sunac 融創中國

2018 ANNUAL REPORT 年度報告

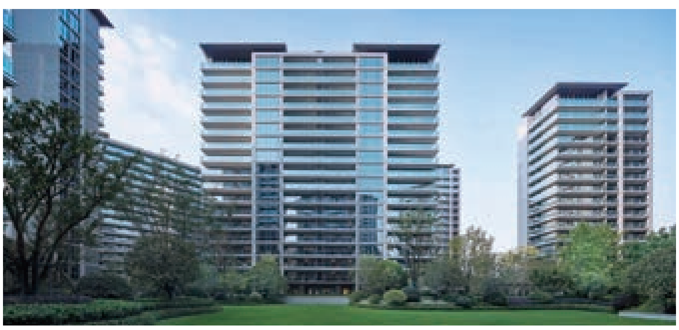
融創中國控股有限公司
SUNAC CHINA HOLDINGS LIMITED
(於開曼群島註冊成立的有限責任公司)
(Incorporated in the Cayman Islands with limited liability)

STOCK CODE 股票代碼：01918.HK

ABOUT SUNAC
融創中國控股有限公司

Sunac China Holdings Limited (the "Company" and together with its subsidiaries, collectively referred to as the "Group") is widely recognized by customers as an integrated service provider that provides Chinese families with a better life. Guided by its brand positioning of "Passion for Perfection", the Group is committed to providing complete solutions for Chinese families to enjoy a better life by integrating high-end residential, culture & tourism, culture, commercial facilities and other resources through high-quality and diversified products and services. The Company has four strategic deployments: Sunac Real Estate Group, which persists in "advantageous national locations and high-end positioning strategy"; Sunac Services Group, which is positioned as a "quality life service expert"; Sunac Culture & Tourism Group, which is guided by the vision of being a "provider of happiness for Chinese families"; and Sunac Culture Group, which strives to be the "leading enterprise in China's cultural industry", focusing on content and deployment in the entire cultural industry chain. The Company's business covers mid-to-high-end residential properties, cultural tourism, industrial real estate, commercial properties, hotels, property services, entertainment content production and distribution, integration services for film and television shooting, etc.

融創中國控股有限公司（「本公司」，連同其附屬公司統稱為「本集團」）為受到客戶高度認可的中國家庭美好生活整合服務商。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。公司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。



CONTENTS

CORPORATE INFORMATION

Board of Directors

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Company Secretary

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

Authorized Representatives

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Principal Place of Business in Hong Kong

Unit 972, Level 9
Central Building
1-3 Pedder Street
Central
Hong Kong

Headquarters and Principal Places of Business in the PRC

Beijing Office

26/F, Block B, Rongke Wangjing Center
Wangjing Dong Yuan, Chaoyang District
Beijing
The PRC
Postal code: 100102

Tianjin Office

10/F, Building C7, Magnetic Plaza
Binshuixi Road, Nankai District
Tianjin
The PRC
Postal code: 300381

Registered Office

190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
Royal Bank House - 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Legal Advisers

As to Hong Kong law:
Sidley Austin

As to Cayman Islands law:
Conyers Dill & Pearman

As to PRC law:
Jincheng Tongda & Neal Law Firm

Auditor

PricewaterhouseCoopers

Principal Bankers

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

Stock Code

HKEx: 01918

Company's Website

www.sunac.com.cn

Financial Calendar

2018 Annual Results Announcement	28 March 2019
Closure of Register of Members for Determining Rights to Attend 2019 Annual General Meeting	30 May 2019-4 June 2019
2019 Annual General Meeting	4 June 2019
Closure of Register of Members for Determining Entitlement to Final Dividend	11 June 2019-14 June 2019
Distribution of Final Dividend	18 July 2019

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

RMB million

	2018	2017	2016	2015	2014
Revenue	**124,746**	65,874	35,344	23,011	25,072
Gross profit	**31,136**	13,628	4,848	2,857	4,342
Gross profit margin (%)	**25.0%**	20.7%	13.7%	12.4%	17.3%
Profit for the year	**17,445**	11,664	2,938	3,608	3,233
Profit attributable to owners of the Company	**16,567**	11,004	2,478	3,298	3,222
Cash and cash equivalents (including restricted cash)	**120,198**	96,719	69,813	27,058	25,041
Dividend per share (RMB)	**0.827**	0.501	0.257	0.194	0.190
Dividends	**3,645**	2,200	991	660	646

CONSOLIDATED FINANCIAL POSITION

RMB million

	2018	2017	2016	2015	2014
Total assets	**716,660**	623,102	293,183	115,509	13,914
Total liabilities	**643,553**	562,464	257,772	96,089	10,807
Total equity	**73,107**	60,638	35,411	19,420	3,107

Dear Shareholders,

I am pleased to present to you the business review of the Group for the year ended 31 December 2018 and outlook for 2019.

Review of 2018

In 2018, in the background of China's overall economy facing pressure, as well as various policies of the government for the continuous regulation of the real estate industry, the market's expectation gradually changed and clear diversification among different cities emerged, such that in the second half of the year a cool down was observed in most cities, and in the fourth quarter the land market, which had been heated up for two years consecutively, had gradually returned to rationality.

During the year, the Group actively responded and adhered to the overall strategy of enhancing operation, controlling investment and reducing leverage. On one hand, it improved land acquisition standard and strictly controlled the pace of investment, on the other hand, it resolutely stepped up the destocking efforts. With its advantageous layout in core cities, high-quality and cost-effective land bank and high-quality product and service capabilities, the Group achieved overall and high quality growth in operating results, and at the same time further consolidated its competitive advantages.

In 2018, the Group recorded consolidated revenue of approximately RMB124.75 billion, representing an increase of approximately 89.4% year-on-year; gross profit amounted to approximately RMB31.14 billion, representing an increase of approximately 128.5% year-on-year, and gross profit margin increased rapidly from 20.7% in 2017 to 25.0% in 2018. In 2018, profit attributable to owners of the Company amounted to approximately RMB16.57 billion, representing an increase of approximately 50.6% year-on-year.

While the Group's profit increased rapidly, its net gearing ratio dropped significantly by the end of 2018 as compared to the end of 2017, achieving a steady decrease for three consecutive results periods. In 2018, the Group' s liquidity continued to remain sufficient, the carrying amount of cash of the Group reached approximately RMB120.2 billion, representing an increase of approximately 24.3% year-on-year.

In 2018, despite the significant changes in the market, the Group had reacted proactively. With the support of its sufficient high-quality and saleable resources and high-quality products, the Group maintained a relatively high destocking level, and achieved a contracted sales amount of approximately RMB460.83 billion for the year, representing an increase of 27.3% year-on-year, securely ranking the fourth within the industry. Meanwhile, with the Group's cultivating strategies continuing to be effective, sales amount exceeded RMB 10 billion in 16 cities and there was a rapid increase in market share in an increasing number of cities. Among the target cities, the Group ranked among the top ten in terms of sales in 37 cities such as Shanghai, Hangzhou, Tianjin, Chongqing, Wuhan, Zhengzhou, Qingdao and Ji'nan (ranked among the top five in 25 of such cities).

In 2018, as the Group's operating performance continued to improve, the Group's core competitiveness had also been strengthened.

In 2018, the Group continued to make good market judgments and seized cyclical opportunities, avoided the risk of acquiring expensive land, and effectively captured the opportunity of market adjustments to further consolidate its land bank advantages. In 2018, the Group maintained a relatively high standard for land acquisition, in particular, it stringently controlled the pace and scale of its land acquisition during the first three quarters of the year, gave full play to the Group's reputation and brand influence in respect of merger and acquisition, integrated and utilized the resources of partners and acquired high-quality projects; meanwhile, as the land price became more reasonable in the fourth quarter, the Group seized the opportunity and further replenished high-quality land bank in core tier 1 & 2 cities. During the year, the new land bank acquired[1] amounted to approximately 48.2

million sq.m., of which the attributable land bank was approximately 26.31 million sq.m. and the average land cost was RMB3,723/ sq. m. As at 28 March 2019, taking into account the land under agreement for urban redevelopment, the Group had total land bank[2] of approximately 256 million sq.m., with total inventory value amounting to RMB3.55 trillion. Our adequate high-quality land bank will strongly support the balanced and sound development of the Group in the future.

In 2018, the Group continued to consolidate its high quality product and service capabilities. During the year, the Group continuously upgraded its product concept and forged Sunac's "Gui Xin Community" (歸心社區) with its leading product power, its above-industry construction standards and community facilities needed to lead a blissful life. In particular, the Group's first "Gui Xin Community" Hangzhou Marquis Mansion (杭州侯潮府) was successfully delivered, earning the market's high recognition. In 2018, the Group continued to enrich and improve its product ranges and successively launched new product lines such as the "Nine Mansion Series" (九府系) and "Yihe Series" (宜和系). Customer service satisfaction further improved to 90 points in 2018, which was the benchmarking level in the industry.

The Group, on the basis of laying out the cultural and tourism business in 2017 at a high starting point, established the Sunac Culture & Tourism Group in 2018, and acquired a well-structured and experienced cultural and tourism team, established Sunac Culture & Tourism design institute and the Culture & Tourism construction business division through transactions with the Wanda Group in October 2018, thereby achieved the one-stop integrated management for cultural and tourism projects from products design and construction to operation, effectively improving its ability to build cultural and tourism projects, and supporting the constanting optimization of cultural and tourism products, which laid a good foundation for the realization of value of the cultural and tourism segment.

In 2018, the Group established the Public Welfare Foundation and carried out sustainable industry-supporting and wisdom-fostering events through the three public welfare plans comprising the "Saplings Charity Program", the "Rural Revitalization Program" and the "Architectural Heritage Conservation Program" to fulfill social responsibility in a more active and systematic manner.

Notes:

1. Taking the land under agreement of urban redevelopment into account, the Group acquired new land bank of approximately 64.39 million sq. m. during the year;

2. As at 28 March 2019, the Group had land bank under agreement of urban redevelopment of approximately 73.27 million sq. m.

Outlook for 2019

In 2019, under the regulatory thinking of "city specific policies, guidance by type" of the government, the Group expects that real estate regulatory policies will become more market-oriented and will be more specific, but it is still possible that the government may further strengthen the regulatory policies if overheating, in particular significant price hike, appears in individual markets. On the other hand, as the demand and supply relationship varies in different cities, the market may develop marked differentiation. In particular, for tier 1 & 2 core cities and strong tier 3 cities which had accumulated relatively large demands over the past two years but had relatively limited supplies, the market may recover first with gradual improvement in transaction volumes. However, the Group expects that the room for further hike in housing price is limited, and overall it will remain stable.

In 2019, the Group will have over 400 projects under sales during the year, and it is expected that the total saleable resources will be more than RMB780 billion. Adequate and high-quality saleable resources will support the stable growth of the Group's sales. In terms of sales strategy, the Group will continue to keep destocking and accelerate releasing the cash flows from operating activities, thereby support the sound and high-quality development of the Group.

In 2019, the Group will, on the basis of guaranteeing the sufficiency of cash flow and without affecting the long-term downward trend of its leverage ratio, continue to monitor and assess opportunities in the land market, continue to maintain high standard in land acquisitions, and place more focus on the land market of core tier 1 & 2 cities, so as to prudently select premium land.

In 2019, the Group will continue to adhere to the strategy of market-leading products, enrich and improve its product ranges and further consolidate and broaden its leading advantage in high-quality products. It will also consistently upgrade the quality control system to efficiently secure the high standard delivery of its projects, forge more Sunac's "Gui Xin Community", and further enhance the brand influence of its products.

The property development business will continue to be the Group's core principal business for the long term. The Group will stringently control non-property investments, emphasize on improving the operations and profitability of its existing assets, with a view to nurturing them as the Company's new growth points in the future.

Sunac Service Group, comprising the property service and housing maintenance business, will focus on providing high quality community services with full product cycle and full life cycle that are tailored for its customers. In 2019, on the basis of consolidating the basic competitive strengths of its services, the Service Group will expand the scope of its diversified community service, achieve higher efficiency, greater convenience and more precise customer services and operation, so as to comprehensively improve its community operation efficiency and overall operational capability. In 2019, Sunac Culture & Tourism Group will continue to improve its operation and management capabilities to ensure that the commencement of the cultural and tourism projects in Guangzhou, Wuxi and Kunming will be successful and the proposals for future cultural and tourism projects can be optimized and thus the industry competitiveness and brand influence of the Sunac Culture & Tourism Group in the cultural and tourism sector can be further improved and the operation efficiency and profitability of its cultural and tourism assets can be enhanced. In early 2019, the Group established the Sunac Culture Group with the assets of Qingdao Movie Metropolis (東方影都), Lerong Zhixin Electronic Technology (樂融致新) and Suniverse Film Entertainment (樂創文娛), with the goal of building a platform for family entertainment and providing quality contents, as well as achieving synergistic development with the Sunac Cultural and Tourism Group. In 2019, the newly established Sunac Culture Group will place more focus on optimizing its organisational structure and team building, further improve its systemic management capabilities, so as to achieve a high starting point for its development.

The Group's core principal business - the property development business has established strong competitive strengths. Its non-property development businesses also possess good foundation for development or layout for a high starting point. The Group will, on the basis of the outstanding operating results in 2018, strive to achieve even more comprehensive and high quality growth in 2019.

Sunac China Holdings Limited
SUN Hongbin
Chairman of the Board

28 March 2019

1 REVENUE

For the year ended 31 December 2018, most of the Group's revenue came from sales of residential and commercial properties, with a small proportion of the Group's revenue from cultural and tourism city operation income, property management income and other income.

For the year ended 31 December 2018, the Group's real estate development business achieved its national layout in all tier-1 cities, tier-2 cities and strong tier-3 cities, which are divided into 8 major regions for management, namely the Beijing region (including Beijing, Jinan and Qingdao, etc.), North China region (including Tianjin, Zhengzhou and Xi'an, etc.), Shanghai region (including Shanghai, Suzhou and Nanjing, etc.), Southwestern China region (including Chongqing, Chengdu and Kunming, etc.), Southeastern China region (including Hangzhou, Hefei and Ningbo, etc.), Guangzhou-Shenzhen region (including Guangzhou, Shenzhen and Foshan, etc.), Central China region (including Wuhan, Changsha and Nanchang, etc.) and Hainan region (including Sanya, Haikou and Qionghai, etc.).

Total revenue of the Group for the year ended 31 December 2018 amounted to RMB124,746 million, representing a significant increase of 89.4% compared with the total revenue of RMB65,874 million for the year ended 31 December 2017.

For the year ended 31 December 2018, the total revenue from the Group and its joint ventures and associates (excluding Leshi Internet Information & Technology Corp (Beijing) Co., Ltd. ("Leshi Internet"), Leshi Zhixin Electronic Technology (Tianjin) Limited (currently known as Lerong Zhixin Electronic Technology (Tianjin) Limited) ("Lerong Zhixin") and Le Vision Pictures (Beijing) Co. Ltd. (currently known as Suniverse Film Entertainment (Beijing) Company Limited) ("Suniverse Film Entertainment") (collectively, the "Leshi Companies"), and Jinke Property Group Co., Ltd., the same below) was RMB214,328 million, representing a significant increase of RMB73,858 million (approximately 52.6%) as compared with the total revenue of RMB140,470 million for the year ended 31 December 2017, of which RMB163,867 million was attributable to owners of the Company, representing a significant increase of RMB63,507 million (approximately 63.3%) as compared to RMB100,360 million for the year ended 31 December 2017.

The following table sets forth certain details of the revenue:

	Year ended 31 December			
	2018		2017	
	RMB billion	**%**	RMB billion	%
Revenue from sales of properties	**117.71**	**94.36%**	62.57	94.99%
Cultural and tourism city operation income	**2.03**	**1.63%**	1.09	1.65%
Property management income and other income	**5.01**	**4.01%**	2.21	3.36%
Total	**124.75**	**100.00%**	65.87	100.00%
Total gross floor area ("GFA") delivered (in million sq.m.)	**9.52**		4.86	

For the year ended 31 December 2018, revenue from sales of properties increased by RMB55,145 million (or 88.1%) as compared with that for the year ended 31 December 2017. Total area of delivered properties increased by 4.66 million square meters ("sq. m.") (or 95.8%) as compared with that for the year ended 31 December 2017, mainly due to continuous increase in business scale of the Group's sales of properties, of which the delivered areas of property projects sold in various areas for the year ended 31 December 2018 significantly increased as compared with that for the year ended 31 December 2017.

2 COST OF SALES

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

For the year ended 31 December 2018, the Group's cost of sales was RMB93,610 million, representing an increase of RMB41,364 million (or 79.2%) as compared to the cost of sales of RMB52,246 million for the year ended 31 December 2017. Increase in cost of sales was mainly due to increase in area of delivered properties.

3 GROSS PROFIT

For the year ended 31 December 2018, the Group's gross profit was RMB31,136 million, which was RMB17,508 million (or 128.5%) higher than the gross profit of RMB13,628 million for the year ended 31 December 2017. Increase in gross profit was mainly due to increased sales revenue and higher gross profit margin of the Group.

For the year ended 31 December 2018, the Group's gross profit margin was 25.0%, representing an increase of approximately 4.3 percentage points as compared to 20.7% for the year ended 31 December 2017. This was mainly due to increase in gross profit margin of sales income from properties in various areas for the year ended 31 December 2018 as compared with the year ended 31 December 2017.

For the year ended 31 December 2018, the amortization of revaluation surplus related to gains from business combination for the properties acquired reduced the Group's cost of sales in the amount of approximately RMB10,673 million (correspondingly reduced the Group's profit attributable to the owners of the Company in the amount of approximately RMB5,362 million). The Group's gross profit was approximately RMB41,809 million and gross profit margin was approximately 33.5% for the year ended 31 December 2018 without taking into account such impact.

Further, gross profit, gross profit margin and gross profit attributable to owners of the Company of the Group and its joint ventures and associates recorded a significant increase during the year ended 31 December 2018. For the year ended 31 December 2018, total gross profit of the Group and its joint ventures and associates was RMB55,536 million, with a gross profit margin of 25.9%, of which RMB42,606 million was gross profit attributable to owners of the Company. For the year ended 31 December 2017, total gross profit of the Group and its joint ventures and associates was RMB31,521 million, with a gross profit margin of 22.4%, of which RMB21,971 million was gross profit attributable to owners of the Company.

4 SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

The Group's sales and marketing costs increased by 27.5% from RMB3,419 million for the year ended 31 December 2017 to RMB4,361 million for the year ended 31 December 2018. The Group's administrative expenses increased by 108.1% from RMB3,535 million for the year ended 31 December 2017 to RMB7,357 million for the year ended 31 December 2018. The increase in sales and marketing costs and administrative expenses was mainly due to continuous expansion of property development business scale, substantial increase in the number of property projects of the Group, resulting in substantial increase in staff costs. Meanwhile, the Group completed the acquisition of cultural and tourism city projects in stages in the second half of 2017, hence less than half year's administrative expenses for cultural and tourism city projects was recorded in 2017, whereas the full year's administrative expenses for cultural and tourism city projects were recorded in 2018, resulting in a relatively significant increase in the Group's administrative expenses as compared to 2017. Such administrative expenses were mainly used for establishing a cultural and tourism business system and building up a management team, which are expected to lay the foundation for the continuous improvement in construction quality of cultural and tourism city and an increase in operation efficiency in the future.

5 OTHER INCOME AND GAINS

The Group's other income and gains decreased by RMB16,068 million from RMB27,916 million for the year ended 31 December 2017 to RMB11,848 million for the year ended 31 December 2018, which was principally attributable to the decrease in the gains from the business combination recorded for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

6. IMPAIRMENT LOSS OF FINANCIAL ASSETS AND CONTRACT ASSETS

During the year ended 31 December 2018, the Group's net impairment loss of financial assets and contract assets increased by RMB1.11 billion, from RMB2.38 billion for the year ended 31 December 2017 to RMB3.49 billion for the year ended 31 December 2018. Among which, out of prudence and upon discussion with the Company's auditor, impairment of an amount of approximately RMB1.81 billion was recorded as impairment of receivables from Leshi Internet and impairment of an amount of RMB1.85 billion was recorded as impairment of receivables from Lerong Zhixin, as well as the impact of other impairment provision and reversal for the year ended 31 December 2018.

