acquisition of additional 49% equity interest of a 51% owned subsidiary, Foshan Rongxing Real Estate Co., Ltd. This transaction resulted in a decrease in non-controlling interest of RMB39.78 million and an increase in net assets attributable to the owners of the Company of RMB34.26 million.

33 Business combination

(A) ACQUISITIONS OF SUBSIDIARIES

During the six months ended 30 June 2018, the major acquisitions of new subsidiaries are summarised as follows:

	Chongqing Wanda RMB'000 (Note (i))	Fogang Changchuan &Guanghe RMB'000 (Note (ii))	Nanjing Jinhongyuan RMB'000 (Note (iii))	Others RMB'000	Total RMB'000
Fair value of total interests acquired	6,421,514	820,605	315,126	4,246,174	11,803,419
Cash considerations for acquisition of					
– equity interests	3,635,534	380,772	118,200	3,052,515	7,187,021
– debts due to shareholders	—	—	—	592,982	592,982
Re-measurement of previously held interests	—	177,947	160,714	573,666	912,327
Gains from acquisition of new subsidiaries	2,785,980	261,886	36,212	85,920	3,169,998
Goodwill from acquisition of new subsidiaries	—	—	—	58,909	58,909
Re-measurement of previously held interests	—	177,947	160,714	573,666	912,327
Less: Book value of previously held interests	—	177,947	81,400	572,167	831,514
Gains on re-measurement	—	—	79,314	33,474	112,788
Losses on re-measurement	—	—	—	(31,975)	(31,975)
The following table set out a summary of the financial impacts:					
Gains from acquisition of new subsidiaries	2,785,980	261,886	115,526	119,394	3,282,786
Losses from acquisition of new subsidiaries	—	—	—	(31,975)	(31,975)
Goodwill from acquisition of new subsidiaries	—	—	—	58,909	58,909

33 Business combination *(continued)*

(A) ACQUISITIONS OF SUBSIDIARIES *(continued)*

Note:

(i) Acquisition of Chongqing Wanda cultural and tourism project company. ("Chongqing Wanda")

In July 2017, the Group entered into an acquisition agreement to acquire 91% equity interests of the fourteen Wanda Project Companies from Wanda Commercial at a total consideration of RMB43, 844 million. These Wanda Project Companies were engaged in real estate property development, hotel, shopping mall and theme parks operation in Harbin, Hefei, Nanchang, Qingdao, Jinan, Guangzhou, Chengdu, Chongqing, Wuxi, Kunming, Haikou, Guilin and Xishuangbanna, respectively.

As at 31 December 2017, except for the Chongqing project, the Group had obtained the control of thirteen Wanda Project Companies and all these thirteen companies became 91% owned subsidiaries of the Group. The Group obtained the control of Chongqing project in January 2018.

(ii) Acquisition of Fogang Changchuan Real Estate Development Co., Ltd. ("Fogang Changchuan") and Fogang Guanghe Real Estate Co., Ltd. ("Fogang Guanghe")

In February 2018, the Group completed the acquisition of additional 55% equity interest of two associates, Fogang Changchuan and Fogang Guanghe, at a total consideration of RMB380.8 million. Upon completion of the transaction, Fogang Changchuan and Fogang Guanghe became 90% owned subsidiaries of the Group.

(iii) Acquisition of Nanjing Jinhongyuan Real Estate Development Co., Ltd. ("Nanjing Jinhongyuan")

In June 2018, the Group completed the acquisition of additional 49% equity interest of a 51% owned joint venture, Nanjing Jinhongyuan, at a total consideration of RMB118 million. Upon completion of the transaction Nanjing Jinhongyuan became a wholly owned subsidiary of the Group.

33 Business combination *(continued)*

(b) The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions of subsidiaries in the above transactions are summarised as follows:

	Chongqing Wanda RMB'000	Fogang Changchuan &Guanghe RMB'000	Nanjing Jinhongyuan RMB'000	Others RMB'000	Total RMB'000
(1) Fair value of net assets					
Non-current assets					
PP&E	1,772,618	—	208	1,391	1,774,217
Intangible assets	20,124	—	15	—	20,139
Deferred tax assets	—	—	11,234	25,185	36,419
Current assets					
PUDs	12,995,053	1,500,295	992,000	5,534,897	21,022,245
Completed properties held for sale	—	—	112,000	620,000	732,000
Restricted cash	490,287	3,768	—	1,119	495,174
Cash and cash equivalents	82,612	—	260,608	6,691	349,911
Other current assets	3,971,334	204,909	375,421	1,728,702	6,280,366
Non-current liabilities					
Borrowings	620,000	—	325,000	164,000	1,109,000
Deferred tax liabilities	2,035,333	727,231	236,403	1,325,956	4,324,923
Current liabilities					
Borrowings	200,000	—	—	—	200,000
Other current liabilities	9,420,086	69,958	874,957	2,172,777	12,537,778
Net assets	7,056,609	911,783	315,126	4,255,252	12,538,770
Less: Non-controlling interests	(635,095)	(91,178)	—	(9,078)	(735,351)
Fair value of the net assets acquired	6,421,514	820,605	315,126	4,246,174	11,803,419
(2) Cash effects					
Consideration settled by cash	—	—	(73,800)	(2,700,491)	(2,774,291)
Cash and cash equivalents in the subsidiaries acquired	82,612	—	260,608	6,691	349,911
Net cash impact on acquisitions	82,612	—	186,808	(2,693,800)	(2,424,380)

