香港交易及結算所有限公司及香港聯合交易所有限公司對本公告的內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示，概不對因本公告全部或任何部份內容而產生或因倚賴該等內容而引致的任何損失承擔任何責任。

本公告並不構成在美國或任何其他司法權區提呈出售或招攬提呈購買任何證券。倘未根據任何該等司法權區的證券法辦理登記或未獲批准而於上述地區進行上述提呈、招攬或出售即屬違法。本公告所述的證券不會根據證券法登記，而除獲豁免證券法的登記規定或不受該登記規定所規限的交易外，不得在美國提呈發售或出售。於美國公開發售任何證券將須以招股章程形式作出。該招股章程將載有關於提呈發售的公司以及其管理及財務報表的詳細資料。本公司無意於美國進行證券公開發售。

*本公告及有關據此提呈發行票據之任何其他文件或資料並非由英國《二零零零年金融服務與市場法》(經修訂)(「**FSMA**」)第21條所界定之認可人士發佈，而有關文件及／或資料亦未經其批准。因此，有關文件及／或資料並不會向英國公眾人士派發，亦不得向英國公眾人士傳遞。有關文件及／或資料僅作為財務推廣向在英國擁有相關專業投資經驗及屬於《二零零零年金融服務與市場法》二零零五年(財務推廣)命令(經修訂)(「**財務推廣命令**」)第19(5)條所界定之投資專業人士，或屬於財務推廣命令第49(2)(a)至(d)條範圍之人士，或根據財務推廣命令可以其他方式合法向其發佈有關文件及／或資料的任何其他人士(所有上述人士統稱為「**有關人士**」)發佈。於英國，據此提呈發售之票據僅針對有關人士作出，而本公告涉及之任何投資或投資活動將僅與有關人士進行。任何在英國並非有關人士之人士不應根據本公告或其任何內容採取行動或加以依賴。*

sunac 融創中國

SUNAC CHINA HOLDINGS LIMITED

融創中國控股有限公司

(於開曼群島註冊成立的有限公司)

(股票代碼：01918)

擬發行美元優先票據

本公司擬進行美元優先定息票據的國際發售。滙豐、摩根士丹利、中信銀行(國際)、興證國際、招銀國際、德意志銀行、國泰君安國際、工銀國際及野村已獲委任為有關擬發行票據的聯席全球協調人及聯席賬簿管理人。票據只會根據證券法S規例於美國境外提呈發售。

票據將申請於新加坡證交所上市及報價。新加坡證交所對本公告所作出的任何聲明、所發表的任何意見或所載的任何報告的準確性概不負責。票據獲原則性批准於新加坡證交所正式名單上市及報價並不視為本公司、附屬公司擔保人、合營附屬公司擔保人或其各自聯營公司、及票據、上市發售、附屬公司擔保或合營附屬公司擔保(如有)的價值指標。本公司並無亦不會尋求票據在香港上市。

由於於本公告刊發日期並無就擬發行票據訂立任何具約束力協議，擬發行票據未必會實行。本公司投資者及股東於買賣本公司證券時務須審慎行事。

擬發行票據

緒言

本公司擬進行美元優先定息票據的國際發售。本公司擬以附屬公司擔保人按優先償還的基準為票據提供擔保，並將附屬公司擔保人的股份作抵押。滙豐、摩根士丹利、中信銀行(國際)、興證國際、招銀國際、德意志銀行、國泰君安國際、工銀國際及野村已獲委任為有關擬發行票據的聯席全球協調人及聯席賬簿管理人。

本公司將就擬發行票據向若干機構投資者提供本集團的近期財務資料(摘錄自截至二零一八年十二月三十一日止年度的經審核綜合財務報表(「**經審核財務報表**」))。為確保向本公司股東平等傳閱資料，隨本公告附上經審核財務報表。

票據只會根據證券法S規例於美國境外提呈發售。票據概不會向香港公眾人士發售，亦不會向本公司任何關連人士配售。

擬發行票據的完成取決於市場情況及投資者的興趣。票據的定價，包括本金總額、發售價及利率，將通過由聯席全球協調人及聯席賬簿管理人進行的入標定價程序釐定。在落實票據條款後，聯席全球協調人及聯席賬簿管理人、本公司、附屬公司擔保人及附屬公司擔保人質押人將簽訂購買協議，據此，聯席全球協調人及聯席賬簿管理人將為票據的首次買方。

有關本公司的資料及擬發行票據所得款項淨額的用途

本公司是一家於開曼群島註冊成立的有限公司，於聯交所主板上市。本集團以「至臻，致遠」為品牌理念，致力於通過高品質、多元的產品與服務，整合高端居住、文旅、文化、商業配套等資源，為中國家庭提供美好生活的完整解決方案。本集團下設四大戰略板塊：堅持「全國優勢佈局和高端精品發展戰略」的融創地產集團；定位於「品質生活服務專家」的融創服務集團；以「中國家庭歡樂供應商」為發展願景的融創文旅集團；聚焦內容環節，佈局文化行業全產業鏈，致力於成為「中國文化行業領軍企業」的融創文化集團。業務覆蓋中高端住宅、文化旅遊、產業地產、商業地產、酒店、物業服務、文化娛樂內容製作發行、影視拍攝一體化服務等。

擬發行票據所得款項淨額擬主要用於為本集團現有債務再融資。

上市

票據將申請於新加坡證交所上市及報價。新加坡證交所對本公告所作出的任何聲明、所發表的任何意見或所載的任何報告的準確性概不負責。票據獲原則性批准於新加坡證交所正式名單上市及報價並不視為本公司、附屬公司擔保人、合營附屬公司擔保人或其各自聯營公司、及票據、上市發售、附屬公司擔保或合營附屬公司擔保(如有)的價值指標。本公司並無亦不會尋求票據在香港上市。

一般事項

由於於本公告刊發日期並無就擬發行票據訂立任何具約束力協議，擬發行票據未必會實行。本公司投資者及股東於買賣本公司證券時務須審慎行事。

另行公告

票據的若干條款及條件，包括本金總額、發售價及利率目前仍有待確定。票據的條款及條件一經落實，本公司將就擬發行票據另行刊發公告。

釋義

於本公告內，除文義另有所指外，以下詞語具有以下涵義：

「董事會」	指	董事會
「興證國際」	指	興證國際證券有限公司，為有關擬發行票據的聯席全球協調人及聯席賬簿管理人之一
「中信銀行(國際)」	指	中信銀行(國際)有限公司，為有關擬發行票據的聯席全球協調人及聯席賬簿管理人之一
「招銀國際」	指	招銀國際融資有限公司，為有關擬發行票據的聯席全球協調人及聯席賬簿管理人之一
「本公司」	指	融創中國控股有限公司，根據開曼群島法例註冊成立的有限責任公司，於聯交所主板上市(股票代碼：01918)
「關連人士」	指	具有上市規則所賦予的涵義

「德意志銀行」	指	德意志銀行香港分行，為有關擬發行票據的聯席全球協調人及聯席賬簿管理人之一
「董事」	指	本公司董事
「本集團」	指	本公司及其附屬公司
「國泰君安國際」	指	國泰君安證券(香港)有限公司，為有關擬發行票據的聯席全球協調人及聯席賬簿管理人之一
「香港」	指	中華人民共和國香港特別行政區
「滙豐」	指	香港上海滙豐銀行有限公司，為有關擬發行票據的聯席全球協調人及聯席賬簿管理人之一
「工銀國際」	指	工銀國際證券有限公司，為有關擬發行票據的聯席全球協調人及聯席賬簿管理人之一
「聯席全球協調人」	指	滙豐、摩根士丹利、中信銀行(國際)、興證國際、招銀國際、德意志銀行、國泰君安國際、工銀國際及野村
「聯席賬簿管理人」	指	滙豐、摩根士丹利、中信銀行(國際)、興證國際、招銀國際、德意志銀行、國泰君安國際、工銀國際及野村
「合營附屬公司擔保」	指	合營附屬公司擔保人將就票據提供有限追索擔保
「合營附屬公司擔保人」	指	將於日後提供合營附屬公司擔保的本公司附屬公司
「上市規則」	指	聯交所證券上市規則
「摩根士丹利」	指	Morgan Stanley & Co. International plc，為有關擬發行票據的聯席全球協調人及聯席賬簿管理人之一
「野村」	指	野村國際(香港)有限公司，為有關擬發行票據的聯席全球協調人及聯席賬簿管理人之一
「票據」	指	本公司將發行的美元優先票據

「發售價」	指	票據將被出售的最終價格
「中國」	指	中華人民共和國(就本公告而言不包括香港、中華人民共和國澳門特別行政區及台灣)
「擬發行票據」	指	本公司票據的國際發售
「購買協議」	指	由本公司、附屬公司擔保人及附屬公司擔保人質押人、聯席全球協調人及聯席賬簿管理人就擬發行票據擬訂立的協議
「S規例」	指	證券法S規
「證券法」	指	美國一九三三年證券法(經修訂)
「新加坡證交所」	指	新加坡證券交易所有限公司
「聯交所」	指	香港聯合交易所有限公司
「附屬公司擔保」	指	附屬公司擔保人將就票據提供的擔保
「附屬公司擔保人」	指	於中國境外組建的本公司若干附屬公司，將共同及個別地為本公司於票據項下的責任提供擔保
「附屬公司擔保人質押人」	指	若干附屬公司擔保人，彼等將質押彼等所持有的附屬公司擔保人股份，以擔保有關附屬公司擔保人為票據提供擔保而產生的責任
「美國」	指	美利堅合眾國
「美元」	指	美國法定貨幣美元
「%」	指	百分比

承董事會命
融創中國控股有限公司
主席
孫宏斌

香港，二零一九年四月八日

於本公告日期，本公司執行董事為孫宏斌先生、汪孟德先生、荊宏先生、遲迅先生、田強先生、商羽先生、黃書平先生及孫喆一先生；及本公司獨立非執行董事為潘昭國先生、竺稼先生、李勤先生及馬立山先生。

本公司截至二零一八年十二月三十一日止年度之經審核綜合財務報表

本公告所載列本公司截至二零一八年十二月三十一日止年度的經審核綜合財務報表，乃從本公司另行刊發的綜合財務報表轉載，而頁數是指該另行刊發的綜合財務報表的頁數。該經審核綜合財務報表並非為了載入本公告而編製。

羅兵咸永道

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

Opinion

WHAT WE HAVE AUDITED

The consolidated financial statements of Sunac China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 209, which comprise:

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

OUR OPINION

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

Basis for Opinion

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

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

INDEPENDENCE

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Key Audit Matters

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

A key audit matter identified in our audit is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of net realisable value of properties under development and completed properties held for sale	
Refer to note 6(C) of critical accounting estimates and judgements, note 14 of properties under development and note 15 of completed properties held for sale to the consolidated financial statements. At 31 December 2018, properties under development ("PUD") and completed properties held for sale ("PHS") totalled RMB 340,518 million and accounted for approximately 48% of the Group's total assets. PUD and PHS are stated at the lower of cost and net realisable value, write-down of carrying amounts of PUD and PHS to their net realisable value amounted to RMB 1,268 million as at 31 December 2018. We identified the net realisable value assessment of the Group's PUD and PHS as a key audit matter because the determination of net realisable values of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and tested the internal control over the Group's process in determining the costs to completion of PUD; (ii) We compared the relevant PUD and PHS balances against the result of management's net realisable value assessment made in the prior year to consider, with hindsight, whether management's net realisable value assessment estimation process had been subject to management bias; (iii) We obtained management's net realisable value assessment on PUD and PHS and performed the following audit procedures: • Estimated selling price which is based on the prevailing market conditions, we compared the estimated selling price to the recent market transactions by making reference to the Group's selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar type, size and location; • Estimated variable selling expenses as a percentage of the related estimated selling price of the properties, we compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent year; and

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of net realisable value of properties under development and completed properties held for sale (continued)	• Estimated costs to completion for PUD, we reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the signed construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group. We found the data used and the key estimations adopted by management were consistent with the evidence we obtained.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2019

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**49,224,305**	39,262,620
Investment properties	9	**16,195,739**	12,821,611
Land use rights and intangible assets	10	**16,020,807**	3,637,131
Deferred tax assets	12	**2,984,740**	1,913,730
Investments accounted for using the equity method	11	**65,496,826**	58,613,221
Financial assets at fair value through profit or loss	13	**9,872,592**	—
Available-for-sale financial assets	13	**—**	871,578
Receivables	16	**558,000**	915,750
Prepayments	17	**2,276,912**	4,950,793
Derivative financial instruments	26	**125,817**	14,865
Amounts due from related companies	43(D)	**666,452**	500,016
		163,422,190	123,501,315
Current assets			
Properties under development	14	**291,913,575**	271,514,992
Completed properties held for sale	15	**47,336,265**	42,242,613
Inventories		**14,967**	10,771
Trade and other receivables	16	**27,392,266**	18,411,699
Contract assets	7	**932,328**	263,936
Derivative financial instruments	26	**153,507**	—
Amounts due from related companies	43(D)	**48,299,169**	60,582,774
Prepayments	17	**10,414,376**	4,509,791
Prepaid income tax		**6,449,795**	5,345,490
Restricted cash	18	**44,017,011**	28,285,601
Cash and cash equivalents	19	**76,181,041**	68,433,256
Financial assets at fair value through profit or loss	13	**133,500**	—
		553,237,800	499,600,923
Total assets		**716,659,990**	623,102,238
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	**378,421**	377,608
Other reserves	22	**14,259,603**	16,649,452
Retained earnings		**42,198,205**	26,775,180
		56,836,229	43,802,240
Perpetual capital securities	23	**5,526,772**	9,288,432
Other non-controlling interests		**10,743,568**	7,547,553
Total equity		**73,106,569**	60,638,225

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2018** **RMB'000**	 2017 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	25	**137,363,520**	140,597,186
Derivative financial instruments	26	**79,509**	167,634
Deferred tax liabilities	12	**33,383,440**	34,498,436
Other payables	24	**1,474,373**	1,492,327
		172,300,842	176,755,583
Current liabilities			
Trade and other payables	24	**92,786,353**	68,789,140
Contract liabilities	7	**199,378,610**	131,190,587
Amounts due to related companies	43(D)	**62,663,166**	91,947,252
Current tax liabilities		**23,753,921**	14,411,985
Borrowings	25	**92,045,543**	78,672,660
Derivative financial instruments	26	**14,017**	53,839
Provisions	27	**610,969**	642,967
		471,252,579	385,708,430
Total liabilities		**643,553,421**	562,464,013
Total equity and liabilities		**716,659,990**	623,102,238

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

The financial statements on pages 76 to 209 were approved by the Board of Directors on 28 March 2019 and were signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	7	**124,745,623**	65,873,515
Cost of sales	28	**(93,609,587)**	(52,245,803)
Gross profit		**31,136,036**	13,627,712
Other income and gains	30	**11,848,091**	27,916,263
Selling and marketing costs	28	**(4,360,530)**	(3,419,436)
Administrative expenses	28	**(7,356,570)**	(3,535,411)
Other expenses and losses	31	**(1,986,111)**	(10,336,909)
Net impairment losses on financial and contract assets	28	**(3,485,395)**	(2,376,177)
Operating profit		**25,795,521**	21,876,042
Finance income	32	**806,208**	736,000
Finance expenses	32	**(2,893,493)**	(5,259,450)
Finance expenses - net	32	**(2,087,285)**	(4,523,450)
Share of post-tax profits/(losses) of associates and joint ventures accounted for using the equity method, net	11	**4,955,994**	(1,993,604)
Profit before income tax		**28,664,230**	15,358,988
Income tax expense	33	**(11,219,229)**	(3,694,608)
Profit for the year		**17,445,001**	11,664,380
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year		**17,445,001**	11,664,380
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**16,566,535**	11,003,863
– Holders of perpetual capital securities	23	**591,179**	679,084
– Other non-controlling interests		**287,287**	(18,567)
		17,445,001	11,664,380
Earnings per share attributable to owners of the Company (expressed in RMB per share):	34		
– Basic earnings per share		**3.79**	2.76
– Diluted earnings per share		**3.74**	2.70

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						
		Share capital	Other reserves	Retained earnings	Total	Perpetual capital securities	Other non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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)		—	—	11,003,863	11,003,863	679,084	(18,567)	11,664,380
Transactions with owners, recognised directly in equity								
Non-controlling interests arising on business combination		—	—	—	—	—	7,510,460	7,510,460
Capital contributions from non-controlling interests		—	—	—	—	—	100,501	100,501
Disposal of subsidiaries		—	—	—	—	—	(1,536,459)	(1,536,459)
Transactions with non-controlling interests		—	(495,394)	—	(495,394)	—	(393,684)	(889,078)
Dividends to non-controlling interests		—	—	—	—	—	(306,321)	(306,321)
Capital increment from joint venture partner		—	73,715	—	73,715	—	—	73,715
Issue of perpetual capital securities		—	—	—	—	1,376,000	—	1,376,000
Redemption of perpetual capital securities		—	—	—	—	(2,043,400)	—	(2,043,400)
Distributions to holders of perpetual capital securities		—	—	—	—	(680,288)	—	(680,288)
Employees share option schemes:								
– Value of employee services		—	210,370	—	210,370	—	—	210,370
– Proceeds from shares issued		5,972	263,044	—	269,016	—	—	269,016
Proceeds from private placement		40,228	9,970,751	—	10,010,979	—	—	10,010,979
Statutory reserve		—	881,104	(881,104)	—	—	—	—
Dividends relating to 2016		—	(991,341)	—	(991,341)	—	—	(991,341)
		46,200	9,912,249	(881,104)	9,077,345	(1,347,688)	5,374,497	13,104,154
Balance at 31 December 2017		377,608	16,649,452	26,775,180	43,802,240	9,288,432	7,547,553	60,638,225