A. LESHI INTERNET

i. Reasons for providing guarantee to Leshi Internet and circumstances leading to the impairment of receivables from Leshi Internet

On 15 November 2017, Sunac Real Estate (a wholly-owned subsidiary of the Group) and Leshi Internet entered into an Entrusted Guarantee Agreement, pursuant to which Sunac Real Estate conditionally agreed to accept the entrustment by Leshi Internet to provide guarantees not exceeding a total amount of RMB3 billion for the existing debts and new additional debts of Leshi Internet, and at the same time to ensure that risks are controllable, Sunac Real Estate obtained from Leshi Internet a counter-guarantee, pursuant to which Leshi Internet agreed to pledge its then 26.7702% equity interest in Lerong Zhixin held by it in favour of Sunac Real Estate. For further details in relation to the aforesaid and the detailed reason for the Group's provision of guarantee to Leshi Internet, please refer to the announcement made by the Company dated 16 November 2017.

Pursuant to the terms of the Entrusted Guarantee Agreement, the Group provided guarantee to the bank loans of Leshi Internet in the total principal amount of RMB1.84 billion. As a result of the failure of Leshi Internet to timely repay the relevant borrowing upon its maturity, the Group repaid the principal amount and interest accrued in the total amount of RMB1.91 billion for and on behalf of Leshi Internet. Accordingly, the Group recorded receivables from Leshi Internet in the total amount of RMB1.91 billion.

ii. Valuation method relating to the impairment of receivables from Leshi Internet

The valuer adopted the "Expected Credit Loss Model" to assess the Group's expected credit losses relating to the receivables from Leshi Internet.

In 2018, due to "continuously being affected by the liquidity issue of controlling shareholder and its related parties, the impact on the brand credit of Leshi Internet has further deteriorated" and "the operation of controlling shareholders and its related parties having further deteriorated without any improvement, the difficulty in recovering any historical liabilities has magnified" (reference: announcement published by Leshi Internet on 27 February 2019), as a result of which the financial performance and operating environment of Leshi Internet continued to deteriorate.

Based on its understanding of the industry and an assessment of the operating results of Leshi Internet, the valuer considered that there was credit impairment with respect to the receivables due from Leshi Internet, which requires an assessment on the loss impairment based on the expected credit loss over the remaining term.

Hong Kong Financial Reporting Standard 9 Financial Instruments ("HKFRS 9") requires the expected credit loss of a financial instrument to be measured in a way that reflects the following:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) the time value of money; and

(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Accordingly, the valuer adopted three different scenarios to reflect the series of possible outcomes:

(a) "basic" scenario: assessment is made based on the estimated level of profit that it is anticipated Leshi Internet will mostly likely to achieve;

(b) "optimistic" scenario: assessment is made based on the estimated level of profit that it is anticipated Leshi Internet will achieve with relatively optimistic expectations. Under this scenario, Leshi Internet's debt repayment ability is relatively stronger as compared to the "basic" scenario; and

(c) "pessimistic" scenario: assessment is made based on the estimated level of profit that it is anticipated Leshi Internet will achieve with relatively conservative expectations. In this scenario, Leshi Internet's debt repayment ability is relatively weaker as compared to the "basic" scenario.

Based on the different scenarios, the valuer estimated different operating cash flow of Leshi Internet under each scenario, and estimated the debt repayment ability and probability of Leshi Internet, and derived the recoverability of these receivables under each scenario.

In addition, in relation to each of the scenarios and based on the operational and financial conditions of Leshi Internet as at valuation cut-off date, the valuer estimated the range of credit ratings applicable to the receivables due from Leshi Internet, with discount rates determined by reference to the effective interest rate of corporate bonds with comparable credit ratings on the market.

Based on the recoverability of the receivables and the discount rates under each of the three scenarios, discounted values of receivables under the three scenarios have been calculated to reflect the time value of money.

Lastly, the valuer relied on the prediction of the likelihood of occurrence of different scenarios, computed the weighted average of the present values of the receivables, and derived the recoverable amount under each scenario.

The key assumptions made by the valuer are set out as follows:

	Basic scenario	**Optimistic scenario**	**Pessimistic scenario**
Possibility	80.0%	10.0%	10.0%
Discount rate	20.0%	20.0%	20.0%
Expected repayment year	2029 to 2032	2027 to 2030	2032 to 2035

Taking into consideration of the above key assumptions and the amount being unbiased and probability-weighted, there is no material change in the key assumptions used in the valuation of operating cash flow (e.g. growth rate, discount rate, etc.) as compared with that for the year 2017.

iii. Impairment assessment relating to the receivables from Leshi Internet

Based on the aforesaid valuation method and assessment, out of prudence and upon discussion with its auditor, approximately RMB1.81 billion was recorded as impairment provision of receivables from Leshi Internet.

iv. Measures taken to recover the receivables from Leshi Internet

On 4 December 2018, the Group issued a notice to Leshi Internet, requesting Leshi Internet to repay the loan principal and accrued interest owed to the Group, or otherwise, the Group will take necessary legal proceeding to safeguard the legitimate rights and interests of the Group.

B. LERONG ZHIXIN

i. Circumstances leading to the impairment of receivables from Lerong Zhixin

Although the operating results of Lerong Zhixin did not recover significantly for the year 2018, large screen operation and content area remain to be areas in which the Company remains optimistic in its development direction in the long run. Further, the operation of Lerong Zhixin has been gradually recovering.

Since January 2018, Lerong Zhixin has successively introduced various investors, including but not limited to Tencent. In April 2018, Lerong Zhixin signed a strategic cooperation agreement with Jingdong, pursuant to which the parties agreed to deepen their cooperation in areas such as e-commerce, membership subscription and advertising. In September 2018, the Group (through judicial tender process) tendered to acquire approximately 15.33% equity interest in Lerong Zhixin. Upon completion of such judicial tender process, the Group held an aggregate interest in Lerong Zhixin of approximately 46%, becoming the largest shareholder of Lerong Zhixin, which would enable the Company to enhance its degree of management in Lerong Zhixin, to assist the recovery of partners' and customers' confidence, and to further expedite the normal development of the business. In March 2019, Lerong Zhixin announced that it would launch the first generation of TV products, and formed strategic partnerships with upstream and downstream enterprises such as Jingdong, Tencent, MTK (MediaTek) and Huike.

Under the latest upgrade in PRC's consumers trend, the cultural and entertainment industry has huge market potential, and the Company continues to be optimistic about the development prospects and potential of this industry. At the beginning of 2019, with Lerong Zhixin, Suniverse Film Entertainment and Qingdao Movie Metropolis, the Company founded the Sunac Cultural Group, which formed as one of the Company's four strategic sectors.

As the largest shareholder of Lerong Zhixin, the Group is optimistic about its further development based on the positive business capability and development foundation of Lerong Zhixin. In order to resolve the short-term difficulties faced by Lerong Zhixin, and protect the investment that the Group has made, to give Lerong Zhixin a new phase of financial support so as to promote the recovery and development of the business operation of Lerong Zhixin, the Company provided loans in an aggregate amount of RMB2.12 billion to Lerong Zhixin for its daily operation and debt repayment purposes during the year ended 31 December 2018.

ii. Valuation method relating to the impairment of receivables from Lerong Zhixin

For the year ended 31 December 2018, the operating results of Lerong Zhixin did not experience any apparent improvement as compared to that for the year ended 31 December 2017, leading to the expectation of its inability to timely repay the amount due to the Group in accordance with the terms of the agreement. Accordingly, the valuer adopted the same valuation method (valuation method relating to the impairment of receivables from Leshi Internet) as described in 6A(ii) to assess the expected credit loss in relation to the impairment of receivables from Lerong Zhixin.

The key assumptions made by the valuer are set out as follows:

	Basic scenario	Optimistic scenario	Pessimistic scenario
Possibility	80.0%	10.0%	10.0%
Discount rate	20.0%	20.0%	20.0%
Expected repayment year	2036 to 2038	2034 to 2036	2038 to 2040

Taking into consideration of the above key assumptions and the amount being unbiased and probability-weighted, there is no material change in the key assumptions used in the valuation of operating cash flow (e.g. growth rate, discount rate, etc.) as compared with that for the year 2017.

iii. Impairment assessment relating to the receivables from Lerong Zhixin

Based on the aforesaid valuation method and assessment, out of prudence and upon discussion with the Company's auditor, approximately RMB1.85 billion was recorded as impairment provision of receivables from Lerong Zhixin.

7 OPERATING PROFIT

Concluding from the above analysis, the Group's operating profit increased by RMB3,920 million from RMB21,876 million for the year ended 31 December 2017 to RMB25,796 million for the year ended 31 December 2018, mainly due to the following reasons:

(i) Gross profit increased by RMB17,508 million;

(ii) Sales and marketing costs and administrative expenses increased by RMB4,764 million; and

(iii) Other income and gains decreased by RMB16,068 million, other expenses and losses decreased by RMB8,351 million and net impairment loss of financial assets and contract assets increased by RMB1,109 million.

8 FINANCE COSTS

The Group's finance costs decreased by RMB2,366 million from RMB5,259 million for the year ended 31 December 2017 to RMB2,893 million for the year ended 31 December 2018 mainly due to the following reasons:

(i) As compared to the year ended 31 December 2017, the average total borrowings of the Group had increased, resulting in increased total interest costs of the Group, however as the Group's business scale continued to expand and the number of projects under construction continued to increase, the proportion of total interest costs that were capitalized had increased, resulting in a decrease in interest expenses by RMB3,656 million to RMB1,686 million for the year ended 31 December 2018 from RMB5,342 million for the year ended 31 December 2017; and

(ii) Due to changes in the trend of exchange rate fluctuation, the Group recorded an exchange loss of RMB1,207 million for the year ended 31 December 2018, compared with an exchange gain of RMB83 million for the year ended 31 December 2017.

The Group's weighted average effective interest rate edged up from 6.24% for the year ended 31 December 2017 to 6.81% for the year ended 31 December 2018, due to rising interest rates in the general market as a result of tightening monetary policies.

9 SHARE OF RESULTS OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The Group recognised a net profit after tax of RMB4,956 million with respect to its share of results of investments accounted for using equity method for the year ended 31 December 2018, while the Group recognised a net loss of RMB1,994 million with respect to its share of results of investments accounted for using equity method for the year ended 31 December 2017. The Group recorded a loss of RMB4,476 million with respect to its share of results of investments accounted for using equity method in Leshi Companies for the year ended 31 December 2017. Excluding those factors, the Group recognised a net profit after tax with respect to its share of results of investments accounted for using equity method for the year ended 31 December 2018 increased by RMB2,474 million compared with the year ended 31 December 2017, mainly due to the increase in revenue and gross profit margin of sales of properties of the Group's joint ventures and associates as compared with the year ended 31 December 2017.

10 PROFITS

Due to substantial increase in the Group's gross profit, the Group's profits attributable to owners of the Company increased from RMB11,004 million for the year ended 31 December 2017 to RMB16,567 million for the year ended 31 December 2018. Excluding the effects of non-operating items such as gains from business combination and its amortization, exchange losses and net impairment losses on financial assets and contract assets, the profit of the Group attributable to owners of the Company was RMB21,488 million.

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

	Year ended 31 December	
	2018	2017
	RMB billion	RMB billion
Profits during the year	**17.45**	11.66
Attributable to:		
Owners of the Company	**16.57**	11.00
Holders of perpetual capital securities	**0.59**	0.68
Other non-controlling interests	**0.29**	(0.02)
	17.45	11.66

11 CASH STATUS

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

The Group's cash and cash equivalents (including restricted cash) increased by 24.3% to RMB120,198 million as at 31 December 2018 from RMB96,719 million as at 31 December 2017, of which non-restricted cash increased to RMB76,181 million as at 31 December 2018 from RMB68,433 million as at 31 December 2017.

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

(i) RMB52,055 million of net cash inflow from operating activities was due to increased revenue from pre-sale of the Group's properties;

(ii) RMB34,079 million of net cash outflow used in investment activities was mainly caused by the new projects obtained by the Group through direct investments or acquisition of equities, and construction costs of cultural and tourism cities;

(iii) RMB10,427 million of net cash outflow from financing activities was mainly attributed to RMB13,489 million of interest payment, RMB4,018 million of reimbursement of perpetual capital securities, RMB2,201 million of dividend payment to the shareholders of the Company and RMB12,337 million of net borrowings inflow.

The Group's total net cash inflow from operating and investment business was RMB17,976 million, while the investment business also recorded cash outflows for investment in certain non-property development projects. Currently, the Group has sufficient operating capital and is sufficient to resist risks besides supporting business growth in the foreseeable future.

12 BORROWINGS AND SECURITIES

As the Group further reduced its leverage level through measures such as formulating more prudent investment strategies for new projects, total borrowings slightly increased to RMB229,410 million as at 31 December 2018 from RMB219,270 million as at 31 December 2017.

As at 31 December 2018, RMB202,519 million (as at 31 December 2017: RMB187,604 million) of the Group's total borrowings were secured or jointly secured by the Group's restricted cash, properties under development, completed properties held for sale, investment properties, fixed assets and intangible assets (total amount was RMB187,529 million (as at 31 December 2017: RMB164,408 million)) and equities (including those legally transferred as collateral) of certain of the Group's subsidiaries.

13 NET DEBT TO TOTAL ASSET RATIO AND GEARING RATIO

Net debt to total asset ratio is calculated by dividing the total net liabilities with total asset amount. Net debt is calculated by deducting cash and cash equivalents (including restricted cash) from total borrowings (including current and long-term borrowings). As at 31 December 2018, the Group's net debt to total asset ratio was 15.2%, representing a decrease as compared to 19.7% as at 31 December 2017.

Gearing ratio is calculated by dividing the net debt with total capital. Total capital is calculated by adding total equities and net debt. As at 31 December 2018, the Group's gearing ratio was 59.9%, representing a decrease as compared to 66.9% as at 31 December 2017.

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

14 INTEREST RATE RISK

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

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

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

	As at 31 December 2018 RMB billion	As at 31 December 2017 RMB billion
Floating interests		
Less than 12 months	**18.78**	30.17
1-5 years	**38.52**	40.97
Over 5 years	**2.59**	5.32
Subtotal	**59.89**	76.46
Fixed interests		
Less than 12 months	**73.27**	48.50
1-5 years	**95.38**	91.29
Over 5 years	**0.87**	3.02
Subtotal	**169.52**	142.81
Total	**229.41**	219.27

As at 31 December 2018, the Group did not use any interest rate swaps to hedge its exposure to interest rate risk. The Group monitors its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

15 FOREIGN EXCHANGE RISKS

As all the Group's operating entities are located in China, the Group operates its business mainly in RMB. Some of the Group's bank deposits and senior notes are denominated in US dollar, Euro or Hong Kong dollars, meaning that the Group is exposed to foreign exchange risks. For the year ended 31 December 2018, the Group recorded an exchange loss in the amount of RMB1,207 million due to fluctuations in foreign exchange rates. However, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. The Group managed its exposure to fluctuations in foreign exchange rates through the implementation of certain foreign exchange swap arrangements, and will continue to closely monitor fluctuations in foreign exchange rates to ensure that the risk of fluctuations in foreign exchange rates is maintained at an acceptable level.

16 CONTINGENT LIABILITIES

The Group provides guarantees to banks for the mortgage loans obtained by certain property buyers to ensure that the buyers perform their obligations of mortgage loan repayment. The total amount of such guarantees was RMB88,598 million as at 31 December 2018 as compared with RMB49,780 million as at 31 December 2017. The guarantees shall terminate at the earliest occurrence of either of the following: (i) transfer of property ownership certificate to the buyer. Such certificate is generally transferred within 6 months from the date of property delivery; or (ii) full repayment of mortgage loan by the property buyer. The period of guarantee provided by the Group starts from the date when the mortgage is granted.

BUSINESS HIGHLIGHTS

1 SUMMARY OF PRINCIPAL PROPERTIES

As at 31 December 2018, the Group and its joint ventures and associates was engaging in a total of 459 property development projects, with a total site area of approximately 80 million sq.m., an estimated total GFA of approximately 218 million sq.m. and an estimated saleable or rentable GFA of approximately 196 million sq.m.. The breakdown of property development projects by cities is as follows:

City	Total site area '000 sq.m.	Estimated aggregate GFA '000 sq.m.	Estimated saleable/ rentable GFA '000 sq.m.
Chongqing	9,512.8	26,305.6	25,371.6
Qingdao	8,141.9	15,834.3	15,314.5
Tianjin	6,045.0	14,329.5	12,550.5
Hainan	3,883.2	5,020.0	4,241.8
Wuxi	3,817.2	9,588.3	8,669.1
Chengdu	3,180.7	8,519.3	7,571.4
Ji'nan	2,731.5	9,674.4	9,504.8
Xishuangbanna	2,099.4	3,506.8	3,058.3
Zhengzhou	2,095.3	6,637.9	4,825.7
Hangzhou	2,041.4	6,328.2	4,644.6
Xi'an	2,004.3	6,819.9	6,249.2
Shanghai	1,632.1	4,533.5	3,954.7
Suzhou	1,584.0	4,036.9	3,038.5
Hefei	1,400.8	5,705.9	5,283.4
Wuhan	1,389.7	6,047.3	5,534.8
Nanchang	1,360.9	4,491.8	4,172.2
Kunming	1,290.8	5,673.4	4,937.7
Shenyang	1,267.5	2,644.2	2,497.5
Harbin	1,259.7	4,640.8	4,554.4
Xuzhou	1,077.3	1,917.9	1,716.5
Beijing	978.1	1,989.5	1,657.0
Yantai	945.7	2,275.8	1,883.7
Ningbo	887.7	2,189.0	1,838.8
Qingyuan	872.0	2,386.7	2,296.3
Guangzhou	869.8	3,928.6	3,889.3
Guilin	869.2	2,153.8	2,094.0
Taizhou	860.5	1,624.6	1,399.0

City	Total site area '000 sq.m.	Estimated aggregate GFA '000 sq.m.	Estimated saleable/ rentable GFA '000 sq.m.
Dalian	828.0	2,004.3	1,885.1
Jiangmen	821.0	2,924.8	2,753.1
Huzhou	716.0	1,452.1	1,174.7
Changsha	693.3	2,276.5	1,839.1
Nanjing	612.2	1,126.2	962.0
Guiyang	579.6	2,017.7	1,853.7
Jinhua	578.1	1,146.8	822.2
Taiyuan	562.7	2,788.0	2,000.8
Jiaxing	525.9	1,157.9	1,038.3
Shijiazhuang	525.0	1,999.1	1,813.0
Yangzhou	511.3	1,236.1	1,143.0
Nantong	471.4	772.3	604.0
Foshan	448.7	2,068.4	1,947.9
Huizhou	401.7	1,147.3	1,077.9
Zhaoqing	399.7	1,324.4	1,290.4
Shaoxing	353.4	1,078.0	787.6
Urumqi	345.5	584.8	499.2
Zhongshan	329.0	978.2	954.9
Nanning	328.0	1,948.7	1,805.5
Zhenjiang	263.2	642.3	572.4
Yichang	201.1	721.1	658.4
Zhoushan	196.6	648.5	449.6
Wenzhou	177.2	727.4	569.7
Lanzhou	164.7	556.3	508.7
Shenzhen	113.3	540.5	463.8
Other cities	5,204.2	15,139.6	13,646.0
Total	80,449.3	217,811.2	195,870.3

2. SUMMARY OF LAND BANK

As at 31 December 2018, the Group and its joint ventures and associates had a total land bank of approximately 166 million sq.m. and attributable land bank of approximately 113 million sq.m.. The breakdown of land bank by cities is as follows:

City	Total land bank ('000 sq.m.)	Attributable land bank ('000 sq.m.)
Chongqing	15,667.8	10,621.4
Qingdao	13,125.1	9,297.4
Tianjin	10,004.0	6,939.3
Ji'nan	8,260.4	6,279.4
Zhengzhou	5,979.9	3,780.7
Xi'an	5,780.8	3,422.9
Chengdu	5,588.2	4,854.9
Kunming	5,162.8	3,469.0
Wuhan	4,779.2	3,862.2
Hangzhou	4,593.8	2,723.9
Hainan	4,423.4	2,651.5
Wuxi	3,822.3	3,024.3
Shanghai	3,633.6	1,996.8
Harbin	3,584.6	2,829.5
Suzhou	3,221.7	1,414.0
Jiangmen	2,924.4	2,751.4
Guangzhou	2,569.2	1,956.4
Hefei	2,545.2	2,291.2
Taiyuan	2,510.1	1,518.8
Xishuangbanna	2,404.7	2,188.3
Qingyuan	2,386.7	2,160.5
Shenyang	2,385.9	1,320.9
Yantai	2,132.8	1,377.6
Ningbo	2,128.3	1,323.7
Guiyang	2,017.7	1,194.0
Guilin	1,948.6	1,773.2
Xuzhou	1,917.9	883.7
Nanchang	1,854.7	1,671.3
Dalian	1,791.2	1,681.2
Shijiazhuang	1,786.8	527.2
Nanning	1,584.5	1,170.4
Taizhou	1,498.3	679.1

City	Total land bank ('000 sq.m.)	Attributable land bank ('000 sq.m.)
Foshan	1,426.5	1,058.0
Huzhou	1,418.0	700.9
Zhaoqing	1,324.4	1,136.6
Changsha	1,275.5	1,268.8
Yangzhou	1,189.4	403.8
Jiaxing	1,157.9	753.0
Jinhua	1,146.8	458.9
Shaoxing	1,078.0	752.3
Zhongshan	978.2	935.8
Huizhou	852.1	852.1
Nanjing	830.4	494.8
Wenzhou	727.4	174.1
Yichang	721.1	396.6
Nantong	666.7	486.0
Zhoushan	648.5	220.5
Zhenjiang	642.3	187.5
Urumqi	564.9	282.4
Lanzhou	556.3	227.0
Beijing	546.8	302.1
Shenzhen	540.5	223.4
Other cities	13,305.9	8,366.9
Total	165,612.2	113,317.6

As at 28 March 2019, the total land bank[1] and attributable land bank[1] of the Group and its joint ventures and associates amounted to approximately 183 million sq.m. and 124 million sq.m., respectively. Taking the contracted land reserve such as redevelopment of old residential properties into account, the total land bank[1] of the Group and its joint ventures and associates amounted to approximately 256 million sq.m.