34 Disposal of subsidiaries

(A) The financial impacts arising from the disposals are summarised as follows:

	Total RMB'000
Cash considerations	263,290
Fair value of equity interest lost control after disposal	131,470
Carrying values of the equity owned by the Group	(314,810)
Net gains on disposals	79,950
– Gains on the disposals	85,737
– Losses on the disposals	(5,787)

(B) The carrying values of the equity interests owned by the Group as at the disposal dates are summarised as follows:

	Total RMB'000
Non-current assets	
PP&E	1,305
Investment in a jointly controlled entity	236,226
Deferred tax assets	20,414
Current assets	
PUDs	2,965,128
Completed properties held for sale	—
Restricted cash	292,438
Cash and cash equivalents	493,930
Other current assets	2,813,909
Current liabilities	(6,488,063)
Net assets	335,287
Less: Non-controlling interests	(20,477)
Carrying value of the equity owned by the Group	314,810

(C) The cash impact arising from the disposals in above transactions are summarised as follows:

	Total RMB'000
Cash consideration received as of 30 June 2018	128,739
Cash of the subsidiaries disposed	(493,930)
Net cash impact	(365,191)

35 Related party transactions

(A) NAME AND RELATIONSHIP WITH RELATED PARTIES

Name	Relationship
Sunac International Investment Holdings Ltd. ("Sunac International")	Immediate controlling shareholder of the Company
Mr. Sun Hongbin	Ultimate controlling party of the Company and the chairman of the Board of Directors of the Company

(B) TRANSACTIONS WITH RELATED PARTIES

In addition to the related party information disclosed elsewhere in the condensed consolidated interim financial information, the Group had the following significant transactions entered into the ordinary course of business between the Group and the related parties:

(i) Cash advances

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cash paid to joint ventures and associates	**(59,147,954)**	(63,931,168)
Cash received from joint ventures and associates	**49,018,854**	67,095,395
	(10,129,100)	3,164,227

(ii) Interest income

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest income from joint ventures	**935,230**	572,194
Interest income from associates	**94,557**	34,572
	1,029,787	606,766

35 Related party transactions *(continued)*

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Salaries and other short-term benefits	**40,701**	37,049
Share-option scheme	**23,886**	9,592
	64,587	46,641

(D) RELATED PARTIES BALANCES

	30 June 2018 RMB'000	31 December 2017 RMB'000
Amounts due from joint ventures		
– Interest free	**37,564,059**	31,051,713
– Interest bearing	**23,209,642**	18,108,512
– Interest receivable	**1,884,982**	1,624,101
	62,658,683	50,784,326
Amounts due from associates		
– Interest free	**11,031,571**	8,946,787
– Interest bearing	**3,788,452**	2,680,889
– Interest receivable	**197,414**	164,045
	15,017,437	11,791,721
Less: Impairment provision	**(2,067,822)**	(1,493,257)
	12,949,615	10,298,464
	75,608,298	61,082,790
Amounts due to joint ventures	**85,740,318**	84,464,115
Amounts due to associates	**7,721,879**	7,483,137
	93,462,197	91,947,252

The amounts due from joint ventures and associates have no fixed repayment date, bearing interest rate at 4.35% to 14% per annum for the six months ended 30 June 2018.

The amounts due to joint ventures and associates are unsecured, interest-free and repayable on demand.

36 Dividends

No interim dividend for the six months ended 30 June 2018 was proposed by the Board (Six months ended 30 June 2017: Nil).

37 Events after the balance sheet date

On 25 July 2018, the Company issued senior notes due 2020 with principal amount of US$400 million ("Senior Notes") in total, which were listed on the Singapore Exchange Securities Trading Limited. The Senior Notes will bear interest from and including 27 July 2018 at the rate of 8.625%, payable semi-annually in arrears on 27 January and 27 July of each year, commencing from 27 January 2019, and with early redemption options under certain circumstances.

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