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000	Other non-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	3	—	—	(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		—	—	16,566,535	16,566,535	591,179	287,287	17,445,001
Transactions with owners, recognised directly in equity								
Non-controlling interests arising on business combination	41(B)	—	—	—	—	—	2,552,901	2,552,901
Capital contributions from non-controlling interests		—	—	—	—	—	568,143	568,143
Disposal of subsidiaries	42	—	—	—	—	—	10,280	10,280
Transactions with non-controlling interests	40	—	(129,860)	—	(129,860)	—	(30,596)	(160,456)
Dividends to non-controlling interests		—	—	—	—	—	(192,000)	(192,000)
Issue of perpetual capital securities	23	—	—	—	—	340,600	—	340,600
Redemption of perpetual capital securities	23	—	—	—	—	(4,017,800)	—	(4,017,800)
Distributions to holders of perpetual capital securities	23	—	—	—	—	(675,639)	—	(675,639)
Employees share option schemes:								
– Value of employee services	22,29	—	291,035	—	291,035	—	—	291,035
– Proceeds from shares issued	20,22	813	42,277	—	43,090	—	—	43,090
Purchase of shares for share award scheme	21(B),22	—	(1,464,565)	—	(1,464,565)	—	—	(1,464,565)
Statutory reserve		—	1,072,037	(1,072,037)	—	—	—	—
Dividends relating to 2017	44	—	(2,200,773)	—	(2,200,773)	—	—	(2,200,773)
		813	(2,389,849)	(1,072,037)	(3,461,073)	(4,352,839)	2,908,728	(4,905,184)
Balance at 31 December 2018		378,421	14,259,603	42,198,205	56,836,229	5,526,772	10,743,568	73,106,569

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2018	2017
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	35	**63,249,311**	83,163,789
Income tax paid		**(11,194,605)**	(8,064,420)
Net cash generated from operating activities		**52,054,706**	75,099,369
Cash flows from investing activities			
Payments for business combinations, net	41	**(4,272,673)**	(50,359,961)
Disposal of subsidiaries	42	**(1,738,404)**	271,954
Disposal of joint ventures and associates		**3,172,766**	—
Payments for equity transactions		**(6,162,230)**	(26,123,199)
Cash advance received for potential equity transaction		**6,899,936**	—
Investments in joint ventures and associates		**(9,745,498)**	(34,829,066)
Dividend received from joint ventures and associates		**440,334**	911,762
Loans granted to joint ventures and associates		**(16,342,608)**	(13,231,740)
Loan repayments received from joint ventures and associates		**10,339,019**	7,237,317
Loan repayments received from equity investment partners		**398,075**	—
Loans to equity investment partners		**—**	(2,035,636)
Payments for available-for-sale financial assets		**—**	(711,578)
Payments for financial assets at fair value through profit or loss ("FVPL")		**(5,575,640)**	—
Purchases of property, plant and equipment ("PP&E"), intangible assets and investment properties		**(13,639,331)**	(2,840,343)
Proceeds received from redemption of financial assets at FVPL		**340,000**	—
Interests received		**1,764,897**	1,487,455
Others		**42,493**	54,300
Net cash used in investing activities		**(34,078,864)**	(120,168,735)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**43,090**	10,279,995
Proceeds paid for purchase of shares for share award scheme		**(1,464,565)**	—
Proceeds from issuance of perpetual capital securities		**340,600**	1,376,000
Redemption of perpetual capital securities		**(4,017,800)**	(2,043,400)
Proceeds from borrowings		**118,691,208**	124,017,209
Repayments of borrowings		**(106,354,120)**	(64,307,378)
Payments for derivative financial instruments		**(59,762)**	(61,630)
Distribution paid to holders of perpetual capital securities		**(675,639)**	(680,288)
Dividends paid to Company's shareholders	44	**(2,200,773)**	(991,341)
Dividends or deemed distribution paid to non-controlling interests		**(2,299,176)**	(4,362,445)
Loans from non-controlling interests		**2,495,256**	1,731,538
Loans repayments to non-controlling interests		**(1,813,953)**	(558,249)
Payments for transaction with non-controlling interests		**(56,418)**	(685,418)
Restricted cash (guaranteed)/relieved for bank borrowings		**(130,723)**	1,610,381
Contribution from non-controlling interests		**565,142**	54,001
Interest paid		**(13,489,256)**	(4,006,299)
Others		**—**	(9,045)
Net cash (used in)/generated from financing activities		**(10,426,889)**	61,363,631
Net increase in cash and cash equivalents		**7,548,953**	16,294,265
Cash and cash equivalents at beginning of year		**68,433,256**	52,086,050
Effects of exchange difference		**198,832**	52,941
Cash and cash equivalents at end of year	19	**76,181,041**	68,433,256

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, cultural and tourism city operation and property management services 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 Main Board of The Stock Exchange of Hong Kong Limited.

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

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 BASIS OF PREPARATION

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- *HKFRS 9 Financial Instruments*
- *Classification and Measurement of Share-based Payment Transactions – Amendments to HKFRS 2*
- *Annual Improvements 2014-2016 cycle*
- *Transfers to Investment Property – Amendments to HKAS 40*
- *Interpretation 22 Foreign Currency Transactions and Advance Consideration*

2 Summary of significant accounting policies *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

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

The Group elected to early adopt HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") for its annual report for the year ended 31 December 2017.

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 16 *Leases*

Nature of change

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet by lessees, 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.

Impact

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. 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 RMB 336.8 million, see note 36. Of these commitments, approximately RMB 10.6 million relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately RMB 334.7 million on 1 January 2019 and lease liabilities of RMB 334.7 million (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Overall net current assets will be RMB 122.6 million lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately RMB 4.7 million for 2019 as a result of adopting the new rules. The segment results are expected to increase by approximately RMB 138 million as the operating lease payment were included in the segment results, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

2 Summary of significant accounting policies *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

(iv) New standards and interpretations not yet adopted *(continued)*

HKFRS 16 *Leases (continued)*

Impact (continued)

Operating cash flows will increase and financing cash flows decrease by approximately RMB 138 million for 2019 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are all operating lease hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

(i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2 Summary of significant accounting policies *(continued)*

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING *(continued)*

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated balance sheet.

(iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. The Group's investments in associates and joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an equity-accounted investment, any difference between the cost of the equity-accounted investment and the Group's share of the net fair value of the equity-accounted investment's identifiable assets and liabilities is accounted for as goodwill. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

2 Summary of significant accounting policies *(continued)*

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING *(continued)*

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

2.3 BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 Summary of significant accounting policies *(continued)*

2.3 BUSINESS COMBINATIONS *(continued)*

The excess of the

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

2.4 SEPARATE FINANCIAL STATEMENTS

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

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

2 Summary of significant accounting policies *(continued)*

2.5 SEGMENT REPORTING

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

2.6 FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss, within 'finance expenses – net'. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2 Summary of significant accounting policies *(continued)*

2.6 FOREIGN CURRENCY TRANSLATION *(continued)*

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 PROPERTY, PLANT AND EQUIPMENT

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

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

2 Summary of significant accounting policies *(continued)*

2.7 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings	29 - 40 years
Vehicles	5 years
Furniture and equipment	5 - 10 years
Leasehold improvements	Shorter of 5 years or the lease periods

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.8 INVESTMENT PROPERTIES

Investment properties, principally freehold office buildings, shopping malls and commercial properties are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment properties when the rest of the definition of investment properties are met. Investment properties are initially measured at cost including related transaction costs and where applicable borrowing cost.

After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Properties that are being constructed or developed as investment properties are carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (wherever is earlier).

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Changes in fair values are presented in profit or loss as part of other income or other expense.

2 Summary of significant accounting policies *(continued)*

2.9 LAND USE RIGHT AND INTANGIBLE ASSETS

(i) Land use rights

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for development for sale are inventories and measured at lower of cost and net realisable value. Land use rights which are held for self-use are stated at cost and amortised over the use terms using straight-line method.

(ii) Goodwill

Goodwill is measured as described in note 2.10. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(iii) Trademark

Trademark is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the shorter of budgeted useful lives and contractually useful lives.

(iv) Software

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

2 Summary of significant accounting policies *(continued)*

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) 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 fair value through other comprehensive income ("FVOCI").

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

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Summary of significant accounting policies *(continued)*

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

(iii) 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.

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. Impairment losses are presented as separate line item in the statement of profit or loss.

- 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 income 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. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- 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.

2 Summary of significant accounting policies *(continued)*

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

(iii) Measurement *(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.

(iv) 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 and trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(v) *Accounting policies applied until 31 December 2017*

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

2 Summary of significant accounting policies *(continued)*

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

(v) ***Accounting policies applied until 31 December 2017*** *(continued)*

(a) Classification

The Group classifies its financial assets in the following categories:

- financial assets at FVPL
- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. See note 39 for details about each type of financial asset.

(b) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the available-for-sale category if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2 Summary of significant accounting policies *(continued)*

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

(v) *Accounting policies applied until 31 December 2017* *(continued)*

(c) Subsequent measurement

The measurement at initial recognition did not change an adoption of HKFRS 9, see description above.

Subsequent to the initial, recognition loans and receivables were subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at FVPL'– in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the 'other income and gains'. Interest on available-for-sale securities, loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in note 5.

2 Summary of significant accounting policies *(continued)*

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

(v) ***Accounting policies applied until 31 December 2017*** *(continued)*

(d) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

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

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

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

2 Summary of significant accounting policies *(continued)*

2.12 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.13 FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 *Financial Instruments* and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Accounting policies applied until 31 December 2017

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

2 Summary of significant accounting policies *(continued)*

2.14 DERIVATIVES AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group enters into certain derivative instruments which do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

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

2.15 PROPERTIES UNDER DEVELOPMENT

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

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

2.16 COMPLETED PROPERTIES HELD FOR SALE

Completed properties remaining unsold as at the balance sheet dates are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

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

2 Summary of significant accounting policies *(continued)*

2.17 INVENTORIES

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

2.18 TRADE RECEIVABLES

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 2.11 for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2.19 CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.20 SHARE CAPITAL AND SHARES HELD FOR EMPLOYEE SHARE SCHEME

Ordinary shares are classified as equity.

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

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the Company are disclosed as treasury shares and deducted from contributed equity.

2 Summary of significant accounting policies *(continued)*

2.21 PERPETUAL CAPITAL INSTRUMENTS

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

2.22 TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.23 BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

2 Summary of significant accounting policies *(continued)*

2.24 BORROWING COSTS

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

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

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings.

Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.25 CURRENT AND DEFERRED INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

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

2 Summary of significant accounting policies *(continued)*

2.25 CURRENT AND DEFERRED INCOME TAX *(continued)*

Deferred income tax

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies *(continued)*

2.26 EMPLOYEE BENEFITS

(i) Short-term obligations

Liabilities for wages and salaries that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

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

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2 Summary of significant accounting policies *(continued)*

2.27 SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Company's share option schemes and an employee share award scheme. Information relating to these schemes is set out in note 21.

(i) Employee options

The fair value of options granted under the Company's employee option schemes is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (e.g. the entity's share price)

– excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

– including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

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

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

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

(ii) Share-based payment transactions among Group entities

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

2 Summary of significant accounting policies *(continued)*

2.27 SHARE-BASED PAYMENTS *(continued)*

(iii) Employee share award scheme

Under the employee share award scheme, the Company entrusts the trustee to purchase existing ordinary shares in the open market based on the 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 scheme rules (see note 2.20).

The fair value of the shares granted to selected employees for nil consideration under the employee share award scheme is recognised as an expense over the relevant service period and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

2.28 PROVISIONS

Provisions for legal claims, onerous contract and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 Summary of significant accounting policies *(continued)*

2.29 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Sales of properties

Revenues are recognised when or as the control of the property is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

The revenue is measured at the transaction price received or receivable under the contract.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or properties are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For contract where the period between the payment by the customer and the transfer of the promised property exceeds one year, the promised amount of consideration is adjusted for the effects of a significant financing component.

2 Summary of significant accounting policies *(continued)*

2.29 REVENUE RECOGNITION *(continued)*

(ii) Rental income

Rental income from investment property is recognised in the statement of profit or loss on a straight-line basis over the term of the lease.

(iii) Service income

Property management service income is recognised when the services are provided, the total amount of revenue and costs arising from provision of the services can be estimated reliably, and it is probable that the economic benefits associated with the transaction will flow in.

(iv) Hotel operations

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

(v) Theme parks operations

Revenues from advance theme park ticket sales are recognised when the tickets are used. Revenues from annual pass sales are recognised ratably over the period for which the pass is available for use.

(vi) Fitting and decoration services

Revenue from fitting and decoration services is recognised in the accounting period in which the services are rendered.

2.30 EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 Summary of significant accounting policies *(continued)*

2.30 EARNINGS PER SHARE *(continued)*

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.31 DIVIDEND INCOME

Dividends are received from financial assets measured at FVPL and at FVOCI (2017 – from financial assets at FVPL and available-for-sale financial assets). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.32 LEASES

Leases of PP&E where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The PP&E acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

2 Summary of significant accounting policies *(continued)*

2.33 DIVIDEND DISTRIBUTION

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.34 GOVERNMENT GRANTS

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

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of PP&E are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.35 INTEREST INCOME

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI (2017 – loans and receivables) calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

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

3 Change in accounting policy

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 notes 2.11. 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:

	Note	**Amount RMB'000**
Closing retained earnings 31 December 2017 - HKAS 39		26,775,180
Reclassify investments from available-for-sale to FVPL		—
Increase in provision for contract assets and trade and other receivables (excluding loans to third parties)	(IV)	(16,439)
Increase in provision for loans to related and third parties	(IV)	(43,767)
Increase in provision for financial guarantees	(IV)	(35,091)
Increase in deferred tax assets relating to impairment provisions		23,824
Opening retained earnings 1 January 2018 - HKFRS 9		26,703,707

(I) Adjustments made to line items in the statement of profit or loss for the 2017 reporting period relate to (increase/ (decrease)):

	2017 RMB'000
Decrease of administrative expenses	(2,023,891)
Decrease of other expenses and losses	(352,286)
Increase of net impairment losses on financial and contract assets	2,376,177

3 Change in accounting policy *(continued)*

(II) CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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	**FVOCI (Available-for-sale 2017) RMB'000**	**FVPL 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

Equity investments previously recognised as available-for-sale were elected to presented in financial assets at FVPL (RMB872 million as at 1 January 2018). Certain investments do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

There was no impact on the retained earnings from adoption of HKFRS 9 as no fair value gains or losses was recognised into available-for-sales financial assets reserve in previous years.

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.

3 Change in accounting policy *(continued)*

(II) CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original RMB'000	New RMB'000	Difference RMB'000
Non-current financial assets					
Equity investments	Available for sale	FVPL	871,578	871,578	—
Derivative financial instruments	FVPL	FVPL	14,865	14,865	—
Other receivables	Amortised cost	Amortised cost	915,750	915,750	—
Amounts due from related companies	Amortised cost	Amortised cost	500,016	500,016	—
Current financial assets					—
Trade and other receivables	Amortised cost	Amortised cost	18,411,699	18,411,699	—
Amounts due from related companies	Amortised cost	Amortised cost	60,582,774	60,582,774	—
Restricted cash	Amortised cost	Amortised cost	28,285,601	28,285,601	—
Cash and cash equivalents	Amortised cost	Amortised cost	68,433,256	68,433,256	—

(III) 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.

3 Change in accounting policy *(continued)*

(IV) IMPAIRMENT OF FINANCIAL ASSETS

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

- trade receivables for properties sold or services performed in the ordinary course of business
- contract assets relating to property development and sales contracts
- 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 above.

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

Contract assets, trade receivables 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 receivables. Other receivables (excluding loans to third parties) such as guarantees and deposit are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses.

On that basis, the loss allowance of RMB16.44 million as at 1 January 2018 (previous loss allowance was RMB64.3 million) was recognised in retained earnings and a further increase in the allowance by RMB 14.67 million in the year ended 31 December 2018. Note 4.1(b) provides for details about the calculation of the allowance.

Contract assets and trade receivables 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.

Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB 43.77 million on 1 January 2018 (previous loss allowance was RMB 2,119.4 million) and a further increase in the allowance by RMB 3,227.06 million in the year ended 31 December 2018. Note 4.1(b) provides for details about the calculation of the allowance.

3 Change in accounting policy *(continued)*

(IV) IMPAIRMENT OF FINANCIAL ASSETS *(continued)*

Financial guarantee contract

As descripted in note 37, the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. In addition, the Group provided guarantees for certain joint ventures and associates for their borrowings. Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB 35.1 million on 1 January 2018 (previous loss allowance was RMB 352.29 million) and a further increase in the allowance by RMB 223.58 million in the year ended 31 December 2018. Note 4.1(b) provides for details about the calculation of the allowance.

4 Financial risk management

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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's risk management is predominantly controlled by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

4.1 FINANCIAL RISK FACTORS

(a) Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. The foreign currency balances as at 31 December 2018 were primarily related to bank deposits, borrowings and the senior notes denominated in United States dollar ("USD") or Hong Kong dollar ("HKD") or European dollar ("EUR").

The Group uses foreign currency option contracts and cross currency swap contracts (the "Foreign Currency Contracts") to hedge certain risk exposures. The Group entered into these Foreign Currency Contracts in relation to future repayment of foreign bank borrowing that do not qualify as 'highly probable' forecast transactions and hence do not satisfy the requirements for hedge accounting (economic hedges). These contracts are accounted for as held for trading with gains (losses) recognised in profit or loss. No hedge accounting is applied on the Foreign Currency Contracts as the time value fair value movement results in an ineffective hedge relationship.

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Assets		
USD	**2,650,538**	761,625
HKD	**61,616**	5,126,283
EUR	—	133
	2,712,154	5,888,041
Liabilities		
USD	**24,613,876**	10,725,557
HKD	**3,676,208**	2,101,784
EUR	**332,631**	331,486
	28,622,715	13,158,827

As at 31 December 2018, if RMB had strengthened/weakened by 5% against the HK dollar with all other variables held constant, the post-tax profit for the year would have been RMB172 million higher/lower (2017: RMB151 million lower/higher).

As at 31 December 2018, if RMB had strengthened/weakened by 5% against the US dollar with all other variables held constant, the post-tax profit for the year would have been RMB1,046 million higher/lower (2017: RMB498 million higher/lower).

As at 31 December 2018, if RMB had strengthened/weakened by 5% against the EUR dollar with all other variables held constant, the post-tax profit for the year would have been RMB17 million higher/lower (2017: RMB17 million higher/lower).

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings and interest-bearing amounts due from related companies. 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 and amounts due from related companies with fixed rates expose the Group to fair value interest-rate risk. In 2018, the Group's borrowings were denominated in RMB, USD, HKD and EUR. (2017: RMB, USD, HKD and EUR).