Note 1: The land bank is as of 31 December 2018 and also includes land acquired from 1 January 2019 to 28 March 2019.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. SUN Hongbin, aged 56, is the Group's founder, the chairman of the board (the "Board") of directors (the "Directors") of the Company, an executive Director, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Sun Hongbin commenced his real estate business in 1994 and has accumulated over 20 years of ample experience in the real estate industry in the PRC over the years. Mr. Sun Hongbin obtained a master's degree in engineering from Tsinghua University in the PRC in 1985 and completed an advanced management program at Harvard Business School in the United States in 2000. Mr. Sun Hongbin is the father of Mr. Sun Kevin Zheyi, an executive Director of the Company and vice president of the Group and president of the Sunac Culture Group.

Mr. WANG Mengde ("Mr. Wang"), aged 48, is an executive Director of the Company and the chief executive officer of the Group. Mr. Wang has about 20 years of experience in the real estate industry in the PRC. He joined the Group in 2006 and acted as the chief financial officer and the vice president of the Group. He has been the executive president and chief executive officer of the Group since 2011 and September 2015, respectively. Prior to joining the Group, Mr. Wang was the chief operating officer and chief financial officer of Sunco China Holdings Limited ("Sunco China"), a company engaged in the business of property development in the PRC from 2005 to 2006, and the general manager of a subsidiary of Sunco China in East China region from 2003 to 2005. Mr. Wang graduated from Nankai University in the PRC with a bachelor's degree in auditing in 1997.

Mr. JING Hong ("Mr. Jing"), aged 57, is an executive Director of the Company and the executive president of the Group and the president of the Beijing regional branch of the Group. Mr. Jing graduated from the Beijing Jiaotong University (previously known as Northern Jiaotong University) in the PRC in 1984 with a bachelor's degree in engineering. From October 2002 to 2006, Mr. Jing served as a vice president of Sunco China. Mr. Jing has extensive experience in real estate development. He joined the Group in January 2007. Since then, he has been the general manager of Beijing Sunac Hengji Real Estate Co., Ltd. and has been responsible for overall business operations.

Mr. CHI Xun ("Mr. Chi"), aged 46, is an executive Director of the Company, the executive president of the Group and the president of the North China regional branch of the Group, with over 10 years of experience in real estate industry in the PRC. He joined the Group in 2004 and held the position of deputy general manager of Tianjin Sunac Zhidi Co., Ltd. ("Sunac Zhidi") from 2004 to 2005. Since 2005, he has been the general manager of Sunac Zhidi. Prior to joining the Group, Mr. Chi worked at various property companies where he was primarily responsible for project development, design and sales. Mr. Chi graduated from Harbin Institute of Technology in the PRC in 1997 with a bachelor's degree in architecture.

Mr. TIAN Qiang ("Mr. Tian"), aged 42, is an executive Director of the Company, the executive president of the Group and the president of the Shanghai regional branch of the Group. Mr. Tian joined the Group in 2007 and acted as a deputy general manager of Tianjin Xiangchi Investment Co., Ltd.. In 2007, he held the position of a general manager of Wuxi Sunac Real Estate Co. Ltd.. He has been the general manager of the Shanghai regional branch of the Group since 2012, and has been the executive president of the Group since 2015. Prior to joining the Group, Mr. Tian has been a sales manager, deputy general sales manager and general manager between 2002 and 2007 at Sunco China. Mr. Tian graduated from the Tianjin Institute of Urban Construction in 1999 with a bachelor's degree in engineering specializing in construction project management.

Mr. SHANG Yu ("Mr. Shang"), aged 40, is an executive Director of the Company, the executive president of the Group and the president of the Southwest regional branch of the Group. Mr. Shang has over 10 years of experience in the real estate industry in the PRC. He joined the Group in 2003 and was the deputy general manager of Tianjin Sunac Ao Cheng Investment Co., Ltd. ("Sunac Ao Cheng") and Chongqing Olympic Garden Real Estate from 2003 to 2004. Since 2006, he has become the general manager of Chongqing Olympic Garden Real Estate. Mr. Shang graduated from Tianjin Institute of Urban Construction in the PRC with a bachelor's degree in property development and management in 2001 and then obtained a master's degree in business administration from the China Europe International Business School in 2008.

Mr. HUANG Shuping ("Mr. Huang"), aged 38, is an executive Director of the Company, the executive president of the Group and the president of the Guangzhou and Shenzhen regional branch of the Company. He joined the Group in 2007 and acted successively as a supervisor and the general manager of the capital operations centre, the deputy general manager of the finance management department and the assistant to chief executive officer. He served as the vice president of the Group from 2011 to 2015, and the chief financial officer and Board secretary of the Group from 2012 to 2015. He has been the executive president of the Group since 2015. Prior to joining the Group, Mr. Huang was an assistant to the president of Sunco China with responsibilities in capital management from 2005 to 2007. Mr. Huang graduated from Xiamen University with a bachelor's degree in economics in 2003 and received a master's degree from the University of Liverpool in finance in 2004.

Mr. SUN Kevin Zheyi, aged 29, is an executive Director of the Company and the vice president of the Group and president of the Sunac Culture Group. Mr. Sun Kevin Zheyi joined the Group in 2014 and served various roles relating to capital market, land acquisition and project operation in the Group's headquarters and different regional branches. Prior to joining the Group, Mr. Sun Kevin Zheyi worked in Snow Lake Capital L.P. (雪湖資本有限合夥) and Charm Communications Inc. (昌榮傳播股份有限公司). Mr. Sun Kevin Zheyi graduated from Boston College in 2011 with a dual bachelor's degree in business management and history. Mr. Sun Kevin Zheyi is the son of Mr. Sun Hongbin, who is the chairman of the Board and an executive Director of the Company.

Independent Non-executive Directors

Mr. POON Chiu Kwok ("Mr. Poon"), aged 56, is an independent non-executive Director of the Company. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Poon has years of experience in listed companies finance, governance and management. He currently serves as an executive director, vice president and company secretary of Huabao International Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 336) and an independent non-executive director of Yuanda China Holdings Limited (stock code: 2789), Changan Minsheng APLL Logistics Co., Ltd. (stock code: 1292), Tonly Electronics Holdings Limited (stock code: 1249), AUX International Holdings Limited (stock code: 2080), TUS International Limited (stock code: 872), Sany Heavy Equipment International Holdings Company Limited (stock code: 631), Greentown Service Group Co. Ltd. (stock code: 2869), Jinchuan Group International Resources Co. Ltd (stock code: 2362), Honghua Group Limited (stock code: 196) and Yanzhou Coal Mining Company Limited (stock code: 1171) respectively, the shares of each of which are listed on the Main Board of the Stock Exchange. Mr. Poon is a Fellow member of CPA Australia, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and a member of its Technical Consultation Panel, Mainland China Focus Group and Audit Committee . He is also a Fellow member and Associate Instructor of Hong Kong Securities and Investment Institute. He obtained a master's degree in international accounting, a post-graduate diploma in laws, a bachelor's degree in laws and a bachelor's degree in business studies. Mr. Poon has been an independent non-executive Director of the Company since June 2011.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHU Jia ("Mr. Zhu"), aged 56, an independent non-executive Director of the Company. He is also the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Zhu is a Juris Doctorate degree holder from Cornell Law School in the United States and is currently a managing director of Bain Capital Private Equity (Asia), LLC. Mr. Zhu has solid and extensive experience in a broad range of cross border mergers and acquisitions as well as international financing transactions involving PRC companies. Before joining Bain Capital Private Equity (Asia), LLC in 2006, he was the chief executive officer of the PRC business of Morgan Stanley Asia Limited. Mr. Zhu is currently a non-executive director of Clear Media Limited (stock code: 100) and an independent non-executive director of Greatview Aseptic Packaging Company Limited (stock code: 468), the shares of which are listed on the Main Board of the Stock Exchange. He served as a non-executive director of SinoMedia Holding Limited (stock code: 623) (whose shares are listed on the Main Board of the Stock Exchange) from November 2006 to May 2013 and GOME Electrical Appliances Holding Limited (currently known as GOME Retail Holdings Limited) (stock code: 493) (whose shares are listed on the Main Board of the Stock Exchange) from August 2009 to January 2015. Mr. Zhu has been a non-executive director of the Company since 30 September 2009 and has been re-designated as an independent non-executive Director since 24 November 2016.

Mr. LI Qin ("Mr. Li"), aged 78, is an independent non-executive Director of the Company. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is also the chairman of the board of supervisors of Legend Holdings Corporation, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3396). Mr. Li has extensive experience in business management, formulation of comprehensive business plans and strategies and their implementation. Mr. Li graduated from Beijing Institute of Mechanical Engineering (北京機械學院) (presently known as the Xi'an University of Technology (西安理工大學)) in the PRC with a bachelor's degree in Automatic Control Engineering in 1965. From 1965 to 1984, Mr. Li worked for the Technological Research Institute of Chinese Academy of Sciences. Since 1985, Mr. Li co-founded New Technology Development Company (the predecessor of Legend Holdings), and held the position of executive vice president of Legend Holdings over a long period of time until his retirement in 2009. From 2001 to December 2007, Mr. Li was also the chairman of the board of directors of Digital China Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 861). Mr. Li has been an independent non-executive Director of the Company since August 2009.

Mr. MA Lishan ("Mr. Ma"), aged 67, is an independent non-executive Director of the Company. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Ma graduated from Beijing Foreign Studies University in the PRC in 1975. Mr. Ma has extensive experience in corporate operation and management of modern large enterprises and listed companies. Mr. Ma has served various positions such as chairman, executive director and general manager in certain large-scale joint ventures under COFCO (Group) Limited (中國糧油食品(集團)有限公司), as well as Great Wall Wine Industrial Company (長城葡萄酒實業公司). From January 1996, Mr. Ma served as executive director of China Foods Holdings Limited (中國食品集團有限公司) (stock code: 506). From May 1997 to June 2003, Mr. Ma served as executive director and general manager of China Foods Holdings Limited. In 2000, Mr. Ma served as the deputy general manager of China Foods Import and Export (Group) Co., Ltd. (中國糧油食品進出口(集團)有限公司). From April 2002 to June 2003, Mr. Ma served as the executive director and general manager of COFCO International Limited (now renamed China Foods Limited). Mr. Ma was the deputy chairman of Top Glory International Holdings Limited (鵬利國際集團有限公司) (controlling shareholder of COFCO PROPERTY (GROUP) CO., LTD. from June 2003 to July 2005. Mr. Ma was executive director of Sino Resources Limited from 7 June 2008 to 16 January 2009, whose shares are listed on the Main Board of Stock Exchange (stock code: 223). From May 2008 to present, he is an independent non-executive director of Silver Base Group Holdings Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 886). From September 2010 to August 2012, he was also the executive director, managing director and chairman of Hao Tian Resources Group Limited (now renamed Hao Tian Development Group Limited), whose shares are listed on the Main Board of the Stock Exchange (stock code: 474). From March 2016 to present, Mr. Ma is an independent non-executive director of SRE Group Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 1207). From June 2016 to present, Mr. Ma is an independent non-executive director of China Minsheng Drawin Technology Group Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 726). From August 2016 to present, Mr. Ma is an independent non-executive director of Huarong International Financial Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 993). Mr. Ma has been an independent non-executive Director of the Company since August 2009.

Senior Management

Mr. WANG Peng ("Mr. Wang"), aged 38, is the executive president of the Group and the president of the Southeast regional branch of the Group. Mr. Wang joined the Group in 2004, and served as the legal manager of the Group from 2004 to 2008 and the general manager of Tianjin Sunac Business Management Company (天津融創商業管理公司) and Tianjin Sunac Property Management Co. Ltd. from 2009 to 2011. He also acted as the project general manager of Tianjin Sunac Zhidi Co., Ltd. in 2012. He has been the general manager of the Hangzhou Company of the Group since 2013. He has been the vice president of the Group from 2015 to 2016, and has been the executive president of the Group since 2016. Mr. Wang graduated from Tianjin Polytechnic University in 2003 with a bachelor's degree in law.

Ms. MA Zhixia ("Ms. Ma"), aged 46, is the executive president and the chief operation officer of the Group and responsible for the overall management of the business operations of the Group. Ms. Ma joined the Group in 2003, and acted as the general manager of Tianjin Sunac Zhidi Co., Ltd. from 2003 to 2005 and the vice president of the Group from 2005 to 2015. She has been the executive president and the chief operation officer of the Group since 2015. Prior to joining the Group, Ms. Ma joined Sunco China in 1998, and acted as the deputy general manager of Tianjin Sunco Construction Company Limited (天津順馳建設有限公司), a subsidiary of Sunco China, from 2000 to 2003. Ms. Ma graduated from Nankai University with a bachelor's degree in economics in 1995.

Ms. CAO Hongling ("Ms. Cao"), aged 44, is the executive president and chief financial officer of the Group. Ms. Cao possesses more than 10 years of experience in financial management. Since joining the Group in 2007, she has been working in the positions as manager and subsequently as general manager of the Group's financial management center. Prior to joining the Group, Ms. Cao was a manager of the accounting department of Sunco Real Estate, a subsidiary of Sunco China since 2002 and was appointed as the manager of the financial management department of Sunco China in 2006. Ms. Cao graduated from the Tianjin University of Finance & Economics in 1998 with a bachelor's degree in accounting. Ms. Cao is a member of The Chinese Institute of Certified Public Accountants.

Ms. XUE Wen ("Ms. Xue"), aged 46, is the executive president of the Group and primarily responsible for human resources, administration and legal affairs of the Group. Ms. Xue joined the Company in 2004, and has been the general manager of the Legal Affairs Department, the Human Resources Department and the Administration and Management Department of the Company. Prior to joining the Company, Ms. Xue served successively as a practicing lawyer at China Hualian Law Firm (中國華聯律師事務所) and Ruining Law Firm (瑞寧律師事務所). Ms. Xue graduated from China University of Political science and Law in 1996 with a bachelor's degree in international economic law. Ms. Xue is a member of All China Lawyers Association.

Mr. LU Peng ("Mr. Lu"), aged 43, is the executive president of the Group and the president of the Sunac Culture & Tourism Group fully responsible for its management. Mr. Lu joined the Company in 2003, and served successively as the deputy general manager of Sunac Zhidi with responsibilities in research and development, the general manager of Chongqing Olympic Garden Real Estate, the general manager of APEV Project, the general manager of Horizon Capital Project in Tianjin and the general manager of TEDA Project in Tianjin. Mr. Lu graduated from the School of Materials of Tianjin University in 1999, majoring in welding technology and equipment.

Mr. WANG Yingjia ("Mr. Wang"), aged 48, is the executive president of the Group and the president of the Central China regional branch. Mr. Wang joined the Group since 2004. Since 2012, he has served as a director and general manager of the Group, development department. He has been the president of Central China regional branch since 2015. He has served as vice president and executive president of the Group since 2016. Mr. Wang has accumulated more than 20 years of experience in real estate industry in the PRC. Mr. Wang graduated from Nankai University in 2004 with a master's degree in management.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. SHI Yu ("Mr. Shi"), aged 42, is the vice president of the Group. Mr. Shi is responsible for the management of the Group's product development system, including the Sunac Culture & Tourism design institute and the product center. Mr. Shi joined the Group in 2016. Prior to joining the Group, Mr. Shi worked in the Vanke Group for more than 13 years, with extensive experience in project design and construction management. Mr. Shi graduated from Tianjin University in 2003 with a master's degree in power system and automation.

Mr. GAO Xi ("Mr. Gao"), aged 38, is the vice president and company secretary of the Group. Since joining the Group in 2007, he has held different positions in various departments of the Group, including the capital operations centre, financial management center and financing management department. Since 2011, he has acted successively as the manager, director and general manager of the capital management department of the Company. Mr. Gao has participated in the preparation work in relation to the Company's initial public offering and the listing of the shares of the Company on the Stock Exchange in 2010. He also contributed to the establishment of the capital management department, where he is mainly responsible for investor relations, listing compliance, corporate governance, and offshore financing related matters. Mr. Gao graduated from Shanxi University of Finance & Economics in 2008 with a master's degree in quantitative economics.

Mr. ZHONG Liansheng ("Mr. Zhong"), aged 45, is the vice president of the Group and the general manager of the Hainan regional branch. Mr. Zhong joined the Group since 2003, and served successively as the director of project manager of the Group, the project general manager of the Tianjin branch of the Group, the regional senior project general manager of Northern China regional branch of the Group. He served as general manager of the Hainan regional branch of the Group since 2016, and served as the vice president of the Group since 2017. Mr. Zhong graduated from Tianjin Chengjian University in 1998 with a bachelor's degree in real estate operation and management.

CHANGES IN INFORMATION OF DIRECTORS

Mr. Zhu Jia, an independent non-executive Director, was re-designated from non-executive director to independent non-executive director of Greatview Aseptic Packaging Company Limited, a company listed on the main board of the Stock Exchange (stock code: 468), on 15 March 2018.

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

Save as disclosed in this report, there is no change in Directors' information that is required to be disclosed in accordance with Rule 13.51(B)(1) of the Listing Rules since the publication of the interim report for the period ended 30 June 2018 by the Company.

The Board recognizes the importance of improving transparency to shareholders, rigorous risk management and accountability and is committed to achieving high standards of corporate governance. The Board believes that corporate governance of high standard and great efficiency will help the Company achieve better results and bring long term benefits to the shareholders.

Corporate Governance Practices

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the guidelines for the Directors' dealings in the securities of the Company. Following specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2018 in relation to their securities dealings, if any.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance and had, throughout the year ended 31 December 2018, complied with all applicable Code Provisions under the Corporate Governance Code.

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

During the year under review, the corporate governance functions stipulated in Code Provision D.3.1 of the Corporate Governance Code were performed by the Audit Committee of the Company, which included: (i) developing and reviewing the Company's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and (v) reviewing the Company's compliance with the code and disclosure in the Corporate Governance Report.

TRAININGS OF THE DIRECTORS

All Directors should keep abreast of the responsibilities as a Director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable training and professional development programme for the Directors. For newly appointed Directors, the Company shall arrange for suitable induction training, so as to ensure that they have an appropriate understanding of the business and operations of the Group and that they are fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements upon commencement of their directorship in the Company. During the year under review, all the Directors, together with the relevant senior executives of the Company, have attended suitable induction and/or regular trainings arranged by the Company.

The company secretary of the Company keeps and updates records of trainings received by Directors.

For the year ended 31 December 2018, trainings received by each Director are summarized as follows:

Name of Director	Attending Listing Rules and Takeovers Code training sessions	Reading materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements	Attending seminar(s)/program(s)/conference(s) relevant to the business of the Group or Directors' duties
Mr. Sun Hongbin	√	√	√
Mr. Wang Mengde	√	√	√
Mr. Jing Hong	√	√	√
Mr. Chi Xun	√	√	√
Mr. Tian Qiang	√	√	√
Mr. Shang Yu	√	√	√
Mr. Huang Shuping	√	√	√
Mr. Sun Kevin Zheyi	√	√	√
Mr. Poon Chiu Kwok	√	√	√
Mr. Zhu Jia	√	√	√
Mr. Li Qin	√	√	√
Mr. Ma Lishan	√	√	√

The Board

The Board currently comprises eight executive Directors and four independent non-executive Directors. It assumes the responsibility of leadership and control of the Company, and supervises and approves significant decisions regarding financial performance, strategic development objectives and operations of the Company. The management is delegated with authorities and responsibilities by the Board for the Company's daily operations and businesses management according to the Board's instructions. The Board has established various Board committees and has delegated various duties to the Board committees, including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), and the nomination committee (the "Nomination Committee") of the Company (collectively, the "Board Committees"). All the Board Committees perform their distinct roles in accordance with their respective terms of reference.

BOARD COMPOSITION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Sun Kevin Zheyi is the son of Mr. Sun Hongbin who is the controlling shareholder, chairman of the Board and executive Director of the Company. Save for the above, there is no relationship (including financial, business, family or other material relationship) among any members of the Board. The Directors' respective biographical information is set out on pages 22 to 24 of this report. The Board members have extensive experience in corporate finance and management both in Hong Kong and the PRC. Mr. Poon Chiu Kwok, an independent non-executive Director, possesses accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The independent non-executive Directors currently represent one-third of the composition of the Board and they bring an element of independence to the Board. The diversified experiences and backgrounds of Directors contribute to good corporate governance and performance of standards by the Group, and in turn generate long-term benefits for shareholders of the Company.

During the year ended 31 December 2018, the Board had complied with Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate qualification, or accounting or related financial management expertise. The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

All the Directors, including the independent non-executive Directors, are subject to retirement by rotation at the annual general meetings of the Company pursuant to the articles of association of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has distinguished the roles of the Chairman and Chief Executive Officer of the Company in accordance with the Code Provision A.2.1 of the Corporate Governance Code. The Chairman and Chief Executive Officer of the Company are Mr. Sun Hongbin and Mr. Wang Mengde respectively.

Mr. Sun Hongbin, the Chairman of the Company, is responsible for (i) determining the strategic direction of the Group; (ii) providing leadership for the Board; (iii) facilitating effective contribution from independent non-executive Directors; (iv) ensuring that good corporate governance practices and procedures are established; and (v) ensuring to provide effective communication with between the Board, the management of the Company and the shareholders of the Company generally.

Mr. Wang Mengde, the Chief Executive Officer of the Company, is responsible for (i) leading the corporate team to implement the strategies and plans established by the Board; and (ii) organizing and managing overall business operations of the Group.

The Board will regularly review the effectiveness of the segregation of roles to ensure its appropriateness under the Group's prevailing circumstances.

BOARD MEETINGS

The Board convened four regular meetings during the year ended 31 December 2018 to discuss corporate strategies, business plans and other significant issues of the Group. Details of the attendance at the Board meetings convened are set out as follows:

Name of Director	Attendance/ Number of meetings required to be attended
Executive Directors	
Mr. Sun Hongbin *(Chairman)*	4/4
Mr. Wang Mengde *(Chief Executive Officer)*	4/4
Mr. Jing Hong	4/4
Mr. Chi Xun	4/4
Mr. Tian Qiang	4/4
Mr. Shang Yu	4/4
Mr. Huang Shuping	4/4
Mr. Sun Kevin Zheyi	4/4
Independent Non-executive Directors	
Mr. Poon Chiu Kwok	4/4
Mr. Zhu Jia	4/4
Mr. Li Qin	4/4
Mr. Ma Lishan	4/4

In addition, all members of the Board have approved the following proposals unanimously after review by way of written resolutions during the year under review:

2018	Subject matter
January	Utilization of RMB9.5 billion or the HK$ equivalent amount to acquire approximately 3.91% of the shares in Dalian Wanda Commercial Properties Co., Ltd. from its shareholders
April	Issuance of US$650 million 7.35% senior notes due 2021 and US$450 million 8.35% senior notes due 2023
May	Adoption of the share award scheme of the Company
June	Change of the principal place of business of the Company in Hong Kong
July	Issuance of US$400 million 8.625% senior notes due 2020
September	Resignation of Ms. Mok Ming Wai as joint company secretary and authorised representative and re-designation of Mr. Gao Xi from joint company secretary to sole company secretary of the Company and his appointment as one of the authorised representatives of the Company
October	Acquisition of 100% equity interest in Chengdu Wanda Theme Cultural and Tourism Management Co., Ltd. and termination of the original commercial arrangement
November	Issuance of additional US$350 million 8.625% senior notes due 2020 (to be consolidated and form a single series with the US$400 million 8.625% senior notes due 2020)

Board Committees

The Company has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the Board Committees has specific written terms of reference which clearly specify their authority and duties. The chairmen of the Board Committees will report their findings and recommendations to the Board after each meeting of the Board Committees.

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review the completeness of the policies and procedures on internal control and the effectiveness of the risk management system of the Company, and to review the financial statements of the Group. The Audit Committee also performs the corporate governance function as stipulated in Code Provision D.3.1 of the Corporate Governance Code. The Audit Committee currently consists of four independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Zhu Jia, Mr. Li Qin and Mr. Ma Lishan. Mr. Poon Chiu Kwok acts as the chairman of the Audit Committee. The terms of reference of the Audit Committee were adopted by the Board on 27 November 2009 and amended on 29 March 2012 and 24 August 2015 respectively, and are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn). During the year ended 31 December 2018, the Audit Committee convened two meetings in total, and the individual attendance of each member during the year is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Poon Chiu Kwok *(Chairman)*	2/2
Mr. Zhu Jia	2/2
Mr. Li Qin	2/2
Mr. Ma Lishan	2/2

The Audit Committee has reviewed the remuneration of the Company's auditor for the year ended 31 December 2018 and has recommended to the Board the re-appointment of PricewaterhouseCoopers as the auditor of the Company for the year ending 31 December 2019, subject to approval by the shareholders of the Company at the forthcoming annual general meeting, which is expected to be held on or about 4 June 2019.

The work performed by the Audit Committee during 2018 mainly included the following:

1. reviewed the annual consolidated financial statements and the interim condensed consolidated financial information of the Group for the year ended 31 December 2017 and the six months ended 30 June 2018, respectively;

2. reviewed the Company's relationship with the external auditors, discussed with the Company's external auditors on the tasks performed by them including the nature and scope of their audit and reporting obligations, and reviewed the terms of engagement and remuneration of the external auditors;

3. reviewed the 2018 cash flow and monitored the Group's overall financial condition;

4. reviewed the appropriateness and effectiveness of the risk management and internal control systems of the Group and made recommendations to the Board on the improvement of internal control, credit control and risk management of the Group;

5. reviewed the adoption of the relevant accounting principles generally accepted and made recommendations to the Board on the adoption of accounting policies;

6. met with external auditors in the absence of executive Directors and senior management to discuss matters in relation to the audit; and

7. performed the corporate governance functions as stipulated in Code Provision D.3.1 of the Corporate Governance Code.

REMUNERATION COMMITTEE

The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration of the Directors and senior management as well as to evaluate and make recommendations on employee benefit arrangements. The terms of reference of the Remuneration Committee were adopted by the Board on 27 November 2009 and amended on 29 March 2012 and are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn).

The Remuneration Committee currently comprises one executive Director, namely Mr. Sun Hongbin, and four independent non-executive Directors, namely Mr. Zhu Jia, Mr. Poon Chiu Kwok, Mr. Li Qin and Mr. Ma Lishan. Mr. Zhu Jia is the chairman of the Remuneration Committee.

The Remuneration Committee held two meetings during the year ended 31 December 2018, and the individual attendance of each member during the period is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Zhu Jia *(Chairman)*	2/2
Mr. Sun Hongbin	2/2
Mr. Poon Chiu Kwok	2/2
Mr. Li Qin	2/2
Mr. Ma Lishan	2/2

The major work performed by the Remuneration Committee in 2018 mainly included (among others) reviewing and making recommendation to the Board regarding of the remuneration policy and structure for the Directors and senior management for the year ended 31 December 2018, and the terms of service contracts for the Directors and the senior management for the year ended 31 December 2018.

NOMINATION COMMITTEE

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, to make recommendations to the Board on the appointment or re-appointment of Directors, to identify and to nominate suitable candidates for Directors and senior management of the Company and to develop and review the policy concerning diversity of the Board and the policy for nomination of Directors. The terms of reference of the Nomination Committee has been adopted by the Board on 27 November 2009 and amended on 29 March 2012 and 26 August 2013, and has been uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn).

The Nomination Committee currently comprises one executive Director, namely Mr. Sun Hongbin, and three independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Li Qin, and Mr. Ma Lishan. Mr. Sun Hongbin acts as the chairman of the Nomination Committee.

The work performed by the Nomination Committee during 2018 mainly included the following:

1. reviewed the structure, size and composition of the Board;

2. assessed the independence of the independent non-executive Directors;

3. reviewed the Nomination Policy and made recommendations to the Board on the appointment and re-appointment of Directors; and

4. reviewed and assessed the implementation of the Board Diversity Policy during 2018.

The Nomination Committee held two meetings during the year ended 31 December 2018, and the individual attendance of each member at those meetings is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Sun Hongbin *(Chairman)*	2/2
Mr. Poon Chiu Kwok	2/2
Mr. Li Qin	2/2
Mr. Ma Lishan	2/2

NOMINATION POLICY

The Nomination Committee has reviewed the nomination policy of the Company ("Nomination Policy") for nomination, appointment of new directors and re-appointment of existing directors.

Selection Criteria

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the real estate industry, property service industry, cultural and tourism industry and culture industry and other related industries;

(c) commitment in respect of sufficient time and attention to the Company's business;

(d) diversity in all aspects, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge;

(e) the ability to assist and support management and make significant contributions to the Company;

(f) compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and

(g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Company's articles of association and other applicable rules and regulations.

Nomination procedure

The secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration.

In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.

In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

BOARD DIVERSITY POLICY

The Nomination Committee reviewed and recommended to the Board the adoption of a policy concerning diversity of the Board ("Board Diversity Policy") and the Board, in the Board meeting held on 25 August 2015, adopted such policy to assess the Board composition. In reviewing the composition of the Board, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. Based on the Nomination Committee's review for the year ended 31 December 2018, the Nomination Committee considered that these measurable objectives have been satisfactorily implemented and that there was sufficient diversity in the Board for the Company's corporate governance and business development needs.

ANNUAL REMUNERATION PAYABLE TO THE MEMBERS OF SENIOR MANAGEMENT

The annual remuneration of the members of the senior management by band for the year ended 31 December 2018 is as follows:

Remuneration Bands (RMB)	Number of Individuals
3,000,001-6,000,000	7
6,000,001-10,000,000	3
10,000,001-15,000,000	2

AUDITOR'S REMUNERATION

During the year ended 31 December 2018, the remunerations paid or payable to the auditor of the Group, PricewaterhouseCoopers, in respect of its statutory audit services and non-audit services are RMB22.0 million and RMB1.6 million, respectively. The non-audit services provided was mainly related to issuance of bonds of the Group.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2018 which give a true and fair view of the state of affairs of the Group and of the results and cash flow for the period. The Directors consider that the financial statements have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

The statements of the auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group is set out in the section headed "Independent Auditor's Report" on pages 92 to 96 of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company continues to carry out efficient and independent internal control and adopts an approach of combining the best practices with industry standards to optimize the governance environment, increase the monitoring level, draw on senior management's experience in the industry, highlight the business expertise and establish a standardized internal control and supervision system in order to facilitate the Company's operations and management, ensure asset quality and safeguard the interests of shareholders in corporate governance and risk management.

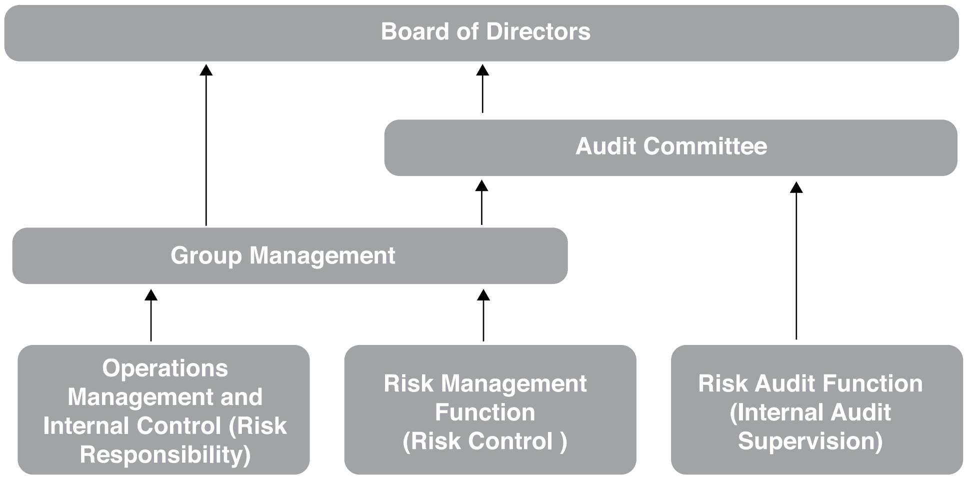
RISK MANAGEMENT AND INTERNAL CONTROL RESPONSIBILITY

The Board of Directors, as the main body responsible for risk management and internal control of the Company, has always been committed to maintaining the development and upgrading of risk management and internal control systems to meet the Company's overall strategic objectives. The Board of Directors should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board of Directors on the effectiveness of these systems. The Company has established internal control measures led by the Board of Directors whereby the management is responsible for assisting the Board of Directors in completing the identification and evaluation of risk factors of the business systems, implementing the Company's policies and procedures and participating in the design and operation of such measures that meet the Company's management requirements, which provides reliable assurance for the Company to carry out its business to prevent the occurrence of significant operational risks and losses. However, the risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, which is designed to manage rather than eliminate the risk of failure to achieve business objectives.

RISK MANAGEMENT STRUCTURE OF THE COMPANY

The Company has established an internal audit and control system with well-defined power and responsibility and comprehensive functions. The internal audit and control department is appointed by the Board of Directors and the Audit Committee to complete various audit tasks for the whole year and make suggestions for improving the effectiveness of the Company's risk management and internal control system. It makes special reports to the Company's Board of Directors and Audit Committee on a regular basis each semi-year.

The risk management structure of the Company is as follows:



RISK MANAGEMENT PROCEDURE

The Company adopts "Group Internal Audit System" to identify, evaluate and handle major business risks. The internal audit and control department formulates risk evaluation standards for the Company, evaluates major risks that may affect the achievement of business objectives, rates risks associated with the Company's operation based on the importance level of such risks, and determines the scope and content of internal audits. Meanwhile, business units evaluate the existing control measures and management methods and develop solutions for potential risks existing in operations and management.

The internal audit and control department conducts audit supervision on major business aspects in operations and management based on the carrying out of the business of the Company through routine audit, special audit, report and investigation audit and other ways, and requests business units to conduct rectifications in respect of risks found in audits. Besides, it keeps track of the status of rectification and measures, ensures all risks are effectively controlled, regularly organizes business units of the Company for training and shares internal control experience and risk information to increase the Company's risk management standard.

RISK MANAGEMENT AND INTERNAL CONTROL REVIEW

The Board of Directors of the Company reviews each year the effectiveness of the Group's risk management and internal control system for the previous fiscal year, and made evaluations and suggestions on the Group's risk management and internal control system and process through internal and external professionals and institutions.

The annual review in respect of the year ended 31 December 2018 has considered, among others (i) whether the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions were adequate; (ii) the scope and quality of the management's ongoing monitoring of risks and of the internal control systems and the work of its internal audit function; (iii) whether the risk management and internal control systems, including the extent and frequency of monitoring results to the Board of Directors or the Audit Committee (as the case may be) were sound and effective; and (iv) whether the Group's rules and major business processes could meet the requirements on operations and management and the needs for the rapid development of the Company. The Board also conducted a comprehensive evaluation on the timeliness, effectiveness and normativity of the procedures for handling and releasing inside information of the Company, as well as the effectiveness of the Company's processes for financial reporting and Listing Rule compliance. The results of the annual review were basically satisfactory.

During the reporting period, the Group's internal audit and control department found out after reviewing and inspecting key business points in the operation and management, that on the management of the Group for regional project companies, some business practices were defective and need improvement. For risks and issues discovered during the annual audit, the management of the Group required each of regional project companies to submit respective audit rectification report. Where relevant controls were introduced to address risk factors, the Group's management rules were amended and improved, business operating process was optimized, and further the effectiveness of internal control measures were reverified, thereby achieving the management goal of optimizing the risk management and internal control process.

The Board of Directors confirms that the management achieved effective implementation and orderly operation in various risk management tasks and the internal control system of the Company by summarizing and evaluating the results of various internal control tasks of the Company.

The Company will further improve the risk management and internal control measures, constantly optimize the operation and management environment, guarantee the efficient and compliant operation of the Company, so as to ensure the safety and reliability of the Company's funds and assets, strengthen the construction of the compliance and risk control systems and promote the realization of the Company's development strategy.

INFORMATION DISCLOSURE

The Company discloses information in compliance with the Listing Rules and other applicable laws, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. Our primary focus is to ensure that information disclosure is timely, fair, accurate, truthful and complete, thereby enabling our shareholders, the investors as well as the public to make rational and informed decisions.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to pursuing active dialogue with shareholders as well as providing timely disclosure of information concerning the Company's material developments to its shareholders, investors and other stakeholders. Annual general meeting ("AGM") of the Company serves as an effective forum for communication between the shareholders and the Board. Notice of the AGM together with the meeting materials will be despatched to all shareholders not less than 21 clear days and not less than 20 clear business days before the AGM. As one of the measures to safeguard the shareholders' interests and rights, separate resolutions will be proposed at general meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. In addition, the Company regards the AGM as an important event, and the Directors, the chairmen or members of Board Committees, senior management and external auditor shall attend the AGM of the Company to address shareholders' inquiries. All resolutions proposed at general meetings will be voted by poll. The poll results will be published by way of an announcement on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn) on the same day of the relevant general meetings.

With reference to the aforesaid, the AGM held on 12 June 2018 was chaired by Mr. Sun Hongbin (executive Director of the Company and the chairman of the Board) and attended by, among others, Mr. Ma Lishan (an independent non-executive Director who is also a member of the Audit Committee, the Remuneration Committee and Nomination Committee) and representatives of the external auditor of the Company.

To promote effective communication, the Company maintains a website at www.sunac.com.cn, where the latest information and updates on its business operation and development, corporate governance practice, contact information of investor relations team and other information are published for the public's access.

Shareholders' Right

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

In accordance with article 58 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting, by written requisition to the Board or the company secretary, require an extraordinary general meeting to be called by the Board for any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law. However, shareholders who wish to propose resolutions may follow article 58 of the articles of association of the Company for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of article 58 are set out above.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the contact details as follows:

Sunac China Holdings Limited
26/F, Block B, Rongke Wangjing Center
Wangjing Dong Yuan, Chaoyang District
Beijing
PRC
Email: ir@sunac.com.cn

Company Secretary

Ms. Mok Ming Wai and Mr. Gao Xi were the joint company secretaries of the Company. Following the resignation of Ms. Mok Ming Wai with effect from 7 September 2018, Mr. Gao Xi became the sole company secretary of the Company. In compliance with Rule 3.29 of the Listing Rules, Mr. Gao Xi has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2018.

Constitutional Documents

There was no change in the Company's constitutional documents during the year ended 31 December 2018.

INVESTOR RELATIONS REPORT

The Company's investor relations work aims to ensure shareholders and investors will be provided with comprehensive access to information about the Company in a timely manner, so as to enhance and deepen investors' understanding and recognition of the Company, improve corporate transparency and market confidence in the Company. On one hand, it enables our shareholders to exercise their rights in an informed manner. On the other hand, it is an effective channel which allows the shareholders and investors to maintain smooth communications with the Company with an aim to establish a long-term, stable and healthy relationship.

The Company's investor relations team has formulated a well-organized and highly-efficient working system for investor relations so as to ensure that the Company, in compliance with the Listing Rules, conveys the latest information regarding its sales performance, major transactions and business operations in a timely and accurate manner by publishing the monthly newsletters, announcements, annual reports, press releases and other information. It also maintains close contact with the capital market through various channels including phone calls, meetings, emails and the Company's website, etc..