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

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

	Floating rates				Fixed rates				
RMB' million	Less than 1 year	1 to 5 years	over 5 years	Sub-total	Less than 1 year	1 to 5 years	over 5 years	Sub-total	Total
At 31 December 2018									
Amount due from related companies	—	—	—	—	**20,308**	—	—	**20,308**	**20,308**
Borrowings	**18,778**	**38,526**	**2,586**	**59,890**	**73,268**	**95,378**	**873**	**169,519**	**229,409**
At 31 December 2017									
Amount due from related companies	—	—	—	—	19,296	—	—	19,296	19,296
Borrowings	30,173	40,970	5,318	76,461	48,500	91,285	3,024	142,809	219,270

As at 31 December 2018, if the interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been lower/higher by RMB 48.49 million (2017: lower/higher by RMB 364.4 million) and the capitalised interest for the year would have been higher/lower by RMB 495.85 million (2017: higher/lower by RMB 326.95 million) respectively.

The Group's management team centrally authorises all loans entered into by operating entities and sets a benchmark interest rate within which the entity management teams can negotiate loans with their local lenders prior to obtaining central approval from the Group management. The interest rate benchmark is reassessed annually by the Group management team.

The Group also analyses its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(a) Market risk *(continued)*

(iii) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet as financial assets at FVPL (note 13). The Group monitor the pricing change of these equity securities during each reporting period to manage the price risk.

The Group's equity investments are publicly in the Hong Kong Stock Exchange. As at 31 December 2018, if the pricing of securities has increased/decreased by 5% with all other variables held constant, the post-tax profit for the year would have been RMB 12.7 million higher/lower (2017: nil).

(b) Credit risk

(i) Risk management

The Group has no significant concentrations of credit risk. The maximum extent of the Group's credit exposure in relation to financial assets is represented by the aggregate balance of cash and cash equivalents, restricted cash, contract assets, trade and other receivable, amounts due from related companies, financial assets at fair value through profit or loss included in the consolidated balance sheets and financial guarantees provided to related companies and guarantees on mortgage facilities.

Cash transactions are limited to high-credit-quality banks. The Group has policies in place to ensure that sales of properties are made to customers with an appropriate financial strength and appropriate percentage of down payment. Credit is granted to customers with sufficient financial strength. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

Certain customers of the Group have arranged bank financing for their purchases of the properties. The Group entities have provided guarantees to secure obligations of such customers for repayments, normally up to the time when the customers obtain the legal certificates of the property ownership.

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets

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

- trade receivables for properties sold or services performed in the ordinary course of business
- contract assets relating to property development and sales contracts
- other receivables (excluding loans to third parties)
- loans to related and third parties

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 receivables

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 receivables.

To measure the expected credit losses, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the ageing analysis. 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.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for contract assets and trade receivables:

31 December 2018	Current	More than 90 days	More than 180 days	More than 1 years	Total
Expected loss rate	0.01%	0.29%	2.30%	3.38%	1.29%
Gross carrying amount	769,425	42,911	145,901	420,722	1,378,959
Loss allowance	82	126	3,361	14,238	17,807

1 January 2018	Current	More than 90 days	More than 180 days	More than 1 years	Total
Expected loss rate	0.004%	—	2.30%	3.71%	1.11%
Gross carrying amount	1,016,405	—	62,653	402,621	1,481,679
Loss allowance	39	—	1,443	14,957	16,439

Other receivables (excluding loans to third parties)

Other receivables (excluding loans to third parties) such as guarantee and deposit are all considered to have low credit risk 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. On that basis, the loss allowance for other receivables (excluding loans to third parties) was RMB 77.6 million as at 31 December 2018.

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(b) Credit risk *(continued)*

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

Loans to related and third parties

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

– internal credit rating

– external credit rating (as far as available)

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– actual or expected significant changes in the operating results of the borrower

– significant increases in credit risk on other financial instruments of the same borrower

– significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

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	There is no reasonable expectation of recovery	Asset is written off

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. As at 31 December 2018, the Group provides for credit losses against loans to related parties and third parties as follows:

Company internal credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default	Carrying amount (net of impairment provision)	Basis for calculation of interest revenue
Performing	0.94%	12 month expected losses	14,323,847	14,189,203	Gross carrying amount
Non-performing	88.75%	Lifetime expected losses	5,922,038	666,452	Amortised cost carrying amount (net of credit allowance)

No significant changes to estimation techniques or assumptions were made during the reporting period.

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(b) Credit risk *(continued)*

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

The loss allowance for loans to related parties and third parties as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 and to the closing loss allowance as at 31 January 2018 as follows:

	Contract assets		Trade and other receivables		Amounts due from related parties	
	2018	2017	**2018**	2017	**2018**	2017
	RMB 000	RMB 000	**RMB 000**	RMB 000	**RMB 000**	RMB 000
1 January – calculated under HKAS 39	—	—	**690,446**	81,874	**1,493,257**	77,938
Amounts restated through opening retained earnings	**10**	—	**60,196**	—	—	—
Opening loss allowance as at 1 January 2018 – calculated under HKFRS 9	**10**	—	**750,642**	81,874	**1,493,257**	77,938
Increase in loss allowance recognised in profit or loss during the year	**25**	—	**85,827**	608,610	**3,685,282**	1,493,257
Unused amount reversed	—	—	**(529,401)**	(38)	—	(77,938)
At 31 December	**35**	—	**307,068**	690,446	**5,178,539**	1,493,257

Contract assets, trade and other receivables and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Impairment losses on contract assets, trade and other receivables and amounts due from related parties are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(b) Credit risk *(continued)*

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

During the year, the following impairment losses or reversal were recognised in profit or loss in relation to impaired financial assets:

	2018 **RMB'000**	2017 RMB'000
Impairment losses		
– individually impaired receivables (previous accounting policy)	**3,658,595**	2,023,891
– movement in loss allowance for contract assets and trade and other receivables and amounts due from related parties	**112,539**	—
Expected credit losses on financial guarantee	**243,662**	352,286
Reversal of previous impairment losses	**(529,401)**	—
Net impairment losses on financial and contract assets	**3,485,395**	2,376,177

Previous accounting policy for impairment of trade and other receivables and amounts due from related parties

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. The other receivables and amount due from related parties were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor,
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (RMB 788.1 million; (2017 – nil)).

Financial guarantees

The loss allowance for financial guarantee contracts was determined based on the same policy as loans to related and third parties. On that basis, the loss allowance for financial guarantees was RMB 387.39 million as at 1 January 2018 and a further increase in the allowance of RMB 223.58 million as at 31 December 2018.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

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

Due to the dynamic nature of the underlying businesses, the Group's central treasury department maintains flexibility in funding by its ability to move cash and cash equivalents between different entities through related parties borrowing arrangements.

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(c) Liquidity risk *(continued)*

(i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
– Expiring within one year (bank loans)	**7,593,256**	3,631,570
– Expiring beyond one year (bank loans)	**34,867,140**	21,073,482
	42,460,396	24,705,052

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in either RMB or USD and have an average maturity of 1.66 years (2017: 2.43 years).

(ii) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(c) Liquidity risk *(continued)*

(ii) Maturities of financial liabilities *(continued)*

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

In RMB' million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2018					
Borrowings and interest payments	**106,645**	**83,492**	**63,236**	**4,038**	**257,411**
Trade and other payables (note 24)	**86,403**	—	**1,474**	—	**87,877**
Amounts due to related companies (note 43(D))	**62,663**	—	—	—	**62,663**
Derivative financial instruments (note 26)	**14**	—	**80**	—	**94**
Financial guarantee contracts (note 37)	**95,525**	**10,976**	**5,918**	—	**112,419**
At 31 December 2017					
Borrowings and interest payments	91,339	62,421	86,242	9,823	249,825
Trade and other payables (note 24)	64,537	1,492	—	—	66,029
Amounts due to related companies (note 43(D))	91,947	—	—	—	91,947
Derivative financial instruments (note 26)	54	78	89	—	221
Financial guarantee contracts (note 37)	66,495	—	—	—	66,495

Note:

– The interest payments on borrowings are calculated based on borrowings held as at 31 December 2018 and 2017 without taking into account of future borrowings. Floating-rate interest is estimated using the current interest rate at 31 December 2018 and 2017 respectively.

– Trade and other payables in this analysis do not include the taxes payables and payroll and welfare payables.

4 Financial risk management *(continued)*

4.2 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents (including restricted cash). Total capital is calculated by adding total equity and net debt.

The gearing ratios of the Group as at 31 December 2018 and 2017 were as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Total borrowings (note 25)	**229,409,063**	219,269,846
Less: Restricted cash (note 18)	**(44,017,011)**	(28,285,601)
Cash and cash equivalents (note 19)	**(76,181,041)**	(68,433,256)
Net debt	**109,211,011**	122,550,989
Total capital	**182,317,580**	183,189,214
Gearing ratio	**59.90%**	66.90%

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- the fixed charge coverage ratio of consolidated EBITDA to consolidated fixed charges must be not less than 2 to 1 (the consolidated fixed charges mainly included consolidated interest expenses and dividend paid and declared during a period)
- the liabilities/assets ratio of individual subsidiary must be not more than 70% to 90%, and
- the equity/assets ratio of individual subsidiary must be not less than 30%.

5 Fair value estimation

(A) FINANCIAL ASSETS AND LIABILITIES

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements

At 31 December 2018	Note	**Level 1** **RMB'000**	**Level 2** **RMB'000**	**Level 3** **RMB'000**	**Total** **RMB'000**
Financial assets					
Financial assets at FVPL	13	**302,296**	—	**9,703,796**	**10,006,092**
Derivative financial instruments	26	—	**153,507**	**125,817**	**279,324**
Financial liabilities					
Derivative financial instruments	26	—	**93,526**	—	**93,526**

Recurring fair value measurements

At 31 December 2017	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets					
Available-for-sale financial assets	13	—	—	871,578	871,578
Derivative financial instruments	26	—	14,865	—	14,865
Financial liabilities					
Derivative financial instruments	26	—	221,473	—	221,473

5 Fair value estimation *(continued)*

(A) FINANCIAL ASSETS AND LIABILITIES *(continued)*

(i) Fair value hierarchy *(continued)*

During the year ended 31 December 2018, there were no transfers between levels 1 and 2 for recurring fair value measurements during the year. For transfers out of level 3 measurements see (iii) below.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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 market prices at the end of the reporting period. The quoted market 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 which maximise the use of observable market data 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 use of quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- equity allocation model and price/booking multiple method with observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples and etc;
- for currency derivative contracts — option pricing model and the present value of the estimated future premium payments set out in these contracts, and
- for option embedded in the corporate bond contracts — option pricing model (eg Black Scholes model).

5 Fair value estimation *(continued)*

(A) FINANCIAL ASSETS AND LIABILITIES *(continued)*

(ii) Valuation techniques used to determine fair values *(continued)*

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.

As at 31 December 2018 and 2017, the Group's level 3 instruments included unlisted equity investments, debt instruments and forward contracts embedded in acquisition contract.

(iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value

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

	Derivative financial instruments	Financial assets at FVPL		
		Unlisted equity securities	Debt instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance 1 January 2017	—	160,000	—	160,000
Acquisitions	—	711,578	—	711,578
Closing balance 31 December 2017	—	871,578	—	871,578
Acquisitions	—	7,698,945	841,399	8,540,344
Disposals	—	(339,001)	—	(339,001)
Transfer to level 1	—	(257,996)	—	(257,996)
Gains/(losses) recognised in other income	125,817	942,131	(53,260)	888,871
Closing balance 31 December 2018	125,817	8,915,657	788,139	9,703,796

In 2018, one of equity investments has been listed on Hong Kong Exchange and there is quoted market prices used for valuation. Correspondingly, the Group transferred the equity securities from level 3 into level 1.

5 Fair value estimation *(continued)*

(A) FINANCIAL ASSETS AND LIABILITIES *(continued)*

(iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value *(continued)*

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

	Fair value at				Range of significant unobservable inputs	
Description	31 Dec 2018 RMB'000	31 Dec 2017 RMB'000	Valuation method	Significant unobservable inputs	2018	2017
Unlisted equity securities and forward contracts embedded in acquisition contract	9,041,474	—	Equity allocation model and price/booking multiple method	Discount rate for lack of marketability	12%-25%	—
				Expected volatility rate	48.91%-55.38%	—
Other financial instruments	788,139	871,578	Discounted cash flow	Discounted rate	6.50%-10%	6.50%-10%

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of discount rate, the lower fair value;
- The higher rate of discount rate for lack of marketability, the lower fair value;
- The higher rate of expected volatility, the lower fair value;
- The higher interest rate, the higher fair value.

The management performs the valuation of financial instruments for financial reporting purposes. Unobservable inputs including discount rate, expected volatility rate and interest rate are assessed by the independent valuers based on current market assessments of the time value of money and the risk specific to the asset being valued.

5 Fair value estimation *(continued)*

(A) FINANCIAL ASSETS AND LIABILITIES *(continued)*

(iv) 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 31 December 2018:

	Carrying amount RMB'000	Fair value RMB'000
Non-current borrowings:		
– Corporate bonds (note 25)	7,792,522	7,700,733
– Private domestic corporate bonds (note 25)	16,994,986	17,949,939

(B) NON-FINANCIAL ASSETS AND LIABILITIES

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 5(A).

At 31 December 2018	Note	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Investment properties	9	—	—	**16,195,739**	**16,195,739**

At 31 December 2017	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investment properties	9	—	—	12,821,611	12,821,611

During the year ended 31 December 2018, there were no reclassifications of non-financial assets and non-liabilities and no transfers between different levels.

5 Fair value estimation *(continued)*

(B) NON-FINANCIAL ASSETS AND LIABILITIES *(continued)*

(ii) Valuation techniques used to determine level 3 fair values

At the end of each reporting period, the management of the Group update their assessment of the fair value of the investment properties, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the management determine the fair value based on below valuation techniques:

- Income capitalisation approach - capitalised income projections based upon a property's estimated net market income, vacancy rate and a capitalisation rate derived from an analysis of market evidence;
- Direct comparison method - current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- Residual method - used in valuing investment properties under development by establishing the market value on the premise that the properties will be developed and completed in accordance with its latest development plan. The residual valuation of valued properties can be expressed as the market value deducts the estimated costs to complete and developers' profit to reflect the total value of the partially completed development.

5 Fair value estimation *(continued)*

(B) NON-FINANCIAL ASSETS AND LIABILITIES *(continued)*

(iii) Fair value measurements using significant unobservable inputs (level 3) and valuation inputs and relationships to fair value

See note 9 for further information about the changes in level 3 items for the periods ended 31 December 2018 and 2017.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Description	Fair value at 31 Dec 2018 RMB'000	Fair value at 31 Dec 2017 RMB'000	Valuation method	Significant unobservable inputs	Range of significant unobservable inputs 2018	Range of significant unobservable inputs 2017
Office buildings	**1,414,113**	621,537	Income capitalisation approach	Prevailing market rents; Vacancy Rate; Discount rates	RMB90-RMB185 per unit per month Vacancy rate: 0%-40% Discount rates: 4%-5.25%	RMB85-RMB164 per unit per month Vacancy rate: 15%-30% Discount rates: 4.5%-7%
Shopping malls	**10,610,000**	8,213,570	Income capitalisation approach	Prevailing market rents; Vacancy Rate; Discount rates	RMB55-RMB240 per unit per month Vacancy rate: 0%-50% Discount rates: 4.5%-7%	RMB85-RMB164 per unit per month Vacancy rate: 15%-30% Discount rates: 4.5%-7%
Construction in progress	**4,171,626**	3,986,504	Residual method; Direct comparison method	Prevailing market rents; Vacancy Rate; Discount rates; Developer's profit rate; Land Value	RMB70-RMB220 per unit per month Vacancy rate: 0%-55% Discount rates: 4.5%-5.5% Developer's profit rate: 10%-15%	RMB1,521-RMB6,149 per unit floor

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of discount rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher developer's profit rate, the lower fair value;
- The higher land value, the higher fair value.

5 Fair value estimation *(continued)*

(B) NON-FINANCIAL ASSETS AND LIABILITIES *(continued)*

(iv) Valuation processes

As at 31 December 2018, management obtains independent valuations for its investment properties including office buildings, shopping malls and commercial properties. The independent valuation of these buildings was performed by DTZ Cushman & Wakefield Limited.

The main level 3 inputs used by the Group are derived and evaluated as follows:

Office buildings, shopping malls and commercial properties – discount rates, expected vacancy rates, prevailing market rents per unit per month and developer's profit rate are estimated by independent valuer or management based on comparable transactions and industry data.

6 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(A) PRC CORPORATE INCOME TAXES AND DEFERRED TAXATION

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

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

6 Critical accounting estimates and judgements *(continued)*

(B) PRC LAND APPRECIATION TAX ("LAT")

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to its understanding of the interpretation of tax rules by various tax authorities. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income taxes and deferred income tax provisions in the years in which such taxes have been finalised with local tax authorities.

(C) ESTIMATED NET REALISABLE VALUE OF PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

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

(D) FAIR VALUE OF INVESTMENT PROPERTIES

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer. Significant judgement and assumptions are required in assessing the fair value of the investment properties. Details of the judgement and assumptions have been disclosed in note 5(B).

(E) IMPAIRMENT OF INVESTMENT

The Group tests assets for impairment whenever investments suffer any impairment in accordance to the accounting policies. Investments are reviewed for impairment, whenever events or changes in circumstances that may cause the carrying amounts to the investments to exceed their recoverable amounts. The recoverable amount of an investment is determined as the higher of cash generating unit (CGU)'s fair value less cost to sell and its value-in-use which require the use of assumptions. The estimation of fair value less cost of disposal was made mainly from public market information. The estimated future cash flows used in the value in use assessments are based on assumptions, such as selling price, sales volume, gross margin, box office receipts, distribution commissions, promotion expenditures, and discount rates.

(F) 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 the tables in note 4.1(b).

6 Critical accounting estimates and judgements *(continued)*

(G) REVENUE RECOGNITION

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 2.29. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local laws, the local regulators' views and obtained legal advice, when necessary, and a significant judgement is required.

As disclosed in note 37, the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are mortgaged to banks by the purchasers. In order to obtain mortgage loans, the purchasers need to settle certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The Directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulting in the calling of the bank guarantees provided. Accordingly, the Directors believe that control of the properties have been transferred to the purchasers.