During the year ended 31 December 2018, the Company's investor relations team proactively organized and participated in a series of activities such as investor meetings and non-deal road shows which were held in London, New York, Boston, Singapore, Hong Kong, Taiwan, Macau, Beijing, Shanghai and Shenzhen by securities firms. Meanwhile, it also kept close ties with the capital market through organizing teleconferences and inviting domestic and foreign investors and analysts to have meetings with our management at the Group's headquarters and in various regions and cities and have on-site visits of the Company's projects. During the year ended 31 December 2018, the investor relations team organized a total of 586 meetings with investors and analysts and received 115 on-site project visits with investors and analysts. In addition, the Company held brand Annual General Meeting with industry influence, providing a platform for shareholders to effectively communicate with the Board and our management.

In the future, the Company's investor relations team will dedicate itself to improving a highly-efficient communication mechanism between the Company and the capital market, and establishing long-term and effective connections with more investors, which will enable the capital market to have deeper understanding of the Company, and enable the Company to understand the requirements of the capital market towards the operations of the Company in a timely manner so as to achieve a win-win situation.

Below are the highlights of some investor relations activities during the year ended 31 December 2018:

No.	Month	Activities	Location	Securities firms
1	January	BNP Paribas Asia Pacific Financials & Property Day	Hong Kong	BNP
2	January	16th Annual DB Access China Conference 2018	Beijing	DB
3	January	18th UBS Greater China Forum	Shanghai	UBS
4	January	Nomura China Property Corporate Day 2018	Hong Kong	Nomura
5	April	Haitong Securities 2018 Spring Forum of Listed Company	Hangzhou	Haitong Securities
6	May	Founder Securities New Economy Peak Forum	Shanghai	Founder Securities
7	May	Southwest Securities High-end Closed-door Conference of Listed Conpany	Wuxi	Southwest Securities
8	May	Pacific Securities Investment Strategy Conference 2018	Shanghai	Pacific Securities
9	May	SWS Corporate Day 2018	Hangzhou	SWS
10	May	5th HSBC China Seminar	Shenzhen	HSBC
11	May	9th Annual DB Access Asia Conference	Singapore	DB
12	May	2018 CICC Housing and Urban-Rural Development Forum	Beijing	CICC
13	May	Guotai Junan New Economy Peak Forum 2018	Shenzhen	Guotai Junan
14	May	Orient Securities Investment Strategy Conference 2018	Shanghai	Orient Securities
15	May	4th Morgan Stanley China Summit	Beijing	Morgan Stanley
16	May	Changjiang Securities Long Cycle Beijing Closed-door Forum	Beijing	Changjiang Securities
17	June	CS China Hong Kong Property Corporate Day	Hong Kong	Credit Suisse
18	June	Everbright Securities Interium Strategy Conference 2018	Chengdu	Everbright Securities
19	June	Citi's Asia Pacific Property Conference 2018	Hong Kong	Citi
20	September	Hua Chuang Securities Autumn Investment Strategy Forum	Beijing	Hua Chuang Securities
21	September	6th CICC Presenting China London Forum	London	CICC
22	September	Citi China Corporate Day 2018	Singapore	Citi
23	September	BAML 2018 Global Real Estate Conference	New York	BAML
24	October	BAML Asia High Yield Credit Conference	Hong Kong	BAML
25	November	Founder Securities High-end Closed-door Corporate Conference	Hangzhou	Founder Securities
26	November	Credit Suisse China Investment Forum 2018	Shenzhen	Credit Suisse
27	November	Goldman Sachs China Investment Forum	Shenzhen	Goldman Sachs
28	November	8th Jefferies Greater China Investment Forum	Hong Kong	Jefferies
29	November	Nomura Asian High Yield Corporate Day	Hong Kong	Nomura
30	November	BAML 2018 China Conference	Beijing	BAML
31	November	CICC Investment Forum 2018	Beijing	CICC
32	November	13th Citi China Investor Conference 2018	Macao	Citi
33	November	Sounthwest Securities Investment Strategy Conference 2019	Shanghai	Southwest Securities
34	November	Minsheng Securities Investment Strategy Conference 2019	Shanghai	Minsheng Securities
35	November	SWS Capital Market Annual Conference 2019	Shenzhen	SWS
36	November	Hua Chuang Securities Capital Market Annual Conference 2019	Shenzhen	Hua Chuang Securities
37	November	17th Morgan Stanley Asia Pacific Summit	Singapore	Morgan Stanley
38	November	Industrial Securities Investment Strategy Conference 2019	Shanghai	Industrial Securities
39	December	CMB Securities Investment Strategy Conference 2019	Shanghai	CMB Securities
40	December	Essence Securities Investment Strategy Conference 2019	Shanghai	Essence Securities
41	December	Nomura Property Corporate Day	Hong Kong	Nomura
42	December	GF Securities Closed-door Corporate Conference	Chengdu	GF Securities
43	December	China Securities Capital Market Annual Conference	Shanghai	China Securities
44	December	Haitong Securities Investment Strategy Conference 2019	Shanghai	Haitong Securities

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in property development and investment, cultural and tourism cities operation and property management services in the PRC.

An analysis of the Group's revenue and operating results for the year by principal activities is set out in note 7 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of comprehensive income of the Group on page 99.

LAND BANK

For the year ended 31 December 2018, the Group increased the land bank and the attributable land bank by 48.20 million sq.m. and 26.31 million sq.m., respectively, with all projects located at tier 1 & 2 cities and strong tier 3 cities in the PRC. An expanded land bank of the Group has laid a solid foundation for the Group's future development. Details of the Group's land bank are set out in the paragraphs headed "1 Summary of principal properties" and "2 Summary of land bank" in the section headed "Business Highlights" of this report.

MERGERS AND ACQUISITIONS

The following sets forth the material acquisitions and disposals of subsidiaries, associates and joint ventures undertaken by the Group during the year ended 31 December 2018 up to the latest practicable date prior to the printing of this annual report:

(I) ACQUISITION OF SHARES IN DALIAN WANDA COMMERCIAL MANAGEMENT GROUP CO., LTD. (FORMERLY KNOWN AS DALIAN WANDA COMMERCIAL PROPERTIES CO., LTD.) ("DWCP")

On 29 January 2018, the Company entered into a strategic cooperation agreement with Dalian Wanda Group Co., Ltd. ("DWG") and DWCP, pursuant to which the Company agreed to utilize RMB9.5 billion or the HK$ equivalent amount to acquire approximately 3.91% of the shares in DWCP from DWCP's certain existing shareholders and/or DWG. Please refer to the Company's announcement and circular dated 30 January 2018 and 10 May 2018 respectively for details. As at 28 March 2019, the Company has invested approximately RMB 9 billion to acquire approximately 3.75% of shares in DWCP.

(II) ENTRY INTO AGREEMENTS WITH WANDA PARTIES

On 29 October 2018, 融創房地產集團有限公司 (Sunac Real Estate Group Co., Ltd.*) ("Sunac Real Estate"), an indirect wholly-owned subsidiary of the Company entered into agreements with Mr. Wang Jianlin, DWG (together with Mr. Wang Jianlin, the "Sellers"), and 萬達商業管理集團有限公司 (Wanda Commercial Management Group Co., Ltd.*) ("Wanda Commercial Management Group", together with the Sellers, the "Wanda Parties"), respectively, pursuant to which:

(i) Sunac Real Estate agreed to acquire and Mr. Wang Jianlin agreed to sell 75% equity interest in 成都萬達主題文化旅遊管理有限公司 (Chengdu Wanda Theme Cultural and Tourism Management Co., Ltd.*) ("Wanda Cultural Management") held by him, and to terminate the original commercial arrangement, at a consideration of approximately RMB4.494 billion;

(ii) Sunac Real Estate agreed to acquire and 萬達控股投資有限公司 (Wanda Investment Holding Co. Limited) ("Wanda Holding") agreed to sell 99% equity interest in 萬達文化旅遊創意集團有限公司 (Wanda Culture Travel Innovation Group Co., Limited), ("Wanda BVI") held by it and 萬達文化控股有限公司 (Wanda Culture Holdings Co. Limited) ("Wanda Culture Holding") agreed to sell 1% equity interest in Wanda BVI held by it, and to terminate the original commercial arrangement, at a total consideration of the Hong Kong dollar equivalent of RMB1.5 billion; and

(iii) Wanda Commercial Management Group agreed to terminate the original commercial arrangement at a consideration of approximately RMB287 million.

Upon completion of the above transactions, the Group will hold 100% equity interest in Wanda Cultural Management. The total consideration for the transactions is approximately RMB6.281 billion. Please refer to the Company's announcement dated 29 October 2018 for details. As at 28 March 2019, Sunac Real Estate has paid RMB3.281 billion and has completed equity delivery of Wanda Cultural Management and Wanda BVI according to the agreements.

(III) ACQUISITION OF 100% INTEREST IN THE BEIJING PROJECT AND THE SHANGHAI PROJECT

On 20 January 2019, Sunac Real Estate (the "Buyer") and 武漢中央商務區股份有限公司 (Wuhan CBD Stock Company Limited*) (the "Vendor") entered into an agreement in relation to the acquisition of 100% equity interest in 泛海建設控股有限公司 (Oceanwide Construction Holdings Co., Ltd.*) (the "Target Company") for a consideration of approximately RMB12.553 billion. The Target Company owns 100% interest in the Beijing Oceanwide International Project Land Lot 1 (the "Beijing Project") and the Shanghai Dongjiadu Project (the "Shanghai Project"). Please refer to the Company's announcement dated 21 January 2019 for details. As at 28 March 2019, the Buyer had paid 80% of the consideration to the Vendor and had completed transfer of the right of management of the Target Company and equity delivery.

CONTRACTUAL ARRANGEMENTS

INTRODUCTION

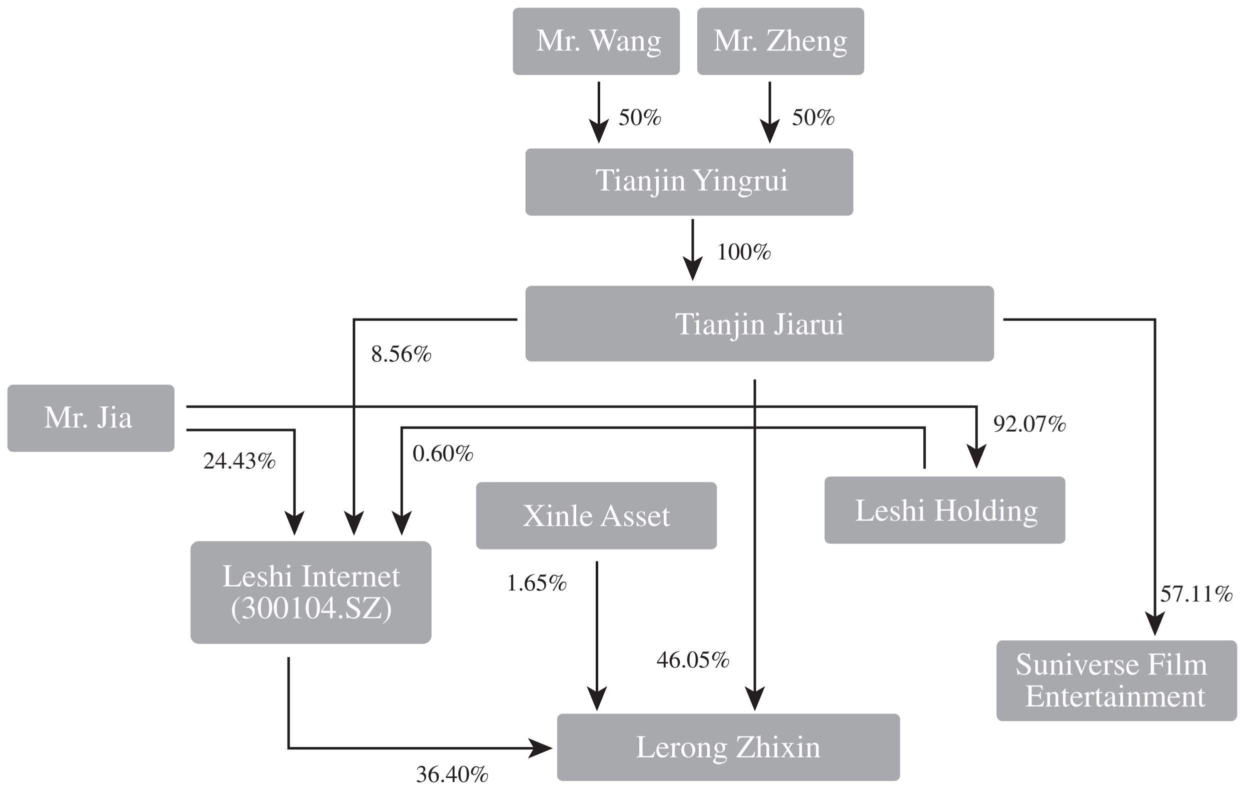
As set out in the Company's announcement dated 13 January 2017 and the Company's circular dated 31 August 2017, 融創房地產集團有限公司 (Sunac Real Estate Group Co., Ltd.*) ("Sunac Real Estate"), a wholly-owned subsidiary of the Company, has completed the investment (the "Investment") in the equity interest (the "Target Shares") in each of 樂視網信息技術(北京)股份有限公司 (Leshi Internet Information & Technology Corp (Beijing)*) ("Leshi Internet"), 樂視致新電子科技(天津)有限公司 (Leshi Zhixin Electronic Technology (Tianjin) Limited*) (currently known as 樂融致新電子科技(天津)有限公司 (Lerong Zhixin Electronic Technology (Tianjin) Limited*)) ("Lerong Zhixin") and 樂視影業(北京)有限公司 (Le Vision Pictures (Beijing) Co. Ltd.) (currently known as 樂創文娛(北京)有限公司(Suniverse Film Entertainment (Beijing) Company Limited*)) ("Suniverse Film Entertainment", together with Leshi Internet and Lerong Zhixin, the "Target Companies"), through the Contractual Arrangements (as defined below).

For the purpose of the Contractual Arrangements, Mr. Wang Peng ("Mr. Wang") and Mr. Zheng Pu ("Mr. Zheng", together with Mr. Wang, the "Registered Shareholders"), who are senior management of the Company, established:

(i) 天津盈瑞匯鑫企業管理有限公司 (Tianjin Yingrui Huixin Corporate Management Co., Ltd.*) ("Tianjin Yingrui"), a company established in the PRC with limited liability which is owned as to 50% by Mr. Wang and 50% by Mr. Zheng; and

(ii) 天津嘉睿匯鑫企業管理有限公司 (Tianjin Jiarui Huixin Corporate Management Co., Ltd.*) ("Tianjin Jiarui"), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of Tianjin Yingrui.

As at 31 December 2018, the shareholding structure of the Target Companies was as follows:



Notes:

1. 鑫樂資產管理(天津)合夥企業(有限合夥) (Xinle Asset Management (Tianjin) Partnership (Limited Partnership)*) ("Xinle Asset") is a partnership established in the PRC with limited liability.

2. 樂視控股(北京)有限公司 (Leshi Holding (Beijing) Co., Ltd.*) ("Leshi Holding") is a company established in the PRC with limited liability.

3. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at 31 December 2018, each of Mr. Jia Yueting ("Mr. Jia"), Xinle Asset and Leshi Holding was independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

Leshi Internet is engaged in advertising services based on the whole network video industry (i.e., the video platform advertising), terminal services (i.e. revenue from intelligent terminal products sold by Leshi Internet), membership and distribution services (including revenue from paid offerings, copyright services and teleplay release) and other services (i.e., those services that generate less revenue and have not been built up to enough scale, such as cloud video platform services and technological development services). Suniverse Film Entertainment is engaged in film production, film publicity and release, copyright operations and business development. Lerong Zhixin is engaged in the business of LeTV terminal services.

According to the applicable laws and regulations of the PRC, there are restrictions on foreign investment in certain businesses in the existing business and the future business of Leshi Internet, Suniverse Film Entertainment and Lerong Zhixin. For those areas where foreign investment is prohibited according to the "Foreign Investment Guidance Catalogue" (《外商投資指導目錄》), foreign investors or their foreign-invested enterprises established in the PRC shall not invest. As such, the Investment has been implemented by the Group through the Contractual Arrangements.

The contractual arrangements (the "Contractual Arrangements") entered into by Sunac Real Estate are:

(i) the exclusive technology consulting and services agreement (the "Exclusive Technology Consulting and Services Agreement") between Sunac Real Estate and Tianjin Jiarui;

(ii) the entrustment agreements (the "Entrustment Agreements") between (a) Sunac Real Estate, Tianjin Jiarui and the Registered Shareholders and (b) Sunac Real Estate, Tianjin Jiarui and Tianjin Yingrui;

(iii) the exclusive option agreements (the "Exclusive Option Agreements") between Sunac Real Estate, Tianjin Yingrui and the Registered Shareholders;

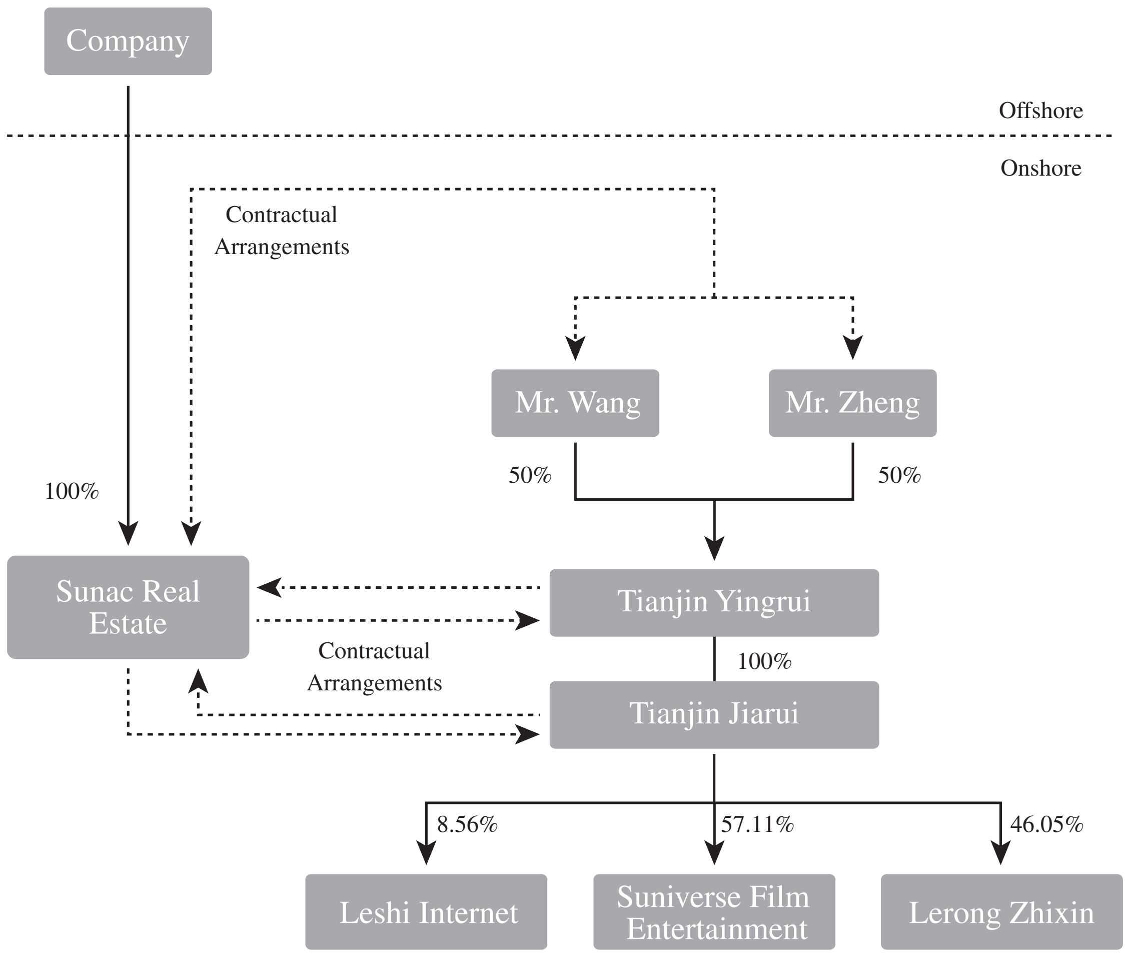
(iv) the loan agreements (the "Loan Agreements") with each of the Registered Shareholders as borrowers;

(v) the equity pledge agreements (the "Equity Pledge Agreements") between (a) Sunac Real Estate and the Registered Shareholders; and (b) Sunac Real Estate and Tianjin Yingrui; and

(vi) the confirmation letters from the spouses of the Registered Shareholders.

The Company's legal adviser as to PRC laws, Jincheng Tongda & Neal Law Firm (北京金誠同達律師事務所) (the "PRC Legal Adviser"), is of the opinion that except certain terms of the Contractual Arrangements as set out in the paragraph headed "Risks relating to the Investment — Certain terms of the Contractual Arrangements may not be enforceable under PRC laws" below, the Contractual Arrangements entered into by Sunac Real Estate are legally binding on and enforceable against each party of each of the agreements in accordance with their terms and provisions under PRC laws and regulations. The Directors therefore believe that save as disclosed, the Contractual Arrangements are enforceable under the relevant laws and regulations in the PRC, and that the Contractual Arrangements provide a mechanism that protects Sunac Real Estate in its acquisition of the economic interest over the relevant Target Shares.

The following simplified diagram illustrates the flow of economic benefits in the Target Shares from Tianjin Jiarui to Sunac Real Estate stipulated under the Contractual Arrangements:



(i) Exclusive Technology Consulting and Services Agreement

Sunac Real Estate and Tianjin Jiarui entered into the Exclusive Technology Consulting and Services Agreement, pursuant to which Tianjin Jiarui agrees to engage Sunac Real Estate as its exclusive consultant and service provider. Accordingly, Sunac Real Estate shall provide advice and recommendations to Tianjin Jiarui in respect of, among others, (i) consulting services on the management and operations of Tianjin Jiarui; (ii) consulting services on market research and marketing strategies; (iii) technical consulting services on processor maintenance and internet platform operating strategies; (iv) services on research and development of software products and system maintenance; (v) leasing of computers and other operating equipment to Tianjin Jiarui; (vi) services on brand promotion and management; (vii) authorising Tianjin Jiarui to use all of Sunac Real Estate's intellectual property on a non-exclusive basis during the course of its business; and (viii) provision of human resources support and relevant technical personnel.

Pursuant to the Exclusive Technology Consulting and Services Agreement, Tianjin Jiarui shall pay to Sunac Real Estate a service fee. Subject to the provisions of PRC laws and regulations, the amount is equal to the income of Tianjin Jiarui (including bonus, dividend distribution or any other proceeds or benefits received by Tianjin Jiarui from its investees), after making up for the losses for the previous year (if necessary) and deducting the necessary costs, expenses and taxes required for the business operation, and Sunac Real Estate shall have the right to adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of Tianjin Jiarui. Tianjin Jiarui shall agree to pay the service fee quarterly.

The Exclusive Technology Consulting and Services Agreement is for an initial term of ten years commencing from the date of the agreement, upon the expiry of which the term of the agreement will be extended automatically for another ten years, unless Sunac Real State informs Tianjin Jiarui 90 days prior to the expiry date that it will not extend the term. Furthermore, the agreement may be terminated (i) by Sunac Real Estate by giving a 30 days' prior notice of termination; or (ii) upon the acquisition of the entire equity interests in, and/or all assets of, Tianjin Jiarui by Sunac Real Estate pursuant to the Exclusive Option Agreement. Tianjin Jiarui is not contractually entitled to terminate the Exclusive Technology Consulting and Services Agreement.

(ii) Entrustment Agreements

Sunac Real Estate, Tianjin Yingrui and the Registered Shareholders entered into an entrustment agreement, pursuant to which the Registered Shareholders agree to enter into powers of attorney to irrevocably authorise the Chinese citizens designated by Sunac Real Estate (who shall be the directors and their successors of the direct or indirect shareholders of Sunac Real Estate (except the Registered Shareholders themselves) and who shall not be associates (as defined in the Listing Rules) of the Registered Shareholders) (the "Designated Persons") to exercise all of their rights and powers as shareholders of Tianjin Yingrui. The Designated Persons will act on the Registered Shareholders' behalf on all matters pertaining to Tianjin Yingrui and, to the extent permissible under applicable PRC laws, exercise all of their respective rights as a shareholder thereof, including (i) rights to attend shareholders' meeting; (ii) rights to exercise voting rights in a shareholders' meeting on shareholder matters including but not limited to appointment or removal of directors, supervisors and senior management of Tianjin Yingrui and winding up of Tianjin Yingrui; (iii) rights to sign minutes or resolutions of shareholders' meetings or other legal documents; (iv) rights to instruct directors or the legal representative of Tianjin Yingrui to act in accordance with all their instructions; (v) rights to file documents with relevant governmental authorities or regulatory bodies; (vi) rights to decide any transfer or otherwise disposal of the equity interest of the Registered Shareholders in Tianjin Yingrui; and (vii) such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of association of Tianjin Yingrui.

Sunac Real Estate, Tianjin Jiarui and Tianjin Yingrui also entered into an entrustment agreement pursuant to which Tianjin Yingrui agreed to enter into powers of attorney to irrevocably authorise the Chinese citizens designated by Sunac Real Estate (who shall be the directors and their successors of the direct or indirect shareholders of Sunac Real Estate who shall not be associates (as defined in the Listing Rules) of Tianjin Yingrui) to exercise all of its rights and powers as shareholder of Tianjin Jiarui. Such designated persons will have similar shareholder rights set out in the preceding paragraph with respect to Tianjin Jiarui.

Each of the Entrustment Agreements is for an indefinite term commencing from the date of the agreement until it is terminated (i) by Sunac Real Estate by giving a 30 days' prior notice of termination; or (ii) upon the acquisition of the entire equity interests in, and/or all assets of, Tianjin Yingrui or Tianjin Jiarui (as the case may be) by Sunac Real Estate pursuant to the Exclusive Option Agreements. The Registered Shareholders, Tianjin Yingrui and Tianjin Jiarui are not contractually entitled to terminate the Entrustment Agreements.

(iii) Exclusive Option Agreements

Sunac Real Estate, Tianjin Yingrui and the Registered Shareholders entered into an exclusive option agreement, pursuant to which the Registered Shareholders and/or Tianjin Yingrui irrevocably grant to Sunac Real Estate or the person as designated by Sunac Real Estate exclusive options to purchase, to the extent permitted by PRC laws and regulations, their equity interests in Tianjin Yingrui, entirely or partially, at the minimum purchase price permitted by PRC laws and regulations. In addition, pursuant to the Exclusive Option Agreement, the Registered Shareholders and Tianjin Yingrui irrevocably grant to Sunac Real Estate or the person as designated by Sunac Real Estate, exclusive options to acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Tianjin Yingrui (including but not limited to the entire equity interest in Tianjin Jiarui) at the net book value for each option or the minimum purchase price permitted under PRC laws and regulations (whichever is lower). Sunac Real Estate may exercise such options at any time until it or the person designated by it has acquired all equity interests or assets of Tianjin Yingrui or unilaterally terminated the Exclusive Option Agreement by giving 30 days' prior notice, subject to the applicable PRC laws and regulations.

Sunac Real Estate and Tianjin Jiarui also entered into an exclusive option agreement, pursuant to which Tianjin Jiarui agreed to grant to Sunac Real Estate the exclusive options. To the extent permitted by the PRC laws and regulations, Sunac Real Estate and/or one or more of its designated persons are entitled to purchase from time to time the exclusive rights of all or part of the equity interests/shares in a company held by Tianjin Jiarui currently and in the future (including the equity interests/shares (if any) held by Tianjin Jiarui after the capital increase of the relevant company, including but not limited to the shares of Leshi Internet, the equity interests of Lerong Zhixin and the equity interests of Suniverse Film Entertainment, which may be held by Tianjin Jiarui in the future). Sunac Real Estate intends to accept such grant. Sunac Real Estate has the right to require Tianjin Jiarui to pledge its purchased equity interests/shares held by it to Sunac Real Estate or its designated persons to secure the borrowings provided by Sunac Real Estate to Tianjin Jiarui (if any).

The Exclusive Option Agreement is for an indefinite term commencing from the date of the agreement, until it is terminated (i) by Sunac Real Estate by giving a 30 days' prior notice of termination; or (ii) upon the acquisition of the entire equity interests or all assets of, Tianjin Yingrui by Sunac Real Estate or the person designated by it pursuant to the Exclusive Option Agreement. Tianjin Yingrui, the Registered Shareholders and/or Tianjin Yingrui are not contractually entitled to terminate the Exclusive Option Agreement.

(iv) Loan Agreements

Sunac Real Estate entered into the Loan Agreements with each of the Registered Shareholders respectively pursuant to which Sunac Real Estate shall provide a non-interest-bearing loan of RMB5,000,000 to each of the Registered Shareholders for the purposes of capital injection into Tianjin Yingrui. Subject to the terms of the Loan Agreements, the loan shall be for a term of five years commencing from the date of the agreement, upon the expiry of which the term of the agreement will be extended automatically for another five years. During the term of the Loan Agreements, Sunac Real Estate may demand immediate repayment upon the occurrence of certain events set out in the Loan Agreements including the resignation or removal of the Registered Shareholders from office in Sunac Real Estate or its affiliates, the death of the Registered Shareholders, the commission of criminal offences by the Registered Shareholders and the exercise of Sunac Real Estate's right under the Exclusive Option Agreement. When the loan is due, the Registered Shareholders may only repay the loan either by (i) transferring its interest in Tianjin Yingrui to Sunac Real Estate or the person as designated by Sunac Real Estate in accordance with Sunac Real Estate's requirements and to the extent permitted by PRC laws and regulations, or (ii) upon the exercise of Sunac Real Estate's right under the Exclusive Option Agreement to acquire the assets of Tianjin Yingrui, using the dividends or other distributions obtained by the Registered Shareholders from Tianjin Yingrui.

The obligations of the Registered Shareholders under the Loan Agreements are secured by the pledge over all the equity interest held by the Registered Shareholders in Tianjin Yingrui in favour of Sunac Real Estate under the relevant Equity Pledge Agreement.

(v) Equity Pledge Agreements

Sunac Real Estate and the Registered Shareholders entered into an equity pledge Agreement, pursuant to which the Registered Shareholders shall pledge all of their respective equity interests in Tianjin Yingrui to Sunac Real Estate to secure the performance of all their obligations and the obligations of Tianjin Yingrui and Tianjin Jiarui under the Contractual Arrangements. Under the agreement, if any of the Registered Shareholders and/or Tianjin Yingrui and/or Tianjin Jiarui breaches any obligation under the Contractual Arrangements, Sunac Real Estate, as the pledgee, is entitled to request the Registered Shareholders to transfer the pledged equity interests, entirely or partially to Sunac Real Estate and/or any entity or person as designated by Sunac Real Estate. In addition, pursuant to the Equity Pledge Agreement, each of the Registered Shareholders undertakes to Sunac Real Estate, among other things, not to transfer the interest in his respective equity interests in Tianjin Yingrui and not to create any pledge thereon without Sunac Real Estate's prior written consent.

Sunac Real Estate and Tianjin Yingrui also entered into an equity pledge agreement pursuant to which Tianjin Yingrui shall pledge all of its equity interests in Tianjin Jiarui to Sunac Real Estate to secure the performance of all the obligations of Tianjin Yingrui, Tianjin Jiarui and the Registered Shareholders under the Contractual Arrangements, on terms similar to those set out in the preceding paragraph.

Each of the Equity Pledge Agreements is for an indefinite term commencing on the date of the agreement until (i) all the relevant obligations under the Contractual Arrangements have been fulfilled; (ii) all the relevant debts under the Contractual Arrangements have been settled; or (iii) it is terminated by Sunac Real Estate by giving a 30 days' prior notice of termination. The Registered Shareholders and Tianjin Yingrui (as the case may be) are not contractually entitled to terminate the Equity Pledge Agreements.

(vi) Confirmation letters from the spouse of each Registered Shareholder

The spouse of each Registered Shareholder unconditionally and irrevocably agreed to and confirmed the transaction documents under the Contractual Arrangements signed by the relevant Registered Shareholder, and agreed to dispose of the equity interest in Tianjin Yingrui held by the relevant Registered Shareholder according to the requirements of such documents. The spouse of each Registered Shareholder also unconditionally and irrevocably agreed that such equity interest and all interests related thereto were not matrimonial properties jointly owned by him/her with the relevant Registered Shareholder, such equity interest and all interests related thereto were personal properties of the relevant Registered Shareholder, and might be pledged, sold or otherwise disposed of according to the requirements of the relevant transaction documents, and consent from the relevant spouse was not necessary. The spouse of each Registered Shareholder undertook that he/she will not assert any right or interest, or claim any damages or right, on such equity interest and all interests related thereto under any circumstances.

MANNER OF SETTLEMENT OF DISPUTES WHICH MAY ARISE FROM THE CONTRACTUAL ARRANGEMENTS

Pursuant to the Contractual Arrangements, any dispute arising from the interpretation and implementation of the Contractual Arrangements between the parties should first be resolved through negotiation, failing which any party may submit the said dispute to the China International Economic and Trade Arbitration Commission ("CIETAC") with a view to resolving the dispute through arbitration in accordance with the arbitration rules of the CIETAC. The results of the arbitration shall be final and binding on all relevant parties.

The Company's PRC Legal Adviser confirmed that the abovementioned proposed dispute resolution provisions set forth in the Contractual Arrangements are in compliance with the PRC laws, legally valid and binding on the relevant signatories. However, the Company's PRC Legal Adviser is also of the opinion that the provisions in the agreements underlying the Contractual Arrangements setting forth that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be enforceable under PRC laws, see the paragraph headed "Risks Relating to the Investment — Certain terms of the Contractual Arrangements may not be enforceable under PRC laws" below.

NO MATERIAL CHANGE

Apart from the above, there are no other new Contractual Arrangements entered into or renewed during the year ended 31 December 2018. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2018.

BUSINESS ACTIVITIES OF TIANJIN YINGRUI AND TIANJIN JIARUI AND THEIR SIGNIFICANCE TO THE GROUP

Tianjin Yingrui and Tianjin Jiarui were the contracting entities (the "Contracting Entities") established in the PRC for the purpose of the Contractual Arrangements and were owned as to 50% by Mr. Wang and 50% by Mr. Zheng. As at 31 December 2018 and up to the latest practicable date prior to the printing of this report, the Contracting Entities were principally engaged in holding equity interests in the Target Companies. The Investment in the Target Companies are accounted for using the equity method and the results of operation and assets and liabilities of the Target Companies are not be consolidated into the consolidated financial statements of the Group. Meanwhile, the Contracting Entities are accounted for as consolidated affiliated entities of the Company and their results of operation and assets and liabilities are consolidated in the consolidated financial statements of the Group.

The table below sets out the revenue and loss for the year of the Contracting Entities for the year ended 31 December 2018 and the total assets and total liabilities of the Contracting Entities, including intercompany balances, as at 31 December 2018:

	For the year ended 31 December 2018 RMB million	Approximate percentage of contribution to the Group %
Revenue	—	—
Loss for the year	2,486.1	-14.3

	As at 31 December 2018 RMB million	Approximate percentage of contribution to the Group %
Total assets	3,683.5	0.5
Total liabilities	21,768.0	3.4

RISKS RELATING TO THE INVESTMENT AND MITIGATION ACTIONS TAKEN BY THE COMPANY

If the PRC Government finds that the structure of the Investment does not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Investment could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of Sunac Real Estate's interest in the Target Shares.

Some of the businesses in the existing businesses and future intended businesses of the Target Companies have entry barriers for foreign investors, the specific details are as follows:

(a) In respect of Leshi Internet, among the current principal businesses operated by Leshi Internet, the internet publishing service, internet audio and visual program service, internet culture operation service and television broadcast program production and operation business belong to prohibited categories of the industries for foreign investments in the "Foreign Investment Guidance Catalogue"(《外商投資指導目錄》).

(b) In respect of Suniverse Film Entertainment, among the current principal businesses operated by Suniverse Film Entertainment, the film distribution and television broadcast program production and operation business belong to prohibited categories of the industries for foreign investments in the "Foreign Investment Guidance Catalogue"(《外商投資指導目錄》).

(c) In respect of Lerong Zhixin, in the scope of operation by Lerong Zhixin, the businesses engaging in internet culture activities, research and development and production of internet games, online operation of internet games, and operation of game products via the internet (including the issue of virtual currency for internet games and trading of virtual currency) are internet culture operation services, whereas the internet television business intended for continuous development by Lerong Zhixin in future is an internet audio and visual program service. Both internet culture services and internet audio and visual program service belong to prohibited categories of industries for foreign investments in the "Foreign Investment Guidance Catalogue" (《外商投資指導目錄》).

According to the requirements of Article 4 under the "Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors" (《關於外國投資者併購境內企業的規定》)", for industries prohibited to be operated by foreign investors under the "Foreign Investment Guidance Catalogue" (《外商投資指導目錄》), foreign investors are not allowed to merge with or acquire enterprises engaging in such industries. According to the requirements of Article 3 under the "Provisional Rules on Domestic Investments made by Foreign-invested Enterprises" (《關於外商投資企業境內投資的暫行規定》), domestic investments made by foreign-invested enterprises shall be implemented in line with the requirements of the "Provisional Rules on Guidance for Foreign Investment Direction" (《指導外商投資方向暫行規定》) and "Foreign Investment Guidance Catalogue" (《外商投資指導目錄》), foreign-invested enterprises are prohibited to invest in sectors where foreign investment is forbidden.

To summarize the aforesaid, some of the businesses in the existing businesses and future intended businesses of the Target Companies involved in the transactions have entry barriers for foreign investors, and foreign investors or foreign-invested enterprises established by them within the PRC shall not invest in sectors which belong to prohibited areas for foreign investments under the "Foreign Investment Guidance Catalogue" (《外商投資指導目錄》). Therefore, the Group will invest in such businesses through the Contractual Arrangements. Although the Group does not have any equity interest in Tianjin Jiarui, the Group can obtain substantially all economic benefits of the relevant Target Shares through the Contractual Arrangements with Tianjin Yingrui and/or Tianjin Jiarui and/or the Registered Shareholders through Sunac Real Estate.

The Company's PRC Legal Adviser is of the opinion that (i) the above arrangements will not violate existing PRC laws and regulations; (ii) the agreements under the Contractual Arrangements have been duly executed and delivered, which are legally binding on the signing parties, and the execution and performance of the agreements under the Contractual Arrangements do not violate the existing PRC laws and regulations and the articles of association of the signing parties. Save for the equity pledge under the Equity Pledge Agreements, the execution and effectiveness of the agreements under the Contractual Arrangements do not require the approvals, consent or other legal procedures of the PRC Government authorities. When the registration of the equity pledge is duly completed, the equity pledge under the Equity Pledge Agreements will have legal effect; (iii) except for certain terms of the Contractual Arrangements regarding the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal (see the sub-paragraph headed "Certain terms of the Contractual Arrangements may not be enforceable under PRC laws" below), the Contractual Arrangements entered into by Tianjin Yingrui and Tianjin Jiarui are valid and legally binding and will not result in any violation of existing PRC laws and regulations; and (iv) there exists no situation under which the Contractual Arrangements entered into by Tianjin Yingrui and Tianjin Jiarui becomes invalid under Section 52 of the PRC Contract Law (including, without limitation, "concealing illegal intentions with a lawful form"). Under the existing effective laws and regulations, the contracts entered into thereunder will not be regarded as invalid. However, the Company cannot guarantee that the views of the PRC Government will be consistent with or similar to those of the Company's PRC legal advisers. Furthermore, the PRC Government may adopt new laws and regulations in the future, which may invalidate the Contractual Arrangements.

If the PRC Government or judicial authorities determines that any of the relevant Target Companies, Tianjin Yingrui and Tianjin Jiarui or the Contractual Arrangements does not comply with applicable laws and regulations, it could have broad discretion in dealing with such incompliance, including:

1. requiring the nullification of the Contractual Arrangements;

2. levying fines and/or confiscating the proceeds generated from the operations under the Contractual Arrangements;

3. revocating the business licenses or operating licenses of Tianjin Jiarui, Tianjin Yingrui, the Target Companies and/or Sunac Real Estate;

4. discontinuing or placing restrictions or onerous conditions on the business operations of the Target Companies, Tianjin Yingrui and/or Tianjin Jiarui and/or Sunac Real Estate;

5. imposing conditions or requirements which the relevant Target Companies and/or Tianjin Yingrui and/or Tianjin Jiarui may not be able to comply with or satisfy;

6. requiring the relevant Target Companies and/or Tianjin Yingrui and/or Tianjin Jiarui to undergo a costly and disruptive restructuring; and

7. taking other regulatory or enforcement actions that could be harmful to or even shut down the business.

The imposition of any of the above-mentioned consequences could result in a material and adverse effect on the relevant Target Company's or Tianjin Yingrui's or Tianjin Jiarui's ability to conduct its business. In addition, if the imposition of any of these consequences causes Sunac Real Estate to lose its rights to receive its economic benefits arising from the relevant Target Shares, the financial results of the relevant Target Companies as well as the Group's Investment in the relevant Target Companies may be adversely affected.