(H) GAINS FROM BUSINESS COMBINATION

For the acquired business, the excess amounts of fair values of net amounts of the identifiable assets acquired and the liabilities over the considerations were recognised as gains in consolidated statement of comprehensive income. The Group exercised significant estimates and judgment in determination of the fair value of identifiable assets acquired which mainly based on the market information and future cash flows that involved a number of factors, including the future unit selling price, estimated future costs to finish the completion of the whole project development, estimated profit and discount rate.

(I) ESTIMATION OF GOODWILL IMPAIRMENT

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2018 and 2017 reporting period, the recoverable amount of a cash generating unit (CGU) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial estimate of management covering a reasonably forecast period.

Cash flows beyond the forecasting period are extrapolated using the estimated growth rates stated in note 10. These growth rates are consistent with management's expectations of market development specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in note 10.

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
- Cultural and tourism city operation
- All other segments

In 2018, the Group established the Sunac Cultural and Tourism Group and expanded its management team. Upon completion of above activities, the Group commenced to directly manage the operation of the hotels, shopping malls and theme parks in the cultural and tourism cities (including the design, construction and operation of the cultural and tourism cities). Cultural and tourism city operation has been identified as a new independent reportable segment and the segment information of 2017 was restated correspondingly.

Other services include property management, office building rentals and fitting and decoration services. The results of these operations are included in the "all other segments" column.

The performance of above operating segments is assessed based on a measure of profit before depreciation and amortisation, interest expenses and income tax expenses, defined as segment results.

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 segment results are as follows:

	Year ended 31 December 2018			
	Property development RMB'000	Cultural and tourism city operation RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	117,714,286	2,027,898	8,746,886	128,489,070
Recognised at a point in time	87,761,403	704,318	—	88,465,721
Recognised over time	29,952,883	1,323,580	8,746,886	40,023,349
Inter-segment revenue	—	—	(3,743,447)	(3,743,447)
Revenue from external customers	117,714,286	2,027,898	5,003,439	124,745,623
Segment gross profit	27,963,424	914,749	2,913,020	31,791,193
Net impairment losses on financial and contract assets	(206,924)	—	—	(206,924)
Selling and marketing costs	(4,062,549)	(150,980)	(76,310)	(4,289,839)
Administrative expenses	(5,824,482)	(703,425)	(562,347)	(7,090,254)
Other income and gains	10,275,942	240,025	21,939	10,537,906
Other expenses and losses	(665,309)	(41,284)	(8,470)	(715,063)
Finance income	806,208	—	—	806,208
Share of post-tax profits of associates and joint ventures accounted for using equity method, net	5,326,269	—	—	5,326,269
Segment results	33,612,579	259,085	2,287,832	36,159,496

	As at 31 December 2018			
	Property development RMB'000	Cultural and tourism city operation RMB'000	All other segments RMB'000	Total RMB'000
Total segment assets	605,541,049	78,928,979	15,599,444	700,069,472
Total segment liabilities	566,196,937	6,627,296	13,023,807	585,848,040

7 Segment information *(continued)*

	Year ended 31 December 2017 (Restated)			
	Property development RMB'000	Cultural and tourism city operation RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	62,569,237	1,085,948	2,687,673	66,342,858
Recognised at a point in time	49,040,247	—	—	49,040,247
Recognised over time	13,528,990	1,085,948	2,687,673	17,302,611
Inter-segment revenue	—	—	(469,343)	(469,343)
Revenue from external customers	62,569,237	1,085,948	2,218,330	65,873,515
Segment gross profit	12,164,294	485,814	1,192,283	13,842,391
Net impairment losses on financial and contract assets	77,938	—	—	77,938
Selling and marketing costs	(3,201,000)	(76,635)	(111,881)	(3,389,516)
Administrative expenses	(2,831,904)	(354,091)	(254,870)	(3,440,865)
Other income and gains	27,864,090	14,702	37,471	27,916,263
Other expenses and losses	(515,194)	(923)	(4,362)	(520,479)
Finance income	736,000	—	—	736,000
Share of post-tax profits of associates and joint ventures accounted for using equity method, net	2,482,315	—	225	2,482,540
Segment results	36,776,539	68,867	858,866	37,704,272

	As at 31 December 2017 (Restated)			
	Property development RMB'000	Cultural and tourism city operation RMB'000	All other segments RMB'000	Total RMB'000
Total segment assets	565,926,857	49,892,249	2,426,544	618,245,650
Total segment liabilities	502,291,456	7,396,845	3,643,818	513,332,119

7 Segment information *(continued)*

Reportable segments results are reconciled to total profit for the year as follows:

	2018 RMB'000	2017 RMB'000
Total segment results	**36,159,496**	37,704,272
Net impairment losses on financial and contract assets	**(3,278,471)**	(2,454,115)
Depreciation and amortisation	**(992,164)**	(339,145)
Finance costs	**(2,893,493)**	(5,259,450)
Other income and gains	**1,310,185**	—
Other expenses and losses	**(1,271,048)**	(9,816,430)
Share of losses of investments accounted for using equity method, net	**(370,275)**	(4,476,144)
Income tax expenses	**(11,219,229)**	(3,694,608)
Profit for the year	**17,445,001**	11,664,380

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Total segment assets	**700,069,472**	618,245,650
Deferred tax assets	**2,984,740**	1,913,730
Other assets	**13,605,778**	2,942,858
Total assets	**716,659,990**	623,102,238
Total segment liabilities	**585,848,040**	513,332,119
Deferred tax liabilities	**33,383,440**	34,498,436
Other liabilities	**24,321,941**	14,633,458
Total liabilities	**643,553,421**	562,464,013

7 Segment information *(continued)*

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Group has recognised the following assets and liabilities related to contracts with customers:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Related to development and sales of properties contracts:		
Current contract assets	**19,333**	263,936
Cost to obtain the contract	**913,030**	—
Loss allowance	**(35)**	—
Total contract assets	**932,328**	263,936
Contract liabilities	**199,378,610**	131,190,587

(i) Significant changes in contract assets and liabilities

As at 31 December 2018, the contract assets mainly consisted of unbilled amount resulting from sale of properties when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer.

As at 31 December 2018, the contract liabilities mainly included the payments received from sales of properties which were usually received in advance of the performance under the contracts. The increase in contract liabilities during the year was in line with the growth of the Group's contracted sales and also due to an amount of RMB 23.8 billion recognised in relation to business combination.

(ii) Revenue recognised in relation to contract liabilities

Revenue from sales of properties totalled approximately RMB 92.7 billion was recognised in current reporting period that was included in the contract liability balance at the beginning of the year.

(iii) Management expects that the majority of the contract amounts allocated to unsatisfied performance obligations totalled RMB 57.5 billion as of 31 December 2018 will be recognised as revenue from sales of properties during the next reporting period.

(iv) Assets recognised from costs to obtain a contract

The Group has recognised the sales commissions directly attributable to obtaining a contract as contract assets in the balance sheet. These assets will be amortised as selling expenses in line with relevant revenue recognition. Sales commissions totalled RMB 1.5 billion recognised as contract assets during the year and RMB 0.6 billion has been amortised in current reporting period. Management expects that the majority of the contract assets will be recognised during the next reporting period.

8 Property, plant and equipment

	Note	Buildings RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold Improve-ments RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2017							
Cost		363,742	85,431	110,245	99,979	—	659,397
Accumulated depreciation		—	(47,727)	(40,521)	(24,623)	—	(112,871)
Net book amount		363,742	37,704	69,724	75,356	—	546,526
Year ended 31 December 2017							
At 1 January 2017		363,742	37,704	69,724	75,356	—	546,526
Additions		—	9,881	72,041	108,763	2,046,812	2,237,497
Transferred from completed properties held for sale		67,651	—	—	—	—	67,651
Acquisition of subsidiaries		21,555,933	39,156	156,206	8,523	15,012,095	36,771,913
Disposal of subsidiaries		—	(359)	(11,721)	(465)	—	(12,545)
Disposals		—	(7,184)	(39,851)	(7,296)	—	(54,331)
Depreciation charges		(244,722)	(10,422)	(21,306)	(17,641)	—	(294,091)
At 31 December 2017		21,742,604	68,776	225,093	167,240	17,058,907	39,262,620
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
Year ended 31 December 2018							
At 1 January 2018		**21,742,604**	**68,776**	**225,093**	**167,240**	**17,058,907**	**39,262,620**
Additions		**1,046,430**	**42,230**	**194,078**	**88,405**	**8,023,587**	**9,394,730**
Transferred		**4,745,309**	—	—	—	**(4,745,309)**	—
Transfer to investment properties		**(324,677)**	—	—	—	—	**(324,677)**
Acquisition of subsidiaries	41(B)	**85,256**	**2,929**	**8,347**	**4,619**	**1,681,744**	**1,782,895**
Disposal of subsidiaries	42	—	—	**(2,809)**	—	—	**(2,809)**
Disposals		**(22,858)**	**(4,263)**	**(29,758)**	**(603)**	—	**(57,482)**
Depreciation charges		**(664,386)**	**(30,008)**	**(87,160)**	**(49,418)**	—	**(830,972)**
At 31 December 2018		**26,607,678**	**79,664**	**307,791**	**210,243**	**22,018,929**	**49,224,305**
At 31 December 2018							
Cost		**27,516,754**	**149,880**	**374,827**	**301,086**	**22,018,929**	**50,361,476**
Accumulated depreciation		**(909,076)**	**(70,216)**	**(67,036)**	**(90,843)**	—	**(1,137,171)**
Net book amount		**26,607,678**	**79,664**	**307,791**	**210,243**	**22,018,929**	**49,224,305**

Depreciation expense of RMB 602 million (2017: RMB 215 million) has been charged to "cost of sales", RMB 70 million (2017: RMB 30 million) in "selling and marketing costs" and RMB 159 million (2017: RMB 49 million) in "administrative expenses".

8 Property, plant and equipment *(continued)*

(I) NON-CURRENT ASSETS PLEDGED AS SECURITY

Refer to note 38 for information on non-current assets pledged as security by the Group.

(II) CONTRACTUAL OBLIGATIONS

Refer to note 36 for disclosure of contractual obligations to purchase, construct or develop buildings.

9 Investment properties

Office buildings, shopping malls and commercial properties at fair value:

	Note	Completed Investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At 1 January 2017		656,046	—	656,046
Additions attributable to business combinations		8,211,000	3,405,382	11,616,382
Additions		—	602,298	602,298
Fair value changes	31	7,685	(21,176)	(13,491)
Transfer to completed properties held for sale ("CP")		(39,624)	—	(39,624)
At 31 December 2017		8,835,107	3,986,504	12,821,611
At 1 January 2018		**8,835,107**	**3,986,504**	**12,821,611**
Additions		—	**1,852,280**	**1,852,280**
Fair value changes		**(31,671)**	**234,842**	**203,171**
Transfer from PP&E		**324,677**	—	**324,677**
Transfer from CP and PUD		**886,000**	**108,000**	**994,000**
Transfers		**2,010,000**	**(2,010,000)**	—
At 31 December 2018		**12,024,113**	**4,171,626**	**16,195,739**

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

See note 5(B) for the valuation techniques and significant inputs used in fair value measurements of investment properties.

9 Investment properties *(continued)*

(I) AMOUNTS RECOGNISED IN PROFIT OR LOSS FOR INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
Rental income	**501,252**	159,585
Direct operating expenses from property that generated rental income	**(78,263)**	(38,587)
Fair value gain recognised in other income	**203,171**	(13,491)

(II) NON-CURRENT ASSETS PLEDGED AS SECURITY

Refer to note 38 for information on non-current assets pledged as security by the Group.

(III) CONTRACTUAL OBLIGATIONS

Refer to note 36 for disclosure of contractual obligations to purchase construct or develop investment properties.

(IV) LEASING ARRANGEMENTS

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**418,371**	342,501
Later than 1 year but no later than 5 years	**756,297**	735,474
Later than 5 years	**344,763**	386,406
	1,519,431	1,464,381

10 Land use right and intangible assets

	Land use rights	Intangible assets		
		Goodwill (A)	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017				
Cost	—	621,102	10,513	631,615
Accumulated amortisation and impairment	—	(209,954)	(308)	(210,262)
Net book amount	—	411,148	10,205	421,353
Year ended 31 December 2017				
Opening net book amount	—	411,148	10,205	421,353
Acquisition of subsidiaries	2,818,542	285,689	213,585	3,317,816
Additions	258	—	290	548
Disposals subsidiaries	—	—	(207)	(207)
Impairment charge	—	(57,325)	—	(57,325)
Amortisation charge	(21,099)	—	(23,955)	(45,054)
Closing net book amount	2,797,701	639,512	199,918	3,637,131
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
Year ended 31 December 2018				
Opening net book amount	**2,797,701**	**639,512**	**199,918**	**3,637,131**
Acquisition of subsidiaries (note 41)	**20,124**	**4,654,913**	**211**	**4,675,248**
Additions	**7,150,880**	—	**1,300,119**	**8,450,999**
Disposals subsidiaries (note 42)	—	**(23,928)**	—	**(23,928)**
Impairment charge	—	**(189,020)**	**(368,431)**	**(557,451)**
Amortisation charge	**(117,377)**	—	**(43,815)**	**(161,192)**
Closing net book amount	**9,851,328**	**5,081,477**	**1,088,002**	**16,020,807**
At 31 December 2018				
Cost	**9,989,804**	**5,537,776**	**1,524,511**	**17,052,091**
Accumulated amortisation and impairment	**(138,476)**	**(456,299)**	**(436,509)**	**(1,031,284)**
Net book amount	**9,851,328**	**5,081,477**	**1,088,002**	**16,020,807**

10 Land use right and intangible assets *(continued)*

(A) IMPAIRMENT TESTS FOR GOODWILL

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 and the recoverable amount of a CGU is determined based on value-in-use method.

A segment-level summary of the goodwill allocation is presented below.

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cultural and tourism city operation (i)	**4,392,488**	—
Property development (ii)	**688,989**	639,512
	5,081,477	639,512

Management reviews the business performance and monitors the goodwill on individual CGU or group of CGUs basis.

(i) The goodwill which generated from acquisition of Wanda Management Companies (note 41(A) (ii)) has been allocated into segment of cultural and tourism city operation. The key assumptions and approach used to determine values of the cultural and tourism city operation CGUs as follows:

Assumption	**Range**	**Approach used to determining values**
Revenue	1-6 year: 9%-25% 7-20 year: 6%-10%	Annual growth rate of revenue over the forecast period was based on past performance and management's expectations of market development.
Budgeted gross margin rate	10%-60%	Based on past performance and management's expectations for the future.
Long-term growth rate	2.5%	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are consistent with management's forecasts and industry information
Pre-tax discount rates	11.6%	Reflect specific risks relating to the relevant segments and the industry in which they operate.

The recoverable amount of this CGU is estimated to exceed the carrying amount of the CGU at 31 December 2018.

If above key assumptions have been 5% lower or higher than management's estimation, the recoverable amounts of this CGU would be still exceeding the carry amount and there would no impairment against goodwill recognised in current period.

The Directors and management have considered and assessed reasonably possible changes for these key assumptions and have not identified any instances that could cause the carrying amount of this CGU to exceed its recoverable amount.

10 Land use right and intangible assets *(continued)*

(A) IMPAIRMENT TESTS FOR GOODWILL *(continued)*

(ii) There is no individual CGU, for which the carrying amount of goodwill is significant in comparison with the total carrying amount of goodwill in property development segment. Each property development project is identified as a CGU. Management reviews the business performance and monitors the goodwill on individual CGU basis. The key assumptions used to determine the recoverable amount of each CGU include the future unit selling price, estimated future costs to complete the project development, estimated profit and discount rate. A pre-tax discount rate of 20% was used for the analysis of each CGU in the operating entities as at 31 December 2018 (2017 pre-tax discount rate: 20%).

11 Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Joint ventures	**40,009,448**	32,302,811
Associates	**25,487,378**	26,310,410
	65,496,826	58,613,221

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

	2018 RMB'000	2017 RMB'000
Share of profits of joint ventures	**3,891,426**	760,084
Share of profits/(losses) of associates	**930,385**	(2,906,689)
Gains from acquisitions of joint ventures and associates	**134,183**	153,001
	4,955,994	(1,993,604)

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 shares of results of these joint ventures:

	2018	2017
	RMB'000	RMB'000
At beginning of year, as previously stated	**32,302,811**	24,679,369
Adjustment on adoption of HKFRS 15, net of tax	—	138,091
At beginning of year, after the adoption of HKFRS 15	**32,302,811**	24,817,460
Additions:		
– Capital contributions to joint ventures at establishment	**1,692,166**	1,148,453
– Acquisitions of joint ventures	**4,320,822**	7,469,983
– Additional investments in existing joint ventures	**410,208**	1,961,936
– Subsidiaries becoming joint ventures (note 42(A))	**605,069**	39,948
Disposals:		
– Disposal of investments in joint ventures	**(407,729)**	—
– Joint ventures becoming subsidiaries (note 41(A))	**(1,759,026)**	(1,373,805)
– Joint ventures becoming associates	—	(1,180,672)
Capital deduction of joint ventures	**(476,266)**	(489,196)
Share of profits of joint ventures, net	**3,891,426**	760,084
Share of additional capital reserve in a joint venture (note 22)	—	73,715
Dividends from joint ventures	**(570,033)**	(925,095)
At end of year	**40,009,448**	32,302,811

Note:

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

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

11.1 INVESTMENTS IN JOINT VENTURES *(continued)*

(i) The following table lists the principal joint ventures of the Group as at 31 December 2018 and 2017:

Name of joint ventures	Registered capital (RMB' million)	Equity interest attributable to the Group **31 December 2018**	 31 December 2017	**Principal activities**
Hangzhou Rongyue Investment Co., Ltd.	143	**50%**	50%	Real estate development
Hangzhou Heming Investment Co., Ltd.	5	**50%**	50%	Real estate development
Zhejiang Yuecheng Investment Co., Ltd.	55	**50%**	50%	Real estate development
Shandong Rongjian Real Estate Co., Ltd.	100	**50%**	60%	Real estate development
Jiaxing Zhenchuang Investment Partnership (Limited Partnership)	10,001	**40%**	40%	Real estate development

The Group's control over decisions about the relevant activities requires unanimous consent with other equity investment partners in the joint ventures in accordance with the joint ventures' articles of associations.