Sunac Real Estate relies on the Contractual Arrangements to obtain the economic benefits of the relevant Target Shares which may not be as effective in obtaining the economic benefits as direct ownership.

Due to the PRC's legal restrictions on foreign investment in the business conducted by the Target Companies as mentioned above, the Group, through Sunac Real Estate, obtains the economic benefits of the relevant Target Shares through the Contractual Arrangements rather than equity ownership.

However, the Contractual Arrangements may not be as effective in obtaining the economic benefits of the relevant Target Shares as equity ownership. For example, Tianjin Yingrui and/or Tianjin Jiarui and/or the Registered Shareholders could breach or fail to perform their obligations under the Contractual Arrangements. If Sunac Real Estate had direct ownership of Tianjin Yingrui and/or Tranjin Jiarui and/or the Target Companies, Sunac Real Estate would be able to exercise its rights as a shareholder to effect changes in its board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management and operational level. Under the Contractual Arrangements, Sunac Real Estate would need to rely on its rights under the Contractual Arrangements to effect such changes, or designate new shareholders of Tianjin Yingrui and/or Tianjin Jiarui under the Contractual Arrangements.

If Tianjin Yingrui and/or Tianjin Jiarui and/or the Registered Shareholders breach their obligations under the Contractual Arrangements or if Sunac Real Estate loses the economic benefits over the relevant Target Shares for any reason, Sunac Real Estate would need to bring a claim against them under the terms of the Contractual Arrangements. The Contractual Arrangements are governed by the PRC law and provide that any dispute arising from these arrangements will be submitted to the CIETAC for arbitration, the ruling of which will be final and binding. Furthermore, personal liabilities of the shareholders of Tianjin Yingrui and/or Tianjin Jiarui may also subject the equity interest they hold in Tianjin Yingrui and/or Tianjin Jiarui to court preservation actions or enforcement. The legal framework and system in the PRC, particularly those relating to arbitration proceedings, is not as developed as other jurisdictions such as Hong Kong or the United States of America. As a result, significant uncertainties relating to the enforcement of legal rights through arbitration, litigation and other legal proceedings remain in the PRC, which could limit Sunac Real Estate's ability to enforce the Contractual Arrangements and obtain economic interest of the relevant Target Shares. If Tianjin Yingrui and/or Tianjin Jiarui and/or the Registered Shareholders fails to perform its respective obligations under the Contractual Arrangements, and Sunac Real Estate is unable to enforce the Contractual Arrangements, or suffer significant delay or other obstacles in the process of enforcing the Contractual Arrangements, the Group's Investment in the relevant Target Companies could also be materially and adversely affected.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the CIETAC in the PRC. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Tianjin Yingrui and/or Tianjin Jiarui, injunctive relief and/or winding up of Tianjin Yingrui and/or Tianjin Jiarui. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal.

However, the Company's PRC Legal Adviser has advised that the abovementioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in Tianjin Yingrui and/or Tianjin Jiarui in case of disputes. Therefore, such remedies may not be available to Sunac Real Estate, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in Tianjin Yingrui and/or Tianjin Jiarui in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against Tianjin Yingrui and/or Tianjin Jiarui as interim remedies to preserve the assets or shares in favour of any aggrieved party. The Company's PRC Legal Adviser is also of the view that, even though the Contractual Arrangements provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that Tianjin Yingrui and/or Tianjin Jiarui and/or the Registered Shareholders breaches any of the Contractual Arrangements, Sunac Real Estate may not be able to obtain sufficient remedies in a timely manner, and its economic interest in the relevant Target Shares could be materially and adversely affected.

The Contractual Arrangements may lead to an increase in the overall future tax burden of the Group due to factors such as consolidation adjustment or a change in the structure of the Contractual Arrangements. The Group will continue to pay close attention to this.

MITIGATION ACTIONS TAKEN BY THE COMPANY

In light of the risks set out above, the Company would work closely with its external legal advisers and consultants as well as the Registered Shareholders to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

In addition, it is the intention of the Company to unwind or partially unwind the Contractual Arrangements when the foreign ownership restriction in respect of the businesses of the Target Companies is lifted or relaxed, to the extent reasonably practicable or advisable for the Company to do so under the then applicable laws and the Group's prevailing circumstances. However, as at the latest practicable date prior to the publication of this report, such foreign ownership restriction remains subsisted in the PRC and therefore the Contractual Arrangements are still subsisting as at the latest practicable date prior to the publication of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year ended 31 December 2018 are set out in note 8 to the consolidated financial statements of the Group.

BORROWINGS

Details of borrowings during the year ended 31 December 2018 are set out in note 25 to the consolidated financial statements of the Group.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity.

As at 31 December 2018, the distributable reserve of the Company amounted to approximately RMB4,040,479,000.

FINANCIAL SUMMARY

A financial summary of the Group for the year ended 31 December 2018 is set out on page 4 of this annual report.

DIVIDEND POLICY AND FINAL DIVIDEND

DIVIDEND POLICY

The main objective of the Company's dividend policy (the "Dividend Policy") is to provide stable and consistent dividends for shareholders when supported by the Group's earnings while ensuring that sufficient financial resources can be maintained to fund the Group's business growth. According to relevant laws, regulations and the Articles of Association, the Company in general meeting may declare dividends in any currency to be paid to the shareholders of the Company but no dividend shall be declared in excess of the amount recommended by the Board. In deciding whether to propose a dividend payment to shareholders, the Board shall take into account the following factors:

- industry environment and internal and external factors that may affect the business and finance of the Company;
- financial position, operating results and future development prospectus and plan of the Company;
- statutory, regulatory and contractual restrictions;
- interests of the shareholders; and
- other factors the Board deem applicable and relevant.

The Board will continually review, revise and update the Dividend Policy from time to time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and shall in no way obligate the Company to declare a dividend at any time or from time to time.

FINAL DIVIDEND

The Board proposed to declare a final dividend of RMB0.827 per share in cash, approximately RMB3,645 million in aggregate, for the year ended 31 December 2018, which is expected to be paid on or about 18 July 2019 to shareholders whose names appear on the register of members of the Company as at 14 June 2019, subject to shareholders' approval at the forthcoming annual general meeting of the Company expected to be held on 4 June 2019 (the "AGM"). The proposed final dividend will be paid in Hong Kong dollars, such amount to be calculated by reference to the central parity rate published by the People's Bank of China for the conversion of RMB to Hong Kong dollars as at 4 June 2019.

There is no arrangement that any shareholder of the Company has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 30 May 2019 to Tuesday, 4 June 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on Wednesday, 29 May 2019.

For the purpose of determining the shareholders' entitlement to the final dividend, the register of members of the Company will also be closed from Tuesday, 11 June 2019 to Friday, 14 June 2019 (both days inclusive), during which period no transfer of shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted on at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on Monday, 10 June 2019.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, revenue attributable to the largest customer of the Group amounted to approximately 0.08% of the total revenue in the year and the five largest customers of the Group accounted for 0.32% of the Group's total revenue in the year.

For the year ended 31 December 2018, purchases attributable to the largest supplier of the Group amounted to approximately 17.81% of the total purchases in the year and the five largest suppliers of the Group accounted for 35.55% of the Group's total purchases in the year.

So far as the Board is aware, neither the Directors, their respective close associates nor any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

EQUITY LINKED AGREEMENTS

Save for the 2011 Share Option Scheme and 2014 Share Option Scheme as set out under the section "Share Option Schemes"and the Company's Share Award Scheme as set out under the section headed "Share Award Scheme" of this Report of the Directors, for the year ended 31 December 2018, the Company did not enter into any equity linked agreements.

BONDS ISSUED DURING THE YEAR

On 19 April 2018, the Company issued the 7.35% senior notes due 2021 with a principal amount of US$650 million (the "2021 Notes") and the 8.35% senior notes due 2023 with a principal amount of US$450 million (the "2023 Notes"). The 2021 Notes and 2023 Notes are listed and traded on the Singapore Stock Exchange. Details of issuance of the 2021 Notes and the 2023 Notes are set out in the Company's announcements dated 16 April 2018, 17 April 2018 and 23 April 2018. The proceeds had been fully utilized as intended for re-financing the Group's existing indebtedness and for other general corporate purposes.

On 27 July 2018, the Company issued the 8.625% senior notes due 2020 with a principal amount of US$400 million (the "2020 Original Notes"). Subsequently on 4 December 2018, the Company issued the additional 8.625% senior notes due 2020 with a principal amount of US$350 million (the "2020 Additional Notes" , which are consolidated with the 2020 Original Notes and form a "single series"). The 2020 Original Notes and the 2020 Additional Notes are listed and traded on the Singapore Stock Exchange. Details of issuance of the 2020 Original Notes are set out in the Company's announcements dated 24 July 2018, 25 July 2018 and 31 July 2018, and details of issuance of the 2020 Additional Notes are set out in the Company's announcements dated 29 November 2018, 30 November 2018 and 6 December 2018. The proceeds had been fully utilized as intended for re-financing the Group's existing indebtedness.

The purposes of the aforementioned bonds issuance were to optimize its debt structure and support a healthier and sustainable development of the Company. Details of the issuance of bonds by the Company for the year are set out in note 25 to the consolidated financial statements of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in the section headed "Share Award Scheme" of this Report of the Directors, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018. Details of movements during the year ended 31 December 2018 in the share capital of the Company are set out in note 20 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year ended 31 December 2018 and up to 28 March 2019 are set out below:

EXECUTIVE DIRECTORS

Mr. SUN Hongbin *(Chairman)*
Mr. WANG Mengde *(Chief Executive Officer)*
Mr. JING Hong
Mr. CHI Xun
Mr. TIAN Qiang
Mr. SHANG Yu
Mr. HUANG Shupin
Mr. SUN Kevin Zheyi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. POON Chiu Kwok
Mr. ZHU Jia
Mr. LI Qin
Mr. MA Lishan

The biographical details of the Directors and senior management are set out under the section "Biographies of Directors and Senior Management" of this annual report.

REPORT OF THE DIRECTORS

In accordance with articles 84(1) and 84(2) of the articles of association of the Company, Mr. TIAN Qiang, Mr. HUANG Shuping, Mr. LI Qin and Mr. MA Lishan shall retire by rotation at the AGM. Mr. TIAN Qiang, Mr. HUANG Shuping, Mr. LI Qin and Mr. MA Lishan, being eligible, have offered themselves for re-election as Directors at the AGM. The proposed re-appointment of these retiring Directors had been reviewed and recommended by the Nomination Committee with reference to the Nomination Policy and Board Diversity Policy as set out under "Nomination Committee" in the "Corporate Governance Report" of this annual report.

PARTICULARS OF DIRECTORS' SERVICE CONTRACTS

EXECUTIVE DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years. Either party has the right to give not less than three months' written notice to terminate the contract.

Each of the executive Directors is entitled to a salary and bonus payment, allowance and benefits-in-kind, at the discretion of the Board, and social welfare benefits provided under the relevant PRC laws and regulations. The aggregate amount of annual salary of the eight executive Directors currently holding office is RMB102,528,000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of two years. the aggregate amount of annual fees payable to the four independent non-executive Directors currently holding office under the appointment letters is HK$1.7 million.

None of the Directors has entered into specific service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers that each of the independent non-executive Directors, namely Mr. POON Chiu Kwok, Mr. ZHU Jia, Mr. LI Qin and Mr. MA Lishan to be independent.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2018 are set out in note 47 to the consolidated financial statements of the Group.

None of the Directors waived his emoluments nor has agreed to waive his emoluments for the year ended 31 December 2018.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the 2018 or at any time during the year ended 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2018, none of the Directors of the Company was considered to be interested in any businesses apart from the Group's businesses which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Schemes" and "Share Award Scheme", at no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS AND DIRECTORS

Mr. Sun Hongbin and Sunac International Investment Holdings Ltd ("Sunac International") (the "Covenantors") entered into a non-competition deed (the "Deed") dated 9 September 2010 in favor of the Company, pursuant to which each of the Covenantors undertook to the Company (for itself and on behalf of all members of the Group) that he or it may not, and shall use his or its best endeavors to procure that his or its associates will not, directly or indirectly, hold any interest, or be engaged or otherwise involved, whether for profit, reward or otherwise, in any business (the "Restricted Activity") which is in competition with, or is likely to be in competition with, the business carried on by the Group from time to time (the "Business") whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise, or take any action which interferes with or disrupts, or may interfere with or disrupt, the Business, including, but not limited to, solicitation of any of the customers, suppliers or employees of any member of the Group provided that there shall be no restriction on any of the Covenantors and/or his or its associates holding not more than a 5.26% interest in Sunco Property Holdings Company Limited or a 45% equity interest in 重慶亞太商谷物業管理有限公司 (Chongqing Asia Pacific Enterprise Valley Property Management Co., Ltd.) ("APEV Interest") or any shares or other securities in any company which conducts or is engaged in any Restricted Activity (the "Subject Company") if such shares or securities are listed on a stock exchange and the total number of shares held by the Covenantors and/or his or its associates in aggregate does not exceed 5% of the issued share capital of the Subject Company and:

(i) there is a holder (together, where appropriate, with its associates) holding a larger shareholding in the Subject Company than the aggregate shareholding held by the relevant Covenantors and/or his or its associates at all times; and

(ii) the total number of the relevant Covenantors' representatives on the board of directors of the Subject Company is not significantly disproportionate in relation to his or its shareholding in the Subject Company.

The Covenantors further undertake:

(a) not to appoint directly or indirectly any executive director in the Subject Company; and

(b) that if Mr. Sun Hongbin (through Tianjin Ying Xin Xin Heng Investment Consultancy Limited) decides to dispose of the APEV Interest or if he, it, and/or his or its associates receive any business investment or other business opportunities in relation to the Business (each a "Business Opportunity"), each shall refer any of such Business Opportunities to the Company first on a timely basis, subject to all applicable laws and regulations, and shall give written notice to the Company of the Business Opportunity within seven days for identifying the target company (if relevant) and the nature of the Business Opportunity, the investment or acquisition costs and understanding the details of all information reasonably necessary for the Company to consider whether to pursue the Business Opportunity.

The Deed shall terminate on the earliest of the date on which (i) the Covenantors and/or his or its associates shall cease to hold in aggregate 30 percent or more of the entire issued share capital of the Company or otherwise cease to be our controlling shareholder; or (ii) the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

Our independent non-executive Directors have reviewed, for the year ended 31 December 2018, the compliance by the Covenantors with their non-competition undertakings and, in particular, the right of first refusal in relation to the Business Opportunity as provided under the Deed. In this connection, the Covenantors have provided all necessary data, including without limitation, details of any proposed investment constituting the Business Opportunity, to the independent non-executive Directors for their review.

Each Covenantor has undertaken to provide all data necessary for (i) the annual review by the independent non-executive Directors in respect of his or its compliance with the Deed; and (ii) the enforcement of the Deed. Each Covenantor has made an annual declaration on compliance with the Deed for disclosure in this annual report.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2018, certain Directors and their close family members, and companies controlled by certain Directors and/or their close family members entered into transactions with the Group which are disclosed in note 43 (Related party transactions) to the consolidated financial statements of the Group. None of these related party transactions constitute a discloseable connected transaction of the Company under Chapter 14A of the Listing Rules or a connected transaction of the Company which is not fully exempted under Rule 14A.73 of the Listing Rules.

SHARE OPTION SCHEMES

The Company adopted the post-IPO share option scheme (the "2011 Share Option Scheme") on 29 April 2011, and also adopted a new share option scheme (the "2014 Share Option Scheme") on 19 May 2014.

THE 2011 SHARE OPTION SCHEME

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

The purpose of the 2011 Share Option Scheme is to provide an incentive for the employees of the Group to work with commitment towards enhancing the value of the Company and its shares for the benefit of all its shareholders and to attract and retain high caliber working partners who are or may be beneficial to the growth and development of the Group.

The principal terms and conditions (as amended) of the 2011 Share Option Scheme are summarized as follows:

(a) the maximum number of shares in respect of the share options that may be granted under this scheme (the "2011 Share Options") shall not exceed 99,900,000 Shares, or 3.33% of the total issued shares as at the 2011 Share Option Scheme Adoption Date;

(b) the total number of shares issued or to be issued upon exercise of the 2011 Share Options granted and to be granted to each eligible participant in any 12-month period must not exceed 1% of the total shares in issue, except with shareholders' approval;

(c) the 2011 Share Option Scheme shall be effective and valid for six years since the 2011 Share Option Scheme Adoption Date, unless it is early terminated by any resolution that the Board may pass;

(d) the 2011 Share Option Scheme shall be granted in accordance with the following schedule:

Grant Period		**Percentage of the total issued Shares as at the 2011 Share Option Scheme Adoption Date (i.e. 3,000,000,000 Shares, the "Total Issued Shares")**
The year commencing from the 2011 Share Option Scheme Adoption Date	(The "1st Grant Period")	1.33%
The year commencing from the 1st anniversary of the 2011 Share Option Scheme Adoption Date	(The "2nd Grant Period")	1% of the Total Issued Shares plus the 2011 Share Options not granted during the 1st Grant Period
The year commencing from the 2nd anniversary of the 2011 Share Option Scheme Adoption Date	(The "3rd Grant Period")	1% of the Total Issued Shares plus the 2011 Share Options available for grant but not granted during the 1st Grant Period and the 2nd Grant Period

(e) the subscription prices are subject to the absolute discretion of the Board which, however, shall not be lower than the highest of (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of offer of the 2011 Share Options (the "2011 Share Options Offer Date"); (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the 2011 Share Options Offer Date; and (iii) the nominal value of the Shares;

(f) the 2011 Share Options granted to each grantee shall vest in accordance with the following schedule:

Vesting Date	Percentage of the 2011 Share Options vested/ to be vested on the Vesting Date
(1) The 2011 Share Options granted during the 1st Grant Period	
Grant Date	30%
Upon the first anniversary date of the commencement date of the 1st Grant Period	An additional 30% (i.e. up to 60% in total)
Upon the second anniversary date of the commencement date of the 1st Grant Period	An additional 40% (i.e. up to 100% in total)
(2) The 2011 Share Options granted during the 2nd Grant Period	
Grant Date	30%
Upon the first anniversary date of the commencement date of the 2nd Grant Period	An additional 30% (i.e. up to 60% in total)
Upon the second anniversary date of the commencement date of the 2nd Grant Period	An additional 40% (i.e. up to 100% in total)
(3) The 2011 Share Options granted during the 3rd Grant Period	
Grant Date	30%
Upon the first anniversary date of the commencement date of the 3rd Grant Period	An additional 30% (i.e. up to 60% in total)
Upon the second anniversary date of the commencement date of the 3rd Grant Period	An additional 40% (i.e. up to 100% in total)

(g) the 2011 Share Options, once vested, shall be exercisable within a period commencing on the relevant offer date of the 2011 Share Options and ending six years from the commencement date of the relevant grant period during which the 2011 Share Options were granted;

(h) within five business days from the relevant 2011 Share Options Offer Date, each grantee shall pay to the Company HK$1.00 (or its equivalent in RMB) as consideration upon acceptance of the 2011 Share Options under the relevant 2011 Share Options Scheme.