(ii) Commitments in respect of joint ventures

	31 December 2018 RMB'000	31 December 2017 RMB'000
Commitments – joint ventures		
Commitment to provide funding for joint venture's capital commitments	**2,180,180**	—

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

11.1 INVESTMENTS IN JOINT VENTURES *(continued)*

(iii) Summarised financial information of material joint ventures

Set out below is the summarised financial information for the major joint venture.

	Joint venture - A	
	31 December 2018 RMB'000	31 December 2017 RMB'000
Summarised balance sheet		
Current assets		
Cash and cash equivalents	**410,106**	328,171
Other current assets	**21,012,431**	23,759,976
Total current assets	**21,422,537**	24,088,147
Non-current assets	**126,117**	70,663
Current liabilities		
Financial liabilities (excluding trade payables)	**456,000**	3,225,000
Other current liabilities	**16,609,180**	19,415,005
Total current liabilities	**17,065,180**	22,640,005
Non-current liabilities		
Financial liabilities (excluding trade payables)	**1,536,981**	397,000
Other non-current liabilities	**48,838**	1,630
Total non-current liabilities	**1,585,819**	398,630
Net assets	**2,897,655**	1,120,175

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

11.1 INVESTMENTS IN JOINT VENTURES *(continued)*

(iii) Summarised financial information of material joint ventures *(continued)*

	Joint venture - A	
	2018	2017
	RMB'000	RMB'000
Reconciliation to carrying amounts:		
Opening net assets 1 January	**1,120,175**	351,604
Profit for the period	**1,777,480**	768,571
Dividends paid	—	—
Closing net assets	**2,897,655**	1,120,175
Group's share in % (note)	**60%**	60%
Goodwill	—	—
Carrying amount	**1,738,593**	672,105
Revenue	**7,479,065**	4,269,070
Interest income	**14,896**	14,929
Depreciation and amortisation	—	—
Interest expense	**6,450**	27,704
Income tax expense	**1,112,946**	392,429
Profit for the period	**1,777,480**	768,571
Dividends received from joint venture	—	—

Note: Pursuant to the article of association of this joint venture, the Group would share the 60% equity interest of the company.

The information above reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate, and not the Company's share of those amounts.

(iv) Aggregate information of joint ventures that are not individually material:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Aggregate carrying amount of the Group's interests in these joint ventures	**38,270,855**	31,630,706

	2018 RMB'000	2017 RMB'000
The Group's share of post-tax profits, net	**2,824,938**	298,941
The Group's share of total comprehensive income	**2,824,938**	298,941

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

11.2 INVESTMENTS IN ASSOCIATES

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

	2018 RMB'000	2017 RMB'000
At beginning of year, as previously stated	**26,310,410**	9,873,491
Adjustment on adoption of HKFRS 15, net of tax	—	91,197
At beginning of year, after the adoption of HKFRS 15	**26,310,410**	9,964,688
Additions:		
– Capital contribution to an associate established by the Group	**274,992**	271,000
– Acquisitions of associates	**202,040**	20,125,804
– Additional investments in existing associates	**2,552,371**	1,437,146
– A subsidiary becoming an associate	—	5,439,506
– Joint ventures becoming associates	—	1,180,672
Disposals:		
– Disposal of investments in associates	**(3,010,003)**	—
– An associate becoming a subsidiary (note 41(A))	**(575,519)**	(5,642)
Impairment provisions for investments in associates	**(404,047)**	(8,928,907)
Share of profits/(losses) of associates, net	**930,385**	(2,906,689)
Dividends from associates	**(793,251)**	(267,168)
At end of year	**25,487,378**	26,310,410

Note:

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

(i) As at 31 December 2018 and 2017, the Group had interests in the following principal associates:

Name of associates	Registered capital (RMB million)	Equity interest attributable to the Group: 31 December 2018	Equity interest attributable to the Group: 31 December 2017	Principal activities
Jinke Property Group Co., Ltd.	5,343	**29%**	26%	Real estate development
Tianjin Xingyao Investment Co., Ltd. ("Tianjin Xingyao") *	3,490	**75%**	75%	Real estate development
Tianjin Poly Sunac Investment Co., Ltd.	2,000	**49%**	49%	Real estate development
Tianjin Lvcheng Quanyuncun Construction Development Co., Ltd.	2,500	**39%**	39%	Real estate development
Shanghai Fuyuan Binjiang Development Co., Ltd.	1,320	**47%**	47%	Real estate development

* In accordance with the articles of association of Tianjin Xingyao, the Group cannot make absolute decision on the relevant activities of Tianjin Xingyao and Tianjin Xingyao became a 75% owned associate of the Group.

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

11.2 INVESTMENTS IN ASSOCIATES *(continued)*

(ii) Contingent liabilities in respect of associates

	31 December 2018 RMB'000	31 December 2017 RMB'000
Contingent liabilities – associates		
Share of contingent liabilities incurred jointly with other investors of the associate	**6,305,882**	1,540,526

(iii) Summarised financial information of material associates

Set out below is the summarised financial information for the major associate.

	Associate - A	
	31 December 2018 RMB'000	31 December 2017 RMB'000
Summarised assets and liabilities		
Current assets	**39,721,943**	28,609,367
Non-current assets	**664,167**	477,444
Current liabilities	**23,281,671**	12,402,017
Non-current liabilities	**10,541,990**	10,125,918
Equity attributable to equity holders of the associate	**6,562,449**	6,558,876

	Associate - A	
	2018 RMB'000	2017 RMB'000
Summarised profit or loss and other comprehensive income		
Revenue	**685,017**	360,890
Net profit/(loss) attributable to equity holders of the associate	**5,133**	(697,118)
Total comprehensive income/(loss) attributable to equity holders of the associate	**5,133**	(697,118)

The information above reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate, and not the Company's share of those amounts.

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

11.2 INVESTMENTS IN ASSOCIATES *(continued)*

(iv) Reconciliation of summarised financial information

Reconciliation of the above financial information presented to the carrying amount of the Group's interests in the associates:

	Associate - A	
	31 December 2018 RMB'000	31 December 2017 RMB'000
Equity attributable to equity holders of the associates	**6,562,449**	6,558,876
The Group's equity interest share	**75%**	75%
Interest in the associate	**4,921,837**	4,919,157
Goodwill	—	—
Carrying amount	**4,921,837**	4,919,157

Aggregate information of associates that are not individually material:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Aggregate carrying amount of the Group's interests in these associates	**20,565,541**	21,391,253

	2018 RMB'000	2017 RMB'000
The Group's share of post-tax profits/(losses), net	**926,535**	(2,383,850)
The Group's share of total comprehensive income/(loss)	**926,535**	(2,383,850)

12 Deferred income tax

(I) DEFERRED TAX ASSETS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Deferred tax assets (hereafter "DTA"):		
– to be recovered within 12 months	**2,636,636**	1,638,021
– to be recovered after more than 12 months	**4,929,870**	3,480,230
Set-off of deferred tax liabilities pursuant to set-off provisions	**(4,581,766)**	(3,204,521)
Net DTA	**2,984,740**	1,913,730

The movement on DTA during the year, without taking into consideration of offsetting of balance within the same tax jurisdiction, is as follows:

Movements	Unpaid LAT RMB'000	Deductible tax loss RMB'000	Impairment provision RMB'000	Accruals expenses for tax purpose RMB'000	Fair value change RMB'000	Total RMB'000
At 1 January 2017	1,343,977	766,102	182,689	142,325	—	2,435,093
Credited/(charged) to profit or loss	441,187	1,374,602	(49,216)	(30,551)	—	1,736,022
Acquisition of subsidiaries	329,147	743,593	364,943	121,070	—	1,558,753
Disposal of subsidiaries	(1,405)	(246,068)	(364,144)	—	—	(611,617)
At 31 December 2017	2,112,906	2,638,229	134,272	232,844	—	5,118,251
At 1 January 2018	**2,112,906**	**2,638,229**	**134,272**	**232,844**	—	**5,118,251**
Adjustment on adoption of HKFRS 9	—	—	**23,824**	—	—	**23,824**
At 1 January 2018	**2,112,906**	**2,638,229**	**158,096**	**232,844**	—	**5,142,075**
Credited to profit or loss	**1,799,792**	**179,099**	**147,807**	**9,504**	**167,912**	**2,304,114**
Acquisition of subsidiaries (note 41)	**7,005**	**194,876**	—	**5,580**	—	**207,461**
Disposal of subsidiaries (note 42)	**(2,119)**	**(84,685)**	—	**(340)**	—	**(87,144)**
At 31 December 2018	**3,917,584**	**2,927,519**	**305,903**	**247,588**	**167,912**	**7,566,506**

12 Deferred income tax *(continued)*

(II) DEFERRED TAX LIABILITIES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Deferred tax liabilities (hereafter "DTL"):		
– to be settled within 12 months	**16,210,508**	2,958,775
– to be settled after more than 12 months	**21,754,698**	34,744,182
Set-off of deferred tax liabilities pursuant to set-off provisions	**(4,581,766)**	(3,204,521)
Net DTL	**33,383,440**	34,498,436

The movement on DTL during the year, without taking into consideration of offsetting of balance within the same tax jurisdiction, is as follows:

	Deferred LAT	Deferred corporate income tax					Total
Movements	Fair value surplus at acquisitions RMB'000	Fair value surplus at acquisitions RMB'000	Fair value change RMB'000	Prepaid LAT RMB'000	Dividend tax for PRC entities' distributable profits RMB'000	Others RMB'000	RMB'000
At 1 January 2017	4,079,416	3,810,384	25,756	232,810	578,232	—	8,726,598
(Credited)/charged to profit or loss	—	(2,243,337)	—	542,806	234,941	—	(1,465,590)
Transfer to LAT payable	(2,496,693)	—	—	—	(165,000)	—	(2,661,693)
Acquisition of subsidiaries	28,141,830	15,052,822	—	386,401	—	—	43,581,053
Disposal of subsidiaries	(7,358,131)	(2,763,886)	—	(355,394)	—	—	(10,477,411)
At 31 December 2017	22,366,422	13,855,983	25,756	806,623	648,173	—	37,702,957
At 1 January 2018	**22,366,422**	**13,855,983**	**25,756**	**806,623**	**648,173**	—	**37,702,957**
(Credited)/charged to profit or loss	—	**(3,155,765)**	**523,931**	**423,961**	**338,847**	**228,258**	**(1,640,768)**
Transfer to tax payable	**(4,004,030)**	—	—	—	—	—	**(4,004,030)**
Acquisition of subsidiaries (note 41)	**3,261,067**	**3,129,940**	—	**61,575**	—	—	**6,452,582**
Disposal of subsidiaries (note 42)	—	**(545,535)**	—	—	—	—	**(545,535)**
At 31 December 2018	**21,623,459**	**13,284,623**	**549,687**	**1,292,159**	**987,020**	**228,258**	**37,965,206**

13 Financial assets at fair value through profit or loss

	31 December 2018 RMB'000	31 December 2017 RMB'000
Listed equity securities	**302,296**	—
Unlisted equity securities	**8,915,657**	—
Debt investment	**788,139**	—
	10,006,092	—

For information about the methods and assumptions used in determining the fair value of financial assets at FVPL, please refer to note 5(A).

See note 3 for explanations regarding the change in accounting policy and the reclassification of certain investments from available-for-sale to financial assets at FVPL following the adoption of HKFRS 9, and note 2.11 for the remaining relevant accounting policies.

(A) AMOUNTS RECOGNISED IN PROFIT OR LOSS

During the year, the following gains were recognised in profit or loss:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Fair value gains on equity investments at FVPL recognised in other income (note 30)	**888,871**	—

(B) PREVIOUSLY CLASSIFIED AS AVAILABLE-FOR-SALE FINANCIAL ASSETS (2017)

	31 December 2018 RMB'000	31 December 2017 RMB'000
Equity securities	—	871,578

14 Properties under development

	31 December 2018 RMB'000	31 December 2017 RMB'000
Comprising:		
Land use rights costs	**215,908,047**	213,382,393
Construction costs and capitalised expenditures	**52,109,584**	43,223,371
Capitalised finance costs	**24,158,377**	15,071,910
	292,176,008	271,677,674
Less: Provision for loss on realisable values	**(262,433)**	(162,682)
	291,913,575	271,514,992
Including: To be completed within 12 months	**91,770,261**	82,915,216
To be completed after 12 months	**200,143,314**	188,599,776
	291,913,575	271,514,992

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

RMB 37.6 billion of costs to fulfil contracts carried forward from prior year was recognised as cost of good sales in the current reporting period.

At 31 December 2018, properties under development included the costs to fulfil contracts amounting to RMB 85.3 billion.

Refer to note 38 for information on current assets pledged as security by the Group.

15 Completed properties held for sale

	31 December 2018 RMB'000	31 December 2017 RMB'000
Completed properties held for sale	**48,341,719**	42,987,485
Less: Provision for loss on realisable value	**(1,005,454)**	(744,872)
	47,336,265	42,242,613

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

RMB 28.9 billion of costs to fulfil contracts carried forward from prior year was recognised as cost of good sales in the current reporting period.

At 31 December 2018, completed properties held for sale included the costs to fulfil contracts amounting to RMB 15.8 billion.

Refer to note 38 for information on current assets pledged as security by the Group.

16 Trade and other receivables

	31 December 2018 RMB'000	31 December 2017 RMB'000
Non-current -		
Amounts due from construction customers (i)	**558,000**	915,750
Current -		
Trade receivables (ii)	**1,359,626**	1,217,743
Amounts due from non-controlling interests and their related parties (iii)	**11,532,705**	7,343,578
Notes receivables	**26,915**	17,416
Deposits receivables	**6,024,104**	3,060,803
Other receivables(iv)	**8,755,984**	7,462,605
	27,699,334	19,102,145
Less: Bad debt provision for other receivables (vi)	**(307,068)**	(690,446)
	27,392,266	18,411,699

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

Notes:

(i) The balance carries interest rate at 5.46% per annum and is repayable within eighteen months.

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 90 days	**750,092**	752,469
91 - 180 days	**42,911**	—
181 - 365 days	**145,901**	62,653
Over 365 days	**420,722**	402,621
	1,359,626	1,217,743

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

(iv) Other receivables mainly included the cash advance for land use rights acquisition, payments on behalf of customers, interest receivables and amounts due from equity investment partners.

16 Trade and other receivables *(continued)*

Notes: *(continued)*

(v) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the non-current receivables, the variance between the fair values and their carrying amounts are immaterial..

(vi) Impairment and risk exposure

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance on 1 January 2018 by RMB 16.44 million for trade receivables and contract assets. The loss allowance increased by RMB 1.37 million to RMB 17.81 million for trade receivables and contract assets during the current reporting period. Note 4.1(b) provides for details about the calculation of the allowance.

Other receivables

Other receivables are all considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses. This resulted in an increase of the loss allowance on 1 January 2018 by RMB 43.77 million. A reversal of loss allowance by RMB 529 million was recognised as collection of outstanding loans in the year ended 31 December 2018. Note 4.1(b) provides for details about the calculation of the allowance.

Information about the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 4.1.

17 Prepayments

	31 December 2018 RMB'000	31 December 2017 RMB'000
Non-current -		
Prepayments for equity transactions	**2,276,912**	5,361,814
Less: Provision	—	(411,021)
Prepayments for equity transactions-net	**2,276,912**	4,950,793
Current -		
Tax and surcharge	**6,295,757**	2,461,293
Prepayments for land use rights acquisitions	**2,459,932**	1,168,516
Prepayments for project development costs	**1,315,828**	786,338
Others	**342,859**	93,644
	10,414,376	4,509,791

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

18 Restricted cash

	31 December 2018 RMB'000	31 December 2017 RMB'000
Restricted cash from property pre-sale proceeds (i)	**17,062,937**	13,900,549
Guarantee deposits as reserve for bank loans	**15,617,770**	12,078,030
Guarantee deposits for bank acceptance	**3,764,298**	—
Restricted cash from land use rights acquisitions	**2,491,978**	—
Guarantee deposits for mortgage	**2,405,005**	427,677
Restricted cash from equity transactions	**96,413**	664,962
Others	**2,578,610**	1,214,383
	44,017,011	28,285,601

Note:

(i) 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.

19 Cash and cash equivalents

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cash on hand and demand deposit:		
Denominated in RMB	**73,468,887**	62,545,215
Denominated in USD	**2,650,538**	761,625
Denominated in HKD	**61,616**	5,126,283
Denominated in EUR	—	133
	76,181,041	68,433,256

The conversion of RMB denominated balances into foreign currencies, and the remittance of foreign currencies-denominated bank balances and cash out of the PRC are subject to restrictive foreign exchange control rules and regulations.

The Group earns interest on cash at bank, at floating bank deposit rates and there was no bank overdraft in the Group.

20 Share capital

	Number of ordinary shares (thousands)	Shares capital HK$'000	Equivalent to RMB'000
Authorised:			
At 1 January 2017, 31 December 2017 and 2018, HK$0.1 per share,	10,000,000	1,000,000	
Issued and fully paid:			
As at 1 January 2017	3,857,738	385,774	331,408
Shares issued upon exercise of employees' share options	67,216	6,722	5,972
Proceeds from private placement	471,500	47,150	40,228
As at 31 December 2017	4,396,454	439,646	377,608
Shares issued upon exercise of employees' share options ((i), note 21)	**9,680**	**968**	**813**
As at 31 December 2018	**4,406,134**	**440,614**	**378,421**

Note:

(i) The Company adopted a Post-IPO Share Option Scheme (the "2011 Share Option Scheme") (note 21(A) (i)) on 29 April 2011 and a new Share Option Scheme (the "2014 Share Option Scheme") (note 21 (A) (ii)) on 19 May 2014 respectively.

21 Share-based payments

(A) SHARE OPTION SCHEME

(i) 2011 Share Option Scheme

The 2011 Share Option Scheme was approved and adopted by all shareholders of the Company on the annual general meeting held on 29 April 2011 (the "2011 Share Option Scheme Adoption Date"). As at 31 December 2014, all the share options have been granted within the 2011 Share Option Scheme. The options are not conditional on the employees' performance target before an option can be exercised. The 2011 share options, once vested, shall be exercisable within a period of six years from the 2011 Share Option Scheme Adoption Date or the most recent anniversary of the 2011 Share Option Scheme Adoption Date. Refer to note 21(A)(ii) for the information of exercisable options of the 2011 Share Option Scheme as at 31 December 2016.

21 Share-based payments *(continued)*

(A) SHARE OPTION SCHEME *(continued)*

(ii) 2014 Share Option Scheme

The 2014 Share Option Scheme was approved and adopted by the shareholders of the Company on the annual general meeting held on 19 May 2014 (the "2014 Share Option Scheme Adoption Date"). The maximum number of shares in respect of which options ("2014 Options") may be granted should not exceed 166,374,246 shares, representing 5% of the total number of shares in issue as at the 2014 Share Option Scheme Adoption Date. The options are to be granted during a grant period of three years from the 2014 Share Option Scheme Adoption Date. Such options will vest in accordance with the following schedule: 30% upon the grant, an additional 30% upon the first anniversary of the 2014 Share Option Scheme Adoption Date and additional 40% upon the second anniversary. The options are not conditional on the employees' performance target before an option can be exercised. The subscription price for each grant should be at least the higher of (a) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the grant dates, (b) the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date, and (c) the nominal value of the shares of the Company. The 2014 share options, once vested, shall be exercisable within a period of five years from the 2014 Share Option Scheme Adoption Date or the most recent anniversary of the 2014 Share Option Scheme Adoption Date.

The total expense recognised in the profit or loss for share options granted to directors and employees for the year ended 31 December 2018 was RMB 291.04 million (2017: RMB 210.37 million) (note 29).

The Group has no legal or constructive obligation to repurchase or settle all above mentioned options in cash.

Movement in the share options and their related weighted-average exercise prices are as follows:

	2018		2017	
	Average price in HK$ per share	**Options (thousand)**	Average price in HK$ per share	Options (thousand)
At beginning of year	**16.35**	**135,589**	4.96	144,219
Granted	—	—	30.25	59,920
Exercised	**4.38**	**(9,680)**	4.51	(67,216)
Expired	**16.82**	**(439)**	6.25	(880)
Abandoned	**27.42**	**(543)**	5.81	(454)
At end of year	**17.22**	**124,927**	16.35	135,589

As at 31 December 2018, 8,794 thousand shares of the 2011 Share Option Scheme and 92,441 thousand shares of the 2014 Share Option Scheme were exercisable (31 December 2017: 13,350 thousand shares of the 2011 Share Option Scheme and 64,707 thousand shares of the 2014 Share Option Scheme).

21 Share-based payments *(continued)*

(A) SHARE OPTION SCHEME *(continued)*

(ii) 2014 Share Option Scheme *(continued)*

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in HK$ per share option	Number of share options (thousands)	
		2018	2017
28 April 2018	2.33	—	3,866
28 April 2019	6.32	**8,794**	9,484
5 June 2019	4.07	**9,491**	10,841
9 July 2020	7.27	**19,737**	20,488
20 June 2021	4.62	**27,840**	30,990
22 Dec 2022	30.25	**59,065**	59,920
		124,927	135,589

(B) SHARE AWARD SCHEME

A share award scheme under which shares may be granted to employees for no cash consideration was approved by the board of directors of the Company on 8 May 2018. Accordingly, the Company entrusted a trustee to purchase existing ordinary shares in the open market based on this share award scheme. 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 scheme rules.

As at 31 December 2018, the Company has entrusted the trustee to purchase an aggregate of 66,649,000 Shares from the open market pursuant to the share award scheme at a total consideration of approximately RMB 1,465 million. Meanwhile, there was no share granted to employees of the Group during the current reporting period.

22 Reserves

	Note	Share premium RMB'000	Share option reserve RMB'000	Other RMB'000	Total RMB'000
Year ended 31 December 2017					
At 1 January 2017		3,717,227	259,565	2,760,411	6,737,203
Transaction with non-controlling interests		—	—	(495,394)	(495,394)
Share of capital premium addition of a joint venture		—	—	73,715	73,715
Employees share option schemes:					
– Value of employee services	29	—	210,370	—	210,370
– Exercise of employees' share options		263,044	—	—	263,044
Proceeds from private placement		9,970,751	—	—	9,970,751
Statutory reserve		—	—	881,104	881,104
Dividends relating to 2016		(991,341)	—	—	(991,341)
At 31 December 2017		12,959,681	469,935	3,219,836	16,649,452

	Note	Share premium RMB'000	Share option reserve RMB'000	Other RMB'000	Total RMB'000
Year ended 31 December 2018					
At 1 January 2018		**12,959,681**	**469,935**	**3,219,836**	**16,649,452**
Transaction with non-controlling interests	40	—	—	**(129,860)**	**(129,860)**
Employees share option schemes:					
– Value of employee services	29	—	**291,035**	—	**291,035**
– Exercise of employees' share options		**42,277**	—	—	**42,277**
Purchase of shares for share award scheme	21(B)	**(1,464,565)**	—	—	**(1,464,565)**
Statutory reserve	(I)	—	—	**1,072,037**	**1,072,037**
Dividends relating to 2017	44	**(2,200,773)**	—	—	**(2,200,773)**
At 31 December 2018		**9,336,620**	**760,970**	**4,162,013**	**14,259,603**

22 Reserves *(continued)*

(I) STATUTORY RESERVES

In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of the PRC companies now comprising the Group, 10% of its net profit as shown in the accounts prepared under PRC accounting regulations is required to be appropriated to statutory reserve, until the reserve reaches 50% of the registered capital. Appropriation of statutory reserve must be made before distribution of dividends to equity holders. This reserve shall only be used to make up losses; to expand the entities' production operation; or to increase the capital of the entities. Upon approval by a resolution of equity holders, the entities may convert this reserve into share capital, provided that the unconverted remaining amount of reserve is not less than 25% of the registered capital.

The PRC entities of the Group directly owned by the Group's entities outside the PRC are required, in accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the Articles of Association of these companies, to make appropriations from net profit to the reserve fund and staff and workers' bonus and welfare fund, after offsetting accumulated losses from prior years, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above funds is solely determined by the board of directors of the PRC entities now comprising the Group. For those which are wholly foreign owned enterprises in the PRC, no less than 10% of the profit of each year to the reserve fund is mandatory. The appropriation of the statutory reserve ceases when the accumulated statutory reserve balance reaches 50% of their registered capital.

23 Perpetual capital securities

As at 31 December 2018, six perpetual bonds issued by the subsidiaries of the Group (the "Instrument Issuers") were still outstanding. 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.

24 Trade and other payables

	31 December 2018 RMB'000	31 December 2017 RMB'000
Non-current -		
Other payables	**1,474,373**	1,492,327
Current -		
Trade payables (i)	**35,933,716**	36,766,815
Un-paid considerations for equity acquisitions	**9,911,259**	4,569,360
Amounts due to non-controlling interests and their related parties (ii)	**5,546,634**	7,031,599
Notes payables	**5,650,538**	230,198
Payables for PP&E and investment properties	**10,939,331**	6,718,218
Other taxes payable	**4,349,916**	3,162,179
Interests payable	**2,901,451**	2,250,505
Payroll and welfare payables	**2,033,125**	1,090,426
Other payables(iii)	**15,520,383**	6,969,840
	92,786,353	68,789,140

Note:

(i) At 31 December 2018, the ageing analysis at the trade payable is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 90 days	**13,604,385**	12,826,711
91-180 days	**5,320,748**	5,303,460
181-365 days	**9,037,798**	5,151,093
Over 365 days	**7,970,785**	13,485,551
	35,933,716	36,766,815

(ii) The amounts due to non-controlling interests and their related parties are unsecured, interest free and repayable on demand.

(iii) Other payables mainly included deposits from customers, deed tax and maintenance funds received on behalf of customers and cash advanced from potential equity investment partners.

25 Borrowings

	31 December 2018 RMB'000	31 December 2017 RMB'000
Non-current		
Secured,		
- Bank and other institution borrowings	**156,003,354**	159,122,216
- Senior notes (A)	**22,143,124**	9,059,336
- Asset-backed securities (D)	**2,890,353**	3,093,089
	181,036,831	171,274,641
Unsecured,		
- Bank and other institution borrowings	**2,089,068**	5,531,108
- Corporate bonds (B)	**7,792,522**	9,927,847
- Private domestic corporate bonds (C)	**16,994,986**	15,907,112
	26,876,576	31,366,067
	207,913,407	202,640,708
Less: Current portion of non-current borrowings (E) (i)	**(70,549,887)**	(62,043,522)
	137,363,520	140,597,186
Current		
Secured,		
- Bank and other institution borrowings	**21,169,912**	16,251,427
- Asset-backed securities (D)	**311,755**	77,711
	21,481,667	16,329,138
Unsecured,		
- Bank and other institution borrowings	**13,989**	300,000
	21,495,656	16,629,138
Current portion of non-current borrowings (E) (i)	**70,549,887**	62,043,522
	92,045,543	78,672,660
Total borrowings	**229,409,063**	219,269,846

25 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 31 December 2018, the issue date, principal and interest rate of the outstanding Senior Notes were shown as below:

Issue date	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%
27 July 2018	2 years	400	8.625%
29 November 2018	1.67 years	350	8.625%
		3,250	

According to the term 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.

25 Borrowings *(continued)*

(A) SENIOR NOTES *(continued)*

The redemption prices are shown as below:

	Redemption time	**Redemption prices**
(i)	USD400 million:	
	Prior to 5 December 2017	
	- Redemption up to 35%	108.75%
	- Redemption in whole but not in part (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 (ii)	100%+ customary make-whole premium
(iii)	USD600 million:	
	Prior to 8 August 2020	
	- Redemption up to 35%	107.95%
	- Redemption in whole but not in part (iii)	100%+ customary make-whole premium
	8 August 2020 to 31 December 2020	103.98%
	2020 and beyond	101.99%

25 Borrowings *(continued)*

(A) SENIOR NOTES *(continued)*

Redemption time		Redemption prices
(iv)	USD650 million:	
	Prior to 19 July 2020	
	- Redemption up to 35%	107.35%
	- Redemption in whole but not in part (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 (v)	100%+ customary make-whole premium
	19 April 2021 to 31 December 2021	104.175%
	2022 and afterwards	102.0875%
(vi)	USD400 million:	
	Prior to 27 July 2020	
	- Redemption up to 35%	108.625%
	- Redemption in whole but not in part (vi)	100%+ customary make-whole premium
(vii)	USD350 million:	
	Prior to 27 July 2020	
	- Redemption up to 35%	108.625%
	- Redemption in whole but not in part (vii)	100%+ customary make-whole premium

25 Borrowings *(continued)*

(A) SENIOR NOTES *(continued)*

Note:

(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.

(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.

(vi) 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 27 July 2020 over the principal amount at the redemption.

(vii) 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 27 July 2020 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 31 December 2018.

25 Borrowings *(continued)*

(B) CORPORATE BONDS

Sunac Real Estate issued corporate bonds (the "Corporate Bonds") on the Shanghai Stock Exchange, payable annually in arrears. The details of the outstanding Corporate Bonds are shown as below:

Issue dates	Principal amount RMB'000	Interest rate	Maturity
15 August 2015	1,178,455	6.80%	5 years
15 August 2015	2,500,000	5.70%	5 years
1 September 2015	164,740	7.50%	5 years
16 August 2016	1,200,000	3.44%	5 years
16 August 2016	2,800,000	4.00%	7 years
	7,843,195		

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 31 December 2018 (note 26).

25 Borrowings *(continued)*

(C) PRIVATE DOMESTIC CORPORATE BONDS

Sunac Real Estate issued private domestic corporate bonds (the "Private Bonds") on the Shanghai Stock Exchange and the 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
28 August 2018	1,000,000	7.50%	3 years
9 September 2018	1,010,000	7.50%	3 years
	17,010,000		

Except for the bond issued in 2017 and the bond issued on 11 April 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 first, 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 31 December 2018 (note 26).

(D) ASSETS-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 31 December 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	614,600	5.30%-5.70%	2-5 years
11 October 2016	2,275,753	4.28%	3 years
16 March 2018	163,055	6.80%	1 year
25 September 2018 to 16 October 2018	113,400	13.5%	1 year
29 September 2018 to 29 December 2018	35,300	13.1%	1 year
	3,202,108		

25 Borrowings *(continued)*

(E) LONG-TERM BORROWINGS

(i) As at 31 December 2018, non-current borrowings included RMB 56,533 million (2017: RMB 64,864 million) that were relating to certain of the Group's property development projects, and will be due for repayment when the percentage of pre-sale has accumulatively achieved 20% - 80%, as determined on the gross floor area of the respective projects. Based on contractual maturity terms and the management's sales forecast, RMB 18,758 million (2017: RMB 10,400 million) of these borrowings will be due for repayment in the year ending 31 December 2019 and are included in current liabilities.

(ii) The Group's long-term borrowings as at 31 December 2018 were repayable as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Between 1 and 2 years	**75,952,364**	54,214,137
Between 2 and 5 years	**57,951,481**	78,041,362
Over 5 years	**3,459,675**	8,341,687
	137,363,520	140,597,186

The weighted-average effective interest rates for the year ended 31 December 2018 was 6.81% (2017: 6.24%).

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

The carrying amounts of bank borrowings, borrowings from other financial institutions and assets-backed securities approximate their fair values. The fair values of Senior Notes as at 31 December 2018 amounted to RMB 21,842 million, which were calculated based on the market price of the traded senior notes at the balance sheet date. The fair values of Corporate Bonds and Private Bonds as at 31 December 2018 amounted to RMB 25,651 million, which were calculated based on the active market price at the balance sheet date. The fair values of Senior Notes are within level 1 of the fair value hierarchy and the fair values of Corporate Bonds and Private Bonds are within level 2 of the fair value hierarchy.

25 Borrowings *(continued)*

(E) LONG-TERM BORROWINGS *(continued)*

(iv) The exposure of the Group's borrowings with variable interest rates to interest-rate changes and the contractual re-pricing dates are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
6 months or less	**14,673,606**	21,766,335
7 - 12 months	**28,425,038**	31,057,932
Over 12 months	**16,791,121**	23,637,220
	59,889,765	76,461,487

(v) As at 31 December 2018, the Group's borrowings of RMB 202,518 million (2017: RMB 187,604 million) were secured or joint secured by the Group's certain current assets and non-current assets, and the equity interests of certain subsidiaries. See note 38 for detail information of assets pledged as security.

(F) THE CARRYING AMOUNTS OF THE GROUP'S BORROWINGS ARE DENOMINATED IN THE FOLLOWING CURRENCIES:

	31 December 2018 RMB'000	31 December 2017 RMB'000
RMB	**200,786,348**	206,111,019
USD	**24,613,876**	10,725,557
HKD	**3,676,208**	2,101,784
EUR	**332,631**	331,486
	229,409,063	219,269,846

26 Derivative financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
- Currency derivative contracts (i)	**153,507**	14,865
- Option derivative contract (ii)	**125,817**	—
Financial liabilities		
- Options embedded in Corporate Bonds and Private Bonds (note 25)	**57,411**	221,473
- Currency derivative contracts (i)	**36,115**	—

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 5(A).

(i) As at 31 December 2018, the currency derivative contracts comprised various contracts with nominal amount totalling USD 1,050 million (2017: USD 600 million), the settlement dates of which are between January 2019 and November 2021. 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.

(ii) The option derivative contract is forward option embedded in an uncompleted equity securities contract. This option was not to closely related to the host contract and were recognised at fair value at 31 December 2018.

27 Provisions

	2018 RMB'000	2017 RMB'000
Provisions for financial guarantee provided to related parties (i)	**474,494**	352,286
Provisions for financial guarantee on mortgage (i)	**136,475**	—
Provision for contractually committed increase investment in associates	—	290,681
	610,969	642,967

(i) Note 4.1(b) provides for details about the calculation of the allowance for financial guarantee.

28 Expenses by nature

	2018 RMB'000	2017 RMB'000
Costs of properties sold	**88,643,224**	49,596,459
Business tax and related surcharge	**782,329**	1,050,478
Staff costs (note 29)	**5,485,416**	2,937,400
Provision/(Reversal of) for impairment of properties	**360,333**	(244,501)
Net impairment losses on financial and contract assets (note 3(l))	**3,485,395**	2,376,177
Advertisement and promotion costs	**2,496,145**	2,147,682
Profession service expenses	**906,501**	364,453
Depreciation and amortisation	**992,164**	339,145
Auditors' remunerations		
– Audit services	**22,000**	21,240
– Non-audit services	**1,550**	6,460

29 Employee benefit expense

	2018 RMB'000	2017 RMB'000
Wages and salaries	**4,210,817**	2,341,634
Pension costs	**603,596**	221,440
Staff welfare	**379,968**	163,956
Share options granted to directors and employees (note 22)	**291,035**	210,370
	5,485,416	2,937,400

30 Other income and gains

	2018 RMB'000	2017 RMB'000
Gains from business combination (note 41)	**5,346,752**	25,107,561
Interest income (i)	**2,933,793**	2,032,562
Gains from disposals of subsidiaries (note 42)	**637,195**	35,648
Fair value gains on financial assets at FVPL	**888,871**	—
Fair value gains on derivative financial instruments	**332,644**	—
Fair value gains on investment properties	**208,988**	—
Others	**1,499,848**	740,492
	11,848,091	27,916,263

(i) Details of interest income are as follows:

	2018 RMB'000	2017 RMB'000
Interest income from related companies (note 43)	**2,780,430**	1,741,778
Other interest income	**153,363**	290,784
	2,933,793	2,032,562

31 Other expenses and losses

	2018 RMB'000	2017 RMB'000
Contracts termination expenses (note 41)	**498,570**	—
Impairment provisions for investments in associates	**404,047**	8,928,907
Impairment provisions for other intangible assets	**368,431**	—
Impairment provisions for goodwill	**189,020**	57,325
Losses on business combination (note 41)	**119,632**	—
Fair value losses on investment properties	—	13,491
Losses on disposals of subsidiaries	—	261,274
Impairment provisions for prepaid equity investments in associates	—	411,021
Impairment provisions for contractually committed Additional Acquisition Contracts in investments in associates	—	290,681
Fair value losses and expense on derivative financial instruments	—	185,821
Others	**406,411**	188,389
	1,986,111	10,336,909

32 Finance income and expenses

	2018 RMB'000	2017 RMB'000
Interest expenses	**14,623,745**	11,090,959
Less: Capitalised finance costs	**(12,936,990)**	(5,748,747)
	1,686,755	5,342,212
Exchange losses/(gains)	**1,206,738**	(82,762)
	2,893,493	5,259,450
Finance income:		
– Interest income on bank deposits	**(806,208)**	(736,000)
	2,087,285	4,523,450

The capitalisation rate used to determine the amount of the interests incurred eligible for capitalisation in 2018 was 6.81% (2017: 6.24%) per annum.