During the year ended 31 December 2018, the details and changes of the 2011 Share Options Scheme were as follows:

Date of grant	Vesting date	Percentage of vesting	Expiry date	Exercise price per share (HK$)	Closing price before the date of grant (HK$)	Number of grant	Accumulated exercised number from the date of grant to 31 December 2018	Accumulated cancelled number from the date of grant to 31 December 2018	Accumulated lapsed number from the date of grant to 31 December 2018	Outstanding as at 31 December 2018	Number exercised during the year ended 31 December 2018	Weighted-average closing price before the exercise date during the year ended 31 December 2018 (HK$)
30/9/2011	30/9/2011 29/4/2012 29/4/2013	30% 30% 40%	28/4/2017	1.484	1.44	39,900,000	39,333,800	339,000	227,200	—	—	—
21/5/2012	21/5/2012 29/4/2013 29/4/2014	30% 30% 40%	28/4/2018	2.33	2.22	29,100,000	28,355,000	651,000	94,000	—	3,824,000	32.29
2/5/2013	2/5/2013 29/4/2014 29/4/2015	30% 30% 40%	28/4/2019	6.32	6.26	30,900,000	19,976,976	731,404	1,398,000	8,793,620	660,000	33.90
		Total				99,900,000	87,665,776	1,721,404	1,719,200	8,793,620	4,484,000	

During the year ended 31 December 2018, movements in the share options granted to Directors and employee under the 2011 Share Option Scheme were as follows:

Name of grantee	Granted on 30 September 2011	Granted on 21 May 2012	Granted on 2 May 2013	Granted in aggregate	Outstanding as at 1 January 2018	Exercised during the year ended 31 December 2018	Cancelled during the year ended 31 December 2018	Lapsed during the year ended 31 December 2018	Outstanding options as at 31 December 2018
Directors									
Mr. Sun Hongbin	2,600,000	400,000	—	3,000,000	—	—	—	—	—
Mr. Wang Mengde	2,300,000	1,300,000	1,600,000	5,200,000	2,900,000	1,300,000	—	—	1,600,000
Mr. Jing Hong	2,600,000	1,200,000	1,300,000	5,100,000	900,000	—	—	—	900,000
Mr. Chi Xun	2,600,000	1,200,000	1,300,000	5,100,000	—	—	—	—	—
Mr. Tian Qiang	—	1,200,000	1,300,000	2,500,000	600,000	600,000	—	—	—
Mr. Shang Yu	2,300,000	1,200,000	1,300,000	4,800,000	2,500,000	1,200,000	—	—	1,300,000
Mr. Huang Shuping	2,100,000	770,000	950,000	3,820,000	950,000	—	—	—	950,000
Senior management and employees	25,400,000	21,830,000	23,150,000	70,380,000	5,499,620	1,384,000	—	72,000	4,043,620
Total	39,900,000	29,100,000	30,900,000	99,900,000	13,349,620	4,484,000	—	72,000	8,793,620

THE 2014 SHARE OPTION SCHEME

The 2014 Share Option Scheme was approved and adopted by the shareholders of the Company at the annual general meeting held on 19 May 2014 (the "2014 Share Option Scheme Adoption Date"). The purpose of the 2014 Share Option Scheme is to enable the Company to provide an incentive for Directors, management and employees of the Group to work with commitment towards enhancing the value of the Company and its Shares for the benefit of the Shareholders and to attract and retain high caliber working partners whose contributions are or may be beneficial to the growth and development of the Group.

The principal terms and conditions of the 2014 Share Option Scheme are summarized as follows:

(a) the maximum number of Shares in respect of the share options that may be granted under this scheme (the "2014 Share Options") shall not exceed 166,374,246 Shares, or 5% of the total issued Shares as at the 2014 Share Option Scheme Adoption Date;

(b) the total number of Shares issued or to be issued upon exercise of the 2014 Share Options granted and to be granted to each eligible participant in any 12-month period must not exceed 1% of the total Shares in issue, except with Shareholders' approval;

(c) the 2014 Share Option Scheme shall be effective and valid for a period of five years from the 2014 Share Option Scheme Adoption Date, unless it is early terminated by any resolution of the Board or the Shareholders in general meeting;

(d) the subscription prices may be determined by the Board at its absolute discretion but shall not be less than the highest of (i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of offer of any 2014 Share Options (the "2014 Share Options Offer Date"); (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the 2014 Share Options Offer Date; and (iii) the nominal value of the Shares;

(e) the 2014 Share Options that are or may be granted to grantees shall be vested and exercisable in accordance with the following schedule:

- 30% of the 2014 Share Options may be exercisable from the 2014 Share Option Offer Date;
- an additional 30% of the 2014 Share Options (i.e. up to 60% in total) may be exercisable from the first anniversary date of the 2014 Share Options Offer Date;
- an additional 40% of the 2014 Share Options (i.e. up to 100% in total) may be exercisable from the second anniversary date of the 2014 Share Options Offer Date.

(f) 2014 Share Options, once vested, shall be exercised within a period of five years from the 2014 Share Options Offer Date;

(g) within five business days from the relevant 2014 Share Options Offer Date, each grantee shall pay the Company HK$1.00 (or its equivalent in RMB) as consideration when accepting the 2014 Share Options under the 2014 Share Option Scheme.

During the year ended 31 December 2018, the details and changes of the 2014 Share Options Scheme were as follows:

Date of grant	Vesting date	Percentage of vesting	Expiry date	Exercise price per share (HK$)	Closing price before the date of grant (HK$)	Number of grant	Accumulated exercised number from the date of grant to 31 December 2018	Accumulated cancelled number from the date of grant to 31 December 2018	Accumulated lapsed number from the date of grant to 31 December 2018	Outstanding as at 31 December 2018	Number exercised during the year ended 31 December 2018	Weighted-average closing price before the exercise date during the year ended 31 December 2018 (HK$)
	5/6/2014	30%										
5/6/2014	5/6/2015	30%	4/6/2019	4.07	3.96	33,267,000	22,053,500	1,363,400	359,000	9,491,100	1,350,000	30.23
	5/6/2016	40%										
	9/7/2015	30%										
9/7/2015	9/7/2016	30%	8/7/2020	7.27	6.34	33,267,000	11,715,500	900,280	914,520	19,736,700	713,200	29.92
	9/7/2017	40%										
	20/6/2016	30%										
20/6/2016	20/6/2017	30%	19/6/2021	4.62	4.56	39,920,000	11,338,500	590,000	152,000	27,839,500	2,968,500	25.43
	20/6/2018	40%										
	22/12/2017	30%										
22/12/2017	22/12/2018	30%	21/12/2022	30.25	30.25	59,920,246	164,000	483,000	207,000	59,066,246	164,000	35.99
	22/12/2019	40%										
		Total				166,374,246	45,271,500	3,336,680	1,632,520	116,133,546	5,195,700	

During the year ended 31 December 2018, movements in the share options granted to Directors and employees under the 2014 Share Option Scheme were as follows:

Name of grantee	Granted on 5 June 2014	Granted on 9 July 2015	Granted on 20 June 2016	Granted on 22 December 2017	Granted in aggregate	Outstanding as at 1 January 2018	Exercised during the year ended 31 December 2018	Cancelled during the year ended 31 December 2018	Lapsed during the year ended 31 December 2018	Outstanding options as at 31 December 2018
Directors										
Mr. Sun Hongbin	1,300,000	—	—	—	1,300,000	1,300,000	—	—	—	1,300,000
Mr. Wang Mengde	1,200,000	1,300,000	2,000,000	2,800,000	7,300,000	7,300,000	—	—	—	7,300,000
Mr. Jing Hong	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	5,400,000	—	—	—	5,400,000
Mr. Chi Xun	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	6,000,000	—	—	—	6,000,000
Mr. Tian Qiang	1,100,000	1,200,000	1,800,000	2,600,000	6,700,000	5,600,000	—	—	—	5,600,000
Mr. Shang Yu	1,100,000	1,200,000	1,500,000	2,500,000	6,300,000	6,300,000	—	—	—	6,300,000
Mr. Huang Shuping	1,100,000	1,100,000	1,800,000	1,830,082	5,830,082	5,830,082	—	—	—	5,830,082
Senior management and employees	25,267,000	26,067,000	28,820,000	44,590,164	124,744,164	84,509,564	5,195,700	543,000	367,400	78,403,464
Total	33,267,000	33,267,000	39,920,000	59,920,246	166,374,246	122,239,646	5,195,700	543,000[1]	367,400	116,133,546

Note1: Among these 543,000 cancelled share options, the exercise price of 60,000 share options is HK$4.62 per share and the exercise price of 483,000 share options is HK$30.25 per share.

SHARE AWARD SCHEME

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

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

For the year ended 31 December 2018, the trustee of the Share Award Scheme purchased 66,649,000 Shares from the open market at a total consideration of approximately HK$1.67 billion pursuant to the terms of the trust deed and the rules of the Share Award Scheme. As at 28 March 2019, on a cumulative basis, the trustee of the Share Award Scheme has purchased on the open market a total of 76,547,000 shares at the total consideration of approximately HK$1.90 billion.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2018, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules, are set out below:

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

Name of Director	Nature of Interest	Number of Ordinary Shares of the Company [2]	Approximate percentage of interest in the Company [3]
Mr. Sun Hongbin	Interest in controlled corporations [1]	2,091,329,884 (L)	47.46%
	Beneficial interest	10,090,000 (L)	0.23%
Mr. Wang Mengde	Beneficial interest	9,948,000 (L)	0.23%
Mr. Jing Hong	Beneficial interest	6,406,000 (L)	0.15%
	Interest in spouse	609,000 (L)	0.01%
Mr. Chi Xun	Beneficial owner	4,384,000 (L)	0.10%
Mr. Tian Qiang	Beneficial interest	3,202,000 (L)	0.07%
Mr. Shang Yu	Beneficial interest	1,550,000 (L)	0.04%

Notes:

1. These 2,091,329,884 Shares were held as to 2,042,623,884 Shares by Sunac International Investment Holdings Ltd ("Sunac International") and 48,706,000 Shares by 天津標的投資諮詢有限公司 (for identification only, Tianjin Biaodi Investment Consultancy Company Limited) ("Tianjin Biaodi"). The total issued share capital of Sunac International was held by Sun family trusts, 70% of which was held by the new family trust （"New Family Trust"） and the remaining 30% was held by two original family trusts. The new family trust was established by Mr. Sun Hongbin in December 2018, with South Dakota Trust Company LLC as the trustee and Mr. Sun Hongbin and some of his family members as the beneficiary. The two original family trusts were established in May and June 2018, respectively, the beneficiary of which were family members of Mr. Sun Hongbin. In accordance with the SFO, Mr. Sun Hongbin was deemed to be interested in the aforesaid Shares.

2. The letter "L" denotes the person's long position in such Shares.

3. Calculated on the basis of 4,406,133,709 Shares in issue as at 31 December 2018.

(II) INTEREST IN THE UNDERLYING SHARES OF THE COMPANY

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

Notes:

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

2. Calculated on the basis of 4,406,133,709 Shares in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 31 December 2018, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of Interest/Capacity	Number of Shares[1]	Approximate percentage of interest in the Company[4]
Sunac International	Beneficial owner	2,042,623,884 (L)	46.36%
South Dakota Trust Company LLC [2]	Trustee of a trust	2,042,623,884 (L)	46.36%
Ping An Bank Company Limited, Shanghai Pilot Free-Trade Zone Branch （平安銀行股份有限公司上海自貿試驗區分行）[3]	Security interest	1,589,549,451 (L)	36.08%
Ping An Bank Company Limited （平安銀行股份有限公司）[3]	Interest in a controlled corporation	1,589,549,451 (L)	36.08%
Ping An Insurance (Group) Company of China, Ltd. （中國平安保險（集團）股份有限公司）[3]	Interest in a controlled corporation	1,589,549,451 (L)	36.08%

Notes:

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

2. These 2,042,623,884 Shares were held by Sunac International. 70% of the issued shares of Sunac International were held by Sunac Holdings LLC. All issued shares of Sunac Holdings LLC were held by the New Family Trust. South Dakota Trust Company LLC was the trustee of the New Family Trust. The New Family Trust was established by Mr. Sun Hongbin and Mr. Sun Hongbin and some of his family members are the beneficiary. Mr. Sun Hongbin was deemed to be interested in all those 2,042,623,884 Shares by virtue of the SFO.

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

4. Calculated on the basis of 4,406,133,709 Shares in issue as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of Cayman Islands (being the jurisdiction in which the Company was incorporated) which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

As stated in the Company's announcement dated 26 June 2017, on 26 June 2017, Shining View Investments Limited ("Shining View"), an indirect wholly-owned subsidiary of the Company (as borrower), the Company (as guarantor), and Lead Star Holdings Limited, a direct wholly-owned subsidiary of the Company (as chargor), entered into a facility agreement (the "Facility Agreement") with Industrial and Commercial Bank of China (Asia) Limited (as lender) (the "Lender"), pursuant to which the Lender agreed to make available to Shining View a RMB1,000,000,000 term loan facility with a term of 3 years. Pursuant to the Facility Agreement, if Mr. Sun Hongbin, the controlling shareholder of the Company, (i) ceases to be directly or indirectly the single largest shareholder of the Company or (ii) ceases to control the Company, an event of default will occur in accordance with the Facility Agreement. As at 31 December 2018, the above specific performance obligation on the part of Mr. Sun Hongbin continued to subsist.

Save as disclosed above, as at 31 December 2018, there is no other matter which is discloseable pursuant to any requirements under Rule 13.21 of the Listing Rules.

CORPORATE GOVERNANCE OF THE COMPANY

The principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this annual report.

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development, description of possible business risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 5 to 7 of this annual report. Also, an analysis of the key financial indicators, and the interest rate risk and foreign exchange risk of the Group are elaborated in the Management Discussion and Analysis on pages 8 to 17 of this annual report, and the financial risk management objectives and policies of the Group can be found in Note 4 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2018 are provided in Note 45 to the consolidated financial statements. The five-year Financial Summary of the Group is provided on page 4. In addition, a discussion on the Group's environmental policies and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the section headed "Environment Protection" and "Compliance with Laws and Regulations" below and the Environmental, Social and Governance Report on pages 73 to 91 of this annual report, and our relationship with investors is stated in the Investor Relations Report on pages 40 to 41 of this annual report.

ENVIRONMENTAL PROTECTION

The Company has long considered environmental protection as one of its key priorities. During its business operations, the Company has used its resources prudently, employed reusable and eco-friendly materials and preserved greenery to fulfil its commitment to protect the environment. With reference to the GRI G4 Guidelines (the international standard formulated by the Global Reporting Initiative) as well as the Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide ("ESG Guide"), the Company has implemented measures to update its internal control system and strengthen the regulation and control of environmental protection initiatives. The Group is supportive of environmental protection, committed to comply with environmental protection regulations and dedicated to heighten the environmental awareness of its employees. Meanwhile, it also adheres to the principle of recycling and reducing and carries forward various initiatives to green the office, including replacing paper approval by electronic approval printing and copying double-sided, setting up recycling bins, advocating the use of recycled paper and reducing energy consumption by switching off idling lights and electronic appliances. The Company also encourages its shareholders to receive electronic communications through the websites of the Stock Exchange and the Company in order to save paper.

The Group will review its environmental protection activities from time to time and consider the further implementation of measures and practices on environmental protection in the Group's business operations, thereby enhancing environmental sustainability.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time, including but not limited to, contract laws and labour laws.

As far as the Company is aware of, the Group has complied with relevant rules and regulations promulgated by the relevant regulatory bodies to which the Group operates its business in and holds relevant required licences for the conducting of its business. The Group's management will endeavor to ensure that the conduct of business is in conformity with the applicable laws and regulations.

CHARITY AND DONATIONS

The Group is keenly aware of its corporate social responsibilities and has been actively involved in charitable activities. In 2018, the Group established Public Welfare Foundation and carried out sustainable industry-supporting and wisdom-fostering events through the three public welfare plans comprising the "Saplings Charity Program", the "Rural Revitalization Program" and the "Architectural Heritage Conservation Program" to fulfill social responsibility in a more active and systematic manner. Please refer to the "Environmental, Social and Governance Report" in this annual report for further information on our charitable activities.

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total of 38,040 employees in the PRC and Hong Kong. For the year ended 31 December 2018, the staff cost of the Group was approximately RMB7.55 billion.

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

In order to attract and retain excellent talents, the Company adopted the 2011 Share Option Scheme on 29 April 2011 and the 2014 Share Option Scheme on 19 May 2014 for granting share options to eligible persons (including employees of the Group) entitling them the right to subscribe for shares of the Company, details of which are set out on pages 61 to 66 of this report. Furthermore, the Company adopted the Share Award Scheme on 8 May 2018 for the award of shares to selected employees which will be held on trust by the trustee subject to vesting of the awarded shares, in each case in accordance with the trust deed and rules of the Share Award Scheme, details of which are set out on page 66 of this report. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness. The Group did not experience any major difficulties in recruitment of employees, nor did it experience any material loss in manpower or any material labour dispute for the year ended 31 December 2018.

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

PERMITTED INDEMNITY PROVISIONS

Pursuant to the articles of association, all directors or other key officers of the Company shall be entitled to be indemnified out of the assets of the Company against all of the Company losses or liabilities which they may sustain or incur arising from or incidental to the execution of their duties. The Company has taken out liability insurance for directors and senior officers over the years, which provides the directors and officers of the Group with indemnity assurance in respect of the potential liabilities arising from the Group's business activities.

SUBSEQUENT EVENTS

Details of significant events after 31 December 2018 are set out in note 45 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, there shall be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public.

Based on the information that is publicly available to the Company and to the knowledge of the Directors, as at the latest practicable date prior to the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor will be proposed at the forthcoming AGM of the Company.

For and on behalf of the Board
Sunac China Holdings Limited
Sun Hongbin
Chairman

Hong Kong, 28 March 2019

Note: In this report, the English names of the PRC entities marked with "*" are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

This is the Environmental, Social and Governance Report ("ESG Report") for 2018 issued by the Group. ESG report has been prepared by the Group through identifying and sorting vital stakeholders and the important issues they concerned about and collecting and sorting the relevant information and statistics. The purpose of this report is to disclose the management measures and the performance of the Group in the environmental, social and governance aspects during 2018.

PREPARATION BASIS

This Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("The Exchange") –"Environmental, Social and Governance Reporting Guide".

SCOPE OF THIS REPORT

The scope of this report is the year of 2018 (from 1 January 2018 to 31 December 2018) (the "Reporting Period"). The scope of disclosure of this report covers the main business of the Group: real estate development and property management services business. The environmental performance indicators cover the emissions produced and resources used by the direct operation of the headquarter of the Group, each of the companies at the regional and municipal levels as well as its real estate development projects and property management projects.

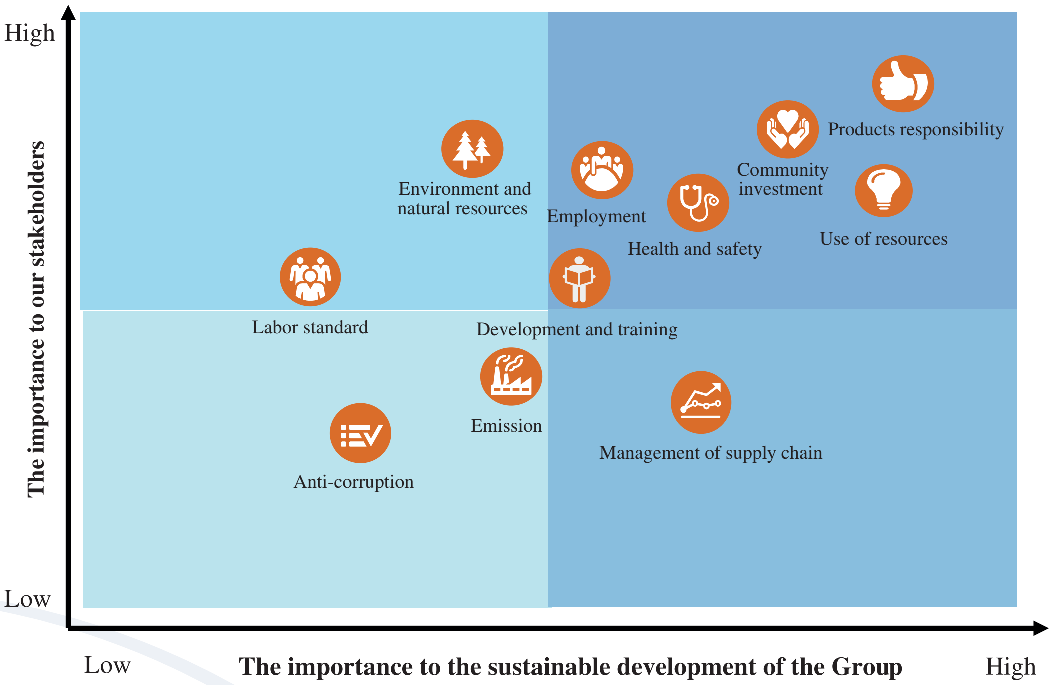
STAKEHOLDERS ENGAGEMENT

The sustainable development of enterprises shall not realize without the engagement and support of all stakeholders. The Group carried out communications and views exchange with stakeholders regarding sustainable development and related issues through various channels, and identified the issues that our stakeholders are most concerned about: "products responsibility" and "community investment"; relatively important issues: "use of resources", "health and safety", "employment", "development and training"; and the related issues: "emission", "environment and natural resources", "labor standard", "management of supply chain" and "anti-corruption". The Group constantly makes improvement on such issues in the normal course of business so as to address the concerns of our stakeholders, enhance trust and cooperation, and jointly promote the sustainable development of the Group and society.

Stakeholders	Major communication channels	Major concerns
Government and regulatory bodies	policy and guideline, daily communication, working conference, information disclosure and social public welfare activities	• Compliance with relevant