33 Income tax expenses

	2018 RMB'000	2017 RMB'000
CIT		
Current income tax	**10,066,909**	4,288,151
Deferred income tax		
– Increase in deferred tax assets (note 12)	**(2,304,114)**	(1,736,022)
– Decrease in deferred tax liabilities (note 12)	**(1,640,768)**	(1,465,590)
	6,122,027	1,086,539
LAT	**5,097,202**	2,608,069
	11,219,229	3,694,608

33 Income tax expenses *(continued)*

(A) CIT

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

	2018 RMB'000	2017 RMB'000
Profit before income tax	**28,664,230**	15,358,988
Income tax calculated at the PRC tax rate 25% (2017: 25%)	**7,166,058**	3,839,747
Difference in overseas tax rates	**652,443**	416,871
Difference in tax rates change	**(80,351)**	—
LAT	**(1,274,301)**	(652,017)
Tax effect of amounts which are not deductible in calculating taxable income:		
– Losses on business combination	**29,908**	—
– Losses on disposal of subsidiaries	—	65,319
– Entertainment expenses	**74,730**	28,429
– Staff welfare	**7,198**	2,586
– Penalty	**7,307**	4,761
– Others	**174,935**	8,971
Tax effect of amounts which are not taxable in calculating taxable income:		
– Gains from business combination	**(1,336,688)**	(6,276,890)
– Gains from disposals of subsidiaries	**(159,299)**	(8,912)
– Gain from disposal of a joint venture	**(1,859)**	—
– Others	**(71,666)**	—
Share of (profits)/losses of investments accounted for using equity method, net	**(1,238,999)**	498,401
Tax on losses for which no DTA were recognised	**459,912**	202,230
Tax on temporary differences for which no DTA were recognised	**1,176,597**	3,037,077
Utilisation of tax losses with no DTA recognition	**(126,723)**	(128,196)
Tax impact on temporary differences with no DTA or DTL recognition in previous years	**80,969**	(286,620)
Write-off of DTA	**243,009**	99,841
Dividends tax for distributable profits of PRC subsidiaries	**338,847**	234,941
	6,122,027	1,086,539

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

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

Income tax expense is recognised based on management's estimate of the weighted-average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ended 31 December 2018 was 25% (2017: 25%).

33 Income tax expenses *(continued)*

(A) CIT *(continued)*

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) TAX LOSSES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Unused tax losses for which no deferred tax asset has been recognised	**3,435,554**	2,280,574
Potential tax benefit	**858,889**	570,144

DTA are recognised for tax losses carry-forward to the extent that the realisation of the related benefit through the taxable profits for the deduction periods according to the PRC tax laws and regulations is probable. Therefore, the Group did not recognise DTA of RMB 859 million (2017: RMB 570 million) in respect of accumulated losses amounting to RMB 3,436 million (2017: RMB 2,281 million) as the Group estimates that the related subsidiaries will not have sufficient tax income to utilise the tax deduction benefits in the future deduction period. Within these accumulated losses, amounts of RMB 344 million, RMB 362 million, RMB 394 million, RMB 496 million and RMB 1,840 million, as at 31 December 2018 will expire respectively in 2019, 2020, 2021, 2022 and 2023.

(C) UNRECOGNISED TEMPORARY DIFFERENCES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Temporary difference for which DTA have not been recognised	**16,493,620**	11,765,007
Unrecognised DTA	**4,123,405**	2,941,252

As of 31 December 2018, the Group has deductible temporary differences of RMB 16,494 million (2017: RMB 11,765 million) in respect of which no DTA have been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(D) 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.

34 Earnings per share

(A) BASIC

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

	2018	2017
Profit attributable to owners of the parent company (RMB'000)	**16,566,535**	11,003,863
Weighted-average number of ordinary shares in issue (thousand)	**4,402,505**	3,991,551
Adjusted for purchase of shares for share award scheme (thousand)	**(26,025)**	—
Weighted-average number of ordinary shares for basic earnings per share (thousand)	**4,376,480**	3,991,551

(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.

	2018	2017
Profit attributable to owners of the parent company (RMB'000)	**16,566,535**	11,003,863
Weighted-average number of ordinary shares in issue (thousand)	**4,402,505**	3,991,551
Adjusted for purchase of shares for share award scheme (thousand)	**(26,025)**	—
Adjusted for share options (thousand)	**55,966**	78,804
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	**4,432,446**	4,070,355

35 Cash flow information

(A) CASH GENERATED FROM OPERATIONS

	Note	2018 RMB'000	2017 RMB'000
Profit before income taxes		**28,664,230**	15,358,988
Adjustments for:			
– Finance costs		**13,905,896**	5,259,450
– Gains from business combinations	30	**(5,346,752)**	(25,107,561)
– Gains from disposals of subsidiaries	30	**(637,195)**	(35,648)
– Interest income	30	**(2,933,793)**	(2,032,562)
– Gain from disposal of joint ventures	30	**(7,434)**	—
– Losses on disposals of subsidiaries	31	**—**	261,274
– Losses on business combinations	31	**119,632**	—
– Fair value changes of FVPL	30	**(888,871)**	—
– Fair value changes and expense on derivative financial instruments	30/31	**(332,644)**	185,821
– Fair value (gains)/losses on investment properties	30/31	**(208,988)**	13,491
– Impairment provisions of investments in an associate	31	**404,047**	9,339,928
– Impairment of other intangible assets	31	**368,431**	—
– Impairment of Goodwill	31	**189,020**	57,325
– Net impairment losses on financial and contract assets	28	**3,485,395**	2,376,177
– Amortisation of intangible assets	10	**161,192**	45,054
– Depreciation	8	**830,972**	294,091
– Loss on disposal of PP&E		**14,992**	31
– Share of (profits)/loss of joint ventures and associates	11	**(4,821,811)**	2,146,605
– Value of employee services	29	**291,035**	210,370
– Gains from acquisitions of investments in joint ventures and associates	11	**(134,183)**	(153,001)
– Loss for contractually committed Additional Acquisition Contracts	31	**—**	290,681
Changes in working capital			
– Restricted cash		**(13,388,308)**	(10,346,030)
– Properties under development and completed properties held for sale, net		**1,882,693**	(11,187,875)
– Inventories		**(4,196)**	(10,770)
– Trade and other receivables and prepayments		**(9,310,746)**	22,019,145
– Contract assets		**(668,427)**	(143,202)
– Contract liabilities		**47,554,775**	47,981,683
– Trade and other payables		**4,732,377**	(9,567,030)
– Amount due from/to related companies, net		**(672,028)**	35,907,354
Cash generated from operations		**63,249,311**	83,163,789

35 Cash flow information *(continued)*

(B) NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Note	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	19	**76,181,041**	68,433,256
Borrowings – repayable within one year	25	**(92,045,543)**	(78,672,660)
Borrowings – repayable after one year	25	**(137,363,520)**	(140,597,186)
Net debt		**(153,228,022)**	(150,836,590)
Cash and cash equivalents		**76,181,041**	68,433,256
Gross debt – fixed interest rates	4	**(169,519,298)**	(142,808,359)
Gross debt – variable interest rates	4	**(59,889,765)**	(76,461,487)
Net debt		**(153,228,022)**	(150,836,590)

	Other assets	Liabilities from financing activities		
	Cash RMB'000	Borrow due within 1 year RMB'000	Borrow due after 1 year RMB'000	Total RMB'000
Net debt as at 1 January 2017	52,086,050	(32,644,337)	(80,199,682)	(60,757,969)
Cash flows	66,382,272	(39,022,223)	(21,159,220)	6,200,829
Changes arising from business combination	(50,359,961)	(7,117,131)	(40,631,045)	(98,108,137)
Changes arising from disposal of subsidiaries	271,954	111,031	1,362,940	1,745,925
Foreign exchange adjustments	52,941	—	29,821	82,762
Net debt as at 31 December 2017	68,433,256	(78,672,660)	(140,597,186)	(150,836,590)
Cash flows	13,560,030	(13,426,186)	1,391,691	1,525,535
Changes arising from business combination (note 41)	(4,272,673)	(1,254,837)	(2,692,455)	(8,219,965)
Changes arising from disposal of subsidiaries (note 42)	(1,738,404)	1,308,140	5,940,000	5,509,736
Foreign exchange adjustments (note 32)	198,832	—	(1,405,570)	(1,206,738)
Net debt as at 31 December 2018	76,181,041	(92,045,543)	(137,363,520)	(153,228,022)

36 Commitments

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Contracted but not provided for		
– PUDs and completed properties held for sale	**73,941,626**	41,508,503
– PP&E	**7,073,402**	7,888,754
– Investment properties	**3,806,360**	3,958,371
– Intangible assets	**11,234**	26,170
	84,832,622	53,381,798

(B) EQUITY INVESTMENTS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Contracted but not provided for	**11,200,582**	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:

	31 December 2018 RMB'000	31 December 2017 RMB'000
No later than 1 year	**123,418**	77,059
Later than 1 year and no later than 5 years	**209,000**	104,138
Later than 5 years	**4,427**	4,638
	336,845	185,835

37 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:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**88,598,358**	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 RMB 23.82 billion (2017: RMB 16.72 billion) together with the equity investment partners on pro rata basis.

38 Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Current-			
PUDs	14	**135,681,521**	122,596,138
Completed properties held for sale	15	**12,267,060**	13,974,091
Restricted cash	18	**2,055,820**	5,261,325
Total current assets pledged as security		**150,004,401**	141,831,554
Non-current-			
PP&E	8	**24,652,648**	11,739,124
Investment properties	9	**11,775,515**	10,179,872
Intangible assets	10	**1,096,574**	657,876
Total non-current assets pledged as security		**37,524,737**	22,576,872

39 Financial instruments by category

	31 December 2018 RMB'000	31 December 2017 RMB'000
Financial assets at amortised cost		
– Trade and other receivables	**27,950,266**	19,327,449
– Restricted cash	**44,017,011**	28,285,601
– Cash and cash equivalents	**76,181,041**	68,433,256
– Amounts due from related companies	**48,965,621**	61,082,790
Available-for-sale financial assets	—	871,578
Financial assets at FVPL	**10,006,092**	—
Derivative financial instruments	**279,324**	14,865
	207,399,355	178,015,539

39 Financial instruments by category *(continued)*

	31 December 2018 RMB'000	31 December 2017 RMB'000
Financial liabilities at amortised costs		
– Borrowings	**229,409,063**	219,269,846
– Amounts due to related companies	**62,663,166**	91,947,252
– Trade and other payables	**87,877,685**	66,028,862
Derivative financial instruments	**93,526**	221,473
	380,043,440	377,467,433

Note: Trade and other payables in this analysis do not include the taxes payables and payroll and welfare payables.

40 Transactions with non-controlling interests

In 2018, the Group has acquired additional equity interests of its non-wholly owned subsidiaries through certain transactions with non-controlling interests which resulted in the total decrease in non-controlling interests of RMB 30.60 million and total decrease in net assets attributable to the owners of the Company of RMB 129.86 million.

41 Business combination

(A) ACQUISITIONS OF SUBSIDIARIES

In the year ended 31 December 2018, the major acquisitions of new subsidiaries are summarised as follows:

	Chongqing Wanda RMB'000 (note(i))	Wanda Management Companies RMB'000 (note(ii))	Others RMB'000 (note(iii))	Total RMB'000
Fair value of total interests acquired	6,421,514	302,832	9,793,233	16,517,579
Cash considerations for acquisition of				
– equity interests	3,635,534	4,695,320	4,628,844	12,959,698
– debts due to shareholders	—	—	651,129	651,129
Re-measurement of previously held interests	—	—	4,058,326	4,058,326
Gains from acquisition of new subsidiaries	2,785,980	—	717,359	3,503,339
Goodwill from acquisition of new subsidiaries	—	4,392,488	262,425	4,654,913
Re-measurement of previously held interests	—	—	4,058,326	4,058,326
Less: Book value of previously held interests	—	—	2,334,545	2,334,545
Gains on re-measurement	—	—	1,843,413	1,843,413
Losses on re-measurement	—	—	(119,632)	(119,632)

The following table set out a summary of the financial impacts:

	Chongqing Wanda RMB'000 (note(i))	Wanda Management Companies RMB'000 (note(ii))	Others RMB'000 (note(iii))	Total RMB'000
Gains from acquisition of new subsidiaries	2,785,980	—	2,560,772	5,346,752
Losses from acquisition of new subsidiaries	—	—	(119,632)	(119,632)
Goodwill from acquisition of new subsidiaries	—	4,392,488	262,425	4,654,913

41 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 RMB 43,844 million. These Wanda Project Companies were engaged in real estate property development, hotel, shopping mall and theme parks operation in the PRC. The Group had obtained the control of thirteen project companies, except for Chongqing Wanda, in the year ended 31 December 2017.

The Group obtained the control of Chongqing Wanda in January 2018.

(ii) Acquisition of Chengdu Wanda Theme Cultural and Tourism Management Co., Ltd. ("Wanda Cultural Management") and Wanda Culture Travel Innovation Group Co., Limited ("Wanda BVI") (collectively, "Wanda Management Companies")

In October 2018, the Group entered into an acquisition agreement to acquire 100% equity interests of Wanda Management Companies. Wanda Cultural Management engaged in the provision of below services to the fourteen Wanda Project Companies under a long-term service contract ("Management Contract"):

a. the overall planning and design and the construction and management services of properties under the Wanda Project Companies; and

b. the services such as brand licensing, operation consulting and operational management for properties under the Wanda Project Companies.

As part of the transaction, the Management Contract was terminated and twelve Wanda Project Companies had obtained the right to use a trademark granted by Wanda Commercial.

The consideration totalled approximately RMB 6.28 billion were allocated to termination cost of Management Contract, cost of acquisition of trademark, and cost of acquisition of equity interest in Wanda Management Companies, amounting to RMB 499 million, RMB 1,086 million and RMB 4,695 million, respectively. The consideration of Management Contract termination was determined by the difference between market value of these contracts at termination date, and the present value of their forecasting profits calculated based on original contractual terms.

(iii) Acquisition of other companies

During the year ended 31 December 2018, the Company acquired equity interests in several project companies from third parties, at a total consideration of RMB 5,280 million. Upon completion of these transactions, these entities became subsidiaries of the Group.

41 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	Wanda Management Companies RMB'000	Others RMB'000	Total RMB'000
(1) Fair value of net assets				
Non-current assets				
PP&E	1,772,618	4,818	5,459	1,782,895
Intangible assets	20,124	—	211	20,335
DTA	—	—	207,461	207,461
Current assets				
PUDs	12,995,053	—	28,474,682	41,469,735
Completed properties held for sale	—	—	1,589,871	1,589,871
Restricted cash	490,287	—	1,922,177	2,412,464
Cash and cash equivalents	82,612	330,942	1,244,564	1,658,118
Other current assets	3,971,334	221,246	13,450,781	17,643,361
Non-current liabilities				
Borrowings	620,000	—	2,072,455	2,692,455
DTL	2,035,333	—	4,417,249	6,452,582
Current liabilities				
Borrowings	200,000	—	1,054,837	1,254,837
Other current liabilities	9,420,086	254,174	27,639,626	37,313,886
Net assets	7,056,609	302,832	11,711,039	19,070,480
Less: Non-controlling interests	(635,095)	—	(1,917,806)	(2,552,901)
Fair value of the net assets acquired	6,421,514	302,832	9,793,233	16,517,579
(2) Cash impact				
Considerations settled by cash in current period	—	(1,695,320)	(4,235,471)	(5,930,791)
Cash and cash equivalents in the subsidiaries acquired	82,612	330,942	1,244,564	1,658,118
Net cash impact on acquisitions	82,612	(1,364,378)	(2,990,907)	(4,272,673)

42 Disposal of subsidiaries

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

	Total **RMB'000**
Cash considerations received or receivable	448,560
Fair value of retained equity interest become joint ventures	605,069
Less: carrying value of the disposed subsidiary	(416,434)
Gains on the disposals (note 30)	637,195

(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	2,809
Intangible assets	—
Investment in a jointly controlled entity	236,226
DTA	87,144
Current assets	
PUDs	14,605,487
Completed properties held for sale	91,009
Restricted cash	628,089
Cash and cash equivalents	1,938,696
Other current assets	12,066,027
Non-current liabilities	
Borrowings	(5,940,000)
DTL	(545,535)
Current liabilities	
Borrowings	(1,308,140)
Other current liabilities	(21,479,586)
Net assets	382,226
Less: Non-controlling interests	10,280
Goodwill	23,928
Carrying value of the equity owned by the Group	416,434

42 Disposal of subsidiaries *(continued)*

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

	Total
	RMB'000
Cash considerations received as of 31 December 2018	200,292
Cash of the subsidiaries disposed	(1,938,696)
Net cash impact	(1,738,404)

43 Related party transactions

(A) NAME AND RELATIONSHIP WITH RELATED PARTIES

Name	**Relationship with the Company**
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 consolidated financial statements, the Group had the following significant transactions entered into the ordinary course of business between the Group and the related parties:

(i) Cash advances

	Years ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cash paid to joint ventures and associates	**(115,927,541)**	(76,214,409)
Cash received from joint ventures and associates	**108,670,174**	106,127,340
	(7,257,367)	29,912,931

43 Related party transactions

(B) TRANSACTIONS WITH RELATED PARTIES *(continued)*

(ii) Interest income

	Years ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest income from joint ventures	**2,551,778**	1,709,102
Interest income from associates	**228,652**	32,676
	2,780,430	1,741,778

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Years ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries and other short-term benefits	**185,813**	127,252
Share-option scheme	**40,389**	12,423
	226,202	139,675

43 Related party transactions *(continued)*

(D) RELATED PARTIES BALANCES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Amounts due from joint ventures		
– Interest free	**22,769,140**	31,051,713
– Interest bearing	**16,812,001**	18,108,512
– Interest receivable	**2,287,088**	1,624,101
	41,868,229	50,784,326
Less: Impairment provision	**(26,687)**	—
	41,841,542	50,784,326
Amounts due from associates		
– Interest free	**3,249,475**	8,946,787
– Interest bearing	**8,647,532**	2,680,889
– Interest receivable	**378,924**	164,045
	12,275,931	11,791,721
Less: Impairment provision (note 4.1 (b))	**(5,151,852)**	(1,493,257)
	7,124,079	10,298,464
	48,965,621	61,082,790
Amounts due to joint ventures	**57,176,851**	84,464,115
Amounts due to associates	**5,486,315**	7,483,137
	62,663,166	91,947,252

The amounts due from joint ventures and associates almost have no fixed repayment date, bearing interest rate at 4.35% to 16% per annum for the year ended 31 December 2018.

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

44 Dividends

The dividends paid in 2018 and 2017 were RMB 2,201 million (RMB0.501 per share) and RMB 991 million (RMB 0.257 per share) respectively. A dividend in respect of the year ended 31 December 2018 of RMB 0.827 per share, amounting to a total dividend of RMB 3,645 million, is to be proposed at the annual general meeting. These financial statements did not reflect this dividend payable.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Proposed final dividend of RMB 0.827 (2017: RMB 0.501) per ordinary share	**3,644,638**	2,200,773

45 Events after the balance sheet date

(A) ACQUISITION OF BEIJING PROJECT AND SHANGHAI PROJECT

On 20 January 2019, a wholly owned subsidiary of the Company and Wuhan CBD Stock Company Limited entered into an agreement in relation to the acquisition of 100% equity interest in Oceanwide Construction Holdings Co., Ltd. (the "Target Company") for a payable consideration of approximately RMB 12.553 billion. The Target Company owns 100% interest in the Beijing Oceanwide International Project Land Lot 1 and the Shanghai Dongjiadu Project. As of 28 March 2019, the Group has paid 80% of the consideration and obtained the control of the Target Company.

(B) ISSUANCE OF SENIOR NOTES

On 10 January 2019, the Company entered into a purchase agreement in connection with the issuance of US$600 million 8.375% senior notes due 2021 on the Singapore Exchange Securities Trading Limited ("SEST"). The senior notes will bear interest from and including 15 January 2019 at the rate of 8.375% per annum, payable semi-annually in arrears on 15 January and 15 July of each year, commencing 15 July 2019.

On 12 February 2019, the Company entered into a purchase agreement in connection with the issuance of US$800 million 7.875% senior notes due 2022 on the SEST. The senior notes will bear interest from and including 15 February 2019 at the rate of 7.875% per annum, payable semi-annually in arrears on 15 February and 15 August of each year, commencing on 15 August 2019.

On 20 March 2019, the Company entered into a purchase agreement in connection with the issuance of US$200 million 8.35% senior notes due 2023 on the SEST. The senior notes will be consolidated and form a single series with US$450 million 8.35% Senior Notes due 2023 issued on 19 April 2018. The senior notes bear interest from 19 April 2018 at the rate of 8.35% per annum, payable semi-annually in arrears on 19 April and 19 October of each year, commencing on 19 April 2019. The issue price was 102.3% of the principal amount of the senior notes, with effective interest rate of approximately 7.678%, plus accrued interest from (and including) 19 October 2018 (but excluding) 25 March 2019.

46 Balance sheet and reserve movement of the Company

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**17,609,759**	17,235,346
Derivative financial instruments		—	14,865
		17,609,759	17,250,211
Current assets			
Amounts due from subsidiaries		**19,044,241**	7,866,684
Other receivables		**1,005,108**	6,159
Derivative financial instruments		**153,507**	—
Restricted cash		**365,970**	—
Cash and cash equivalents		**2,482,524**	5,910,323
		23,051,350	13,783,166
Total assets		**40,661,109**	31,033,377
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**378,421**	377,608
Other reserves	(A)	**11,513,938**	14,845,964
Accumulated losses	(A)	**(7,473,459)**	(5,287,406)
Total equity		**4,418,900**	9,936,166
Liabilities			
Non-current liabilities			
Derivative financial instruments		**36,115**	—
Borrowings		**20,958,037**	11,691,551
		20,994,152	11,691,551
Current liabilities			
Borrowings		**5,810,894**	1,467,276
Other payables		**667,343**	246,956
Amounts due to subsidiaries		**8,769,820**	7,691,428
		15,248,057	9,405,660
Total liabilities		**36,242,209**	21,097,211
Total equity and liabilities		**40,661,109**	31,033,377

Sun Hongbin
Director

Wang Mengde
Director

46 Balance sheet and reserve movement of the Company *(continued)*

(A) RESERVE MOVEMENT OF THE COMPANY

	Share premium RMB'000	Share option reserves RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Year ended 31 December 2017					
At 1 January 2017	3,717,227	259,565	1,416,348	(3,940,993)	1,452,147
Loss for the year	—	—	—	(1,346,413)	(1,346,413)
Employees share option schemes:					
– Value of employee services	—	210,370	—	—	210,370
– Proceeds from shares issued	263,044	—	—	—	263,044
Proceeds from private placement	9,970,751	—	—	—	9,970,751
Dividends relating to 2016	(991,341)	—	—	—	(991,341)
At 31 December 2017	12,959,681	469,935	1,416,348	(5,287,406)	9,558,558
Year ended 31 December 2018					
At 1 January 2018	**12,959,681**	**469,935**	**1,416,348**	**(5,287,406)**	**9,558,558**
Loss for the year	—	—	—	**(2,186,053)**	**(2,186,053)**
Employees share option schemes:					
– Value of employee services	—	**291,035**	—	—	**291,035**
– Proceeds from shares issued	**42,277**	—	—	—	**42,277**
Purchase of shares for share award scheme	**(1,464,565)**	—	—	—	**(1,464,565)**
Dividends relating to 2017	**(2,200,773)**	—	—	—	**(2,200,773)**
At 31 December 2018	**9,336,620**	**760,970**	**1,416,348**	**(7,473,459)**	**4,040,479**

47 Benefits and interests of directors

The Directors' and senior management's emoluments are set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Share Options expenses	Employer's contribution retirement benefit scheme	Other benefits	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2018:								
Directors:								
Sun Hongbin	—	**7,750**	**9,675**	—	—	—	—	**17,425**
Wang Mengde	—	**7,143**	**9,350**	**4,007**	**38**	**56**	—	**20,594**
Chi Xun	—	**5,920**	**8,724**	**4,267**	**38**	**56**	—	**19,005**
Shang Yu	—	**5,190**	**7,970**	**3,773**	**41**	**57**	—	**17,031**
Jing Hong	—	**5,917**	**9,024**	**4,267**	**59**	**74**	—	**19,341**
Tian Qiang	—	**5,204**	**7,220**	**3,955**	**85**	**110**	—	**16,574**
Huang Shuping	—	**5,157**	**4,500**	**2,853**	**37**	**54**	—	**12,601**
Sun Zheyi	—	**1,700**	**1,290**	—	**55**	**35**	—	**3,080**
Zhu Jia	**380**	—	—	—	—	—	—	**380**
Poon Chiu Kwoh	**380**	—	—	—	—	—	—	**380**
Li Qin	**338**	—	—	—	—	—	—	**338**
Ma Lishan	**338**	—	—	—	—	—	—	**338**
Year ended 31 December 2017:								
Directors:								
Sun Hongbin	—	5,688	6,300	—	—	—	—	11,988
Wang Mengde	—	5,544	6,400	1,233	35	54	—	13,266
Chi Xun	—	5,500	6,100	1,213	35	53	—	12,901
Shang Yu	—	5,000	4,200	970	41	56	—	10,267
Jing Hong	—	5,500	6,100	1,213	51	64	—	12,928
Tian Qiang	—	5,500	4,900	1,116	33	52	—	11,601
Huang Shuping	—	4,903	3,000	1,096	32	46	—	9,077
Sun Zheyi	—	900	298	—	51	32	—	1,281
Zhu Jia	355	—	—	—	—	—	—	355
Poon Chiu Kwoh	355	—	—	—	—	—	—	355
Li Qin	323	—	—	—	—	—	—	323
Ma Lishan	323	—	—	—	—	—	—	323
Tse Chi Wai	323	—	—	—	—	—	—	323

For the year ended 31 December 2018 and 2017, no housing allowance, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director, emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking were provided by the Group to directors or chief executive.

The five individuals whose emoluments were the highest in the Group included five directors (2017: Five) for the year ended 31 December 2018, whose emoluments are reflected in the analysis presented above.

48 Subsidiaries

The following is a list of the principal subsidiaries at 31 December 2018 and 2017:

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities
			31 December 2018		31 December 2017		
			Directly	Indirectly	Directly	Indirectly	
Incorporated in the British Virgin Islands:							
Jujin Real Estate Investment Holdings Ltd.	06 September 2007	USD1	**100%**	—	100%	—	Investment holding
Dingsheng Real Estate Investment Holdings Ltd.	06 September 2007	USD1	**100%**	—	100%	—	Investment holding
Zhuoyue Real Estate Investment Holdings Ltd.	13 September 2007	USD1	**100%**	—	100%	—	Investment holding
Sunac Greentown Investment Holdings Limited	25 April 2013	RMB3,277 million	**100%**	—	100%	—	Investment holding
Elegant Trend Limited	17 July 2013	HKD15.6	—	**100%**	—	100%	Investment holding
Incorporated in Hong Kong:							
Lead Perfect (HK) Investment Limited	19 June 2018	USD111 million	—	**55%**	—	0%	Investment holding
Incorporated in the PRC:							
Beijing Raycom Sunshine Real Estate Development Co., Ltd.	31 December 2016	RMB250 million	—	**100%**	—	100%	Real estate development
Beijing Sunac Construction Investment Real Estate Co., Ltd	16 August 2010	RMB10 million	—	**100%**	—	100%	Real estate development
Beijing Sunac Hengji Real Estate Co., Ltd.	27 September 2011	RMB100 million	—	**100%**	—	100%	Real estate development
Jinan Wanda City Investment Co., Ltd	10 November 2017	RMB2,000 million	—	**91%**	—	91%	Real estate development, cultural and tourism city operation
Qingdao Calxon Real Estate Development Co., Ltd.	31 December 2016	RMB1,200 million	—	**100%**	—	100%	Real estate development
Sunac Oriental Movie Metropolis Investment Co., Ltd.	10 November 2017	RMB3,000 million	—	**91%**	—	91%	Real estate development, cultural and tourism city operation
Qingdao Sunac Yacht Industry Investment Co., Ltd.	10 November 2017	RMB1,000 million	—	**91%**	—	91%	Real estate development, cultural and tourism city operation

48 Subsidiaries *(continued)*

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities
			31 December 2018		31 December 2017		
			Directly	**Indirectly**	Directly	Indirectly	
Incorporated in the PRC (continued):							
Hangzhou Fuyang Sunac Real Estate Co., Ltd.	07 March 2014	RMB630 million	—	**100%**	—	100%	Real estate development
Hangzhou Rongxinheng Investment Limited	27 August 2013	RMB10 million	—	**100%**	—	100%	Investment holding
Hangzhou Rongyu Real Estate Co., Ltd.	15 June 2016	RMB1,800 million	—	**100%**	—	100%	Real estate development
Hangzhou Sunac Greentown Real Estate Development Co., Ltd.	29 September 2015	USD102 million	—	**100%**	—	100%	Real estate development
Hangzhou Yingzi Investment Limited	27 August 2013	RMB10 million	—	**100%**	—	100%	Real estate development
Hefei Wanda City Investment Co., Ltd	03 August 2017	RMB2,000 million	—	**91%**	—	91%	Real estate development, cultural and tourism city operation
Lemen Real Estate (Fuyang) Co., Ltd.	30 August 2016	RMB1,473 million	—	**100%**	—	100%	Real estate development
Sunac (Shenzhen) Real Estate Co., Ltd.	09 March 2015	RMB10 million	—	**100%**	—	100%	Investment holding
Guangzhou Wanda Cultural Tourism Investment Co., Ltd	31 August 2017	RMB4,000 million	—	**91%**	—	91%	Real estate development, cultural and tourism city operation
Tianjin Sunac Ao Cheng Investment Co., Ltd.	25 February 2003	RMB222 million	—	**100%**	—	100%	Real estate development
Sunac Real Estate	31 January 2003	RMB15,000 million	—	**100%**	—	100%	Real estate development
Tianjin Sunac Dingsheng Zhidi Co., Ltd.	04 January 2011	HKD1,700 million	—	**100%**	—	100%	Real estate development
Tianjin Sunac Mingxiang Investment Development Co., Ltd.	06 April 2010	RMB1,421 million	—	**100%**	—	100%	Real estate development
Tianjin Rongzheng Investment Limited	12 July 2013	RMB504 million	—	**100%**	—	100%	Real estate development

48 Subsidiaries *(continued)*

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities
			31 December 2018		31 December 2017		
			Directly	**Indirectly**	Directly	Indirectly	
Incorporated in the PRC (continued):							
Tianjin Rongyao Real Estate Development Co., Ltd.	07 March 2013	RMB500 million	—	**54%**	—	54%	Real estate development
Harbin Wanda City Investment Co., Ltd	02 August 2017	RMB2,000 million	—	**91%**	—	91%	Real estate development, cultural and tourism city operation
Dalian Runde Qiancheng Real Estate Development Co., Ltd.	06 December 2017	RMB903 million	—	**100%**	—	100%	Real estate development
Zhengzhou Dayou Yonggu Real Estate Co., Ltd.	23 May 2016	RMB200 million	—	**51%**	—	51%	Real estate development
Zhengzhou Sunac Meisheng Real Estate Development Co., Ltd.	17 March 2016	RMB820 million	—	**70%**	—	70%	Real estate development
Haikou Wanda City Investment Co., Ltd	25 August 2017	RMB2,000 million	—	**91%**	—	91%	Real estate development, cultural and tourism city operation
Hainan Haidao Hangxiang Investment Development Co., Ltd.	13 August 2018	RMB981 million	—	**100%**	—	0%	Real estate development
Wuhan Lianchuang Rongjin Investment Company limited	30 November 2016	RMB200 million	—	**100%**	—	100%	Investment Holding
Changsha Raycom Real Estate Development Co., Ltd.	31 December 2016	RMB320 million	—	**75%**	—	75%	Real estate development
Nanchang Wanda City Investment Co., Ltd.	04 August 2017	RMB2,000 million	—	**91%**	—	91%	Real estate development, cultural and tourism city operation
New Richport Property Development Shanghai Co., Ltd.	17 July 2013	RMB2,250 million	—	**100%**	—	100%	Real estate development

48 Subsidiaries *(continued)*

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities
			31 December 2018		31 December 2017		
			Directly	**Indirectly**	Directly	Indirectly	
Incorporated in the PRC (continued):							
Shanghai Lvshun Real Estate Development Co., Ltd.	01 July 2012	RMB1,000 million	—	**100%**	—	100%	Real estate development
Shanghai Sunac Real Estate Development Co., Ltd.	18 December 2014	RMB2,000 million	—	**100%**	—	100%	Real estate development
Shanghai Xiangyuan Investment Holdings Limited	03 May 2016	RMB2,000 million	—	**100%**	—	100%	Investment holding
Tianmao Real Estate (Nanjing) Co., Ltd.	04 December 2015	RMB520 million	—	**100%**	—	100%	Real estate development
Yixing Sunac Dongjiu Real Estate Co.,Ltd.	09 March 2010	RMB1,100 million	—	**100%**	—	100%	Real estate development
Wuxi Sunac Real Estate Co., Ltd.	27 February 2004	RMB204 million	—	**100%**	—	100%	Real estate development
Wuxi Sunac City Construction Co., Ltd.	11 May 2005	RMB448 million	—	**100%**	—	100%	Real estate development
Wuxi Sunac City Investment Co., Ltd	10 November 2017	RMB4,000 million	—	**91%**	—	91%	Real estate development, cultural and tourism city operation
Chengdu Guojia Zhide Real Estate Co., Ltd.	22 October 2015	RMB1,375 million	—	**100%**	—	100%	Real estate development
Chengdu Tianyi Real Estate Co., Ltd.	23 November 2016	RMB793.5 million	—	**100%**	—	100%	Real estate development
Chengdu Wanda City Investment Co., Ltd	05 September 2017	RMB2,000 million	—	**91%**	—	91%	Real estate development, cultural and tourism city operation
Chengdu Zhongyi Real Estate Co., Ltd.	22 October 2015	RMB200 million	—	**100%**	—	100%	Real estate development

48 Subsidiaries *(continued)*

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities
			31 December 2018		31 December 2017		
			Directly	**Indirectly**	Directly	Indirectly	
Incorporated in the PRC (continued):							
Chongqing Raycom Zhidi Real Estate Development Co., Ltd.	30 November 2016	RMB300 million	—	**100%**	—	100%	Real estate development
Chongqing Sunac Shangfeng Real Estate Co., Ltd	21 February 2011	RMB1,200 million	—	**100%**	—	100%	Real estate development
Chongqing Sunac Qiyang Real Estate Co., Ltd.	18 September 2013	HKD2,280 million	—	**100%**	—	100%	Real estate development
Chongqing Sunac Shijin Real Estate Co., Ltd.	12 December 2012	HKD1,229 million	—	**100%**	—	100%	Real estate development
Chongqing Sunac Kaixuan Real Estate Co., Ltd.	18 January 2017	RMB540 million	—	**100%**	—	100%	Real estate development
Guilin Sunac City Investment Co., Ltd	28 August 2017	RMB1,500 million	—	**91%**	—	91%	Real estate development, cultural and tourism city operation
Xishuangbanna International Tourism Resort Development Co., Ltd.	04 August 2017	RMB2,000 million	—	**91%**	—	91%	Real estate development, cultural and tourism city operation
Kunming Sunac City Investment Co., Ltd	10 November 2017	RMB2,000 million	—	**91%**	—	91%	Real estate development, cultural and tourism city operation
Chongqing Wanda	31 January 2018	RMB3,000 million	—	**91%**	—	0%	Real estate development, cultural and tourism city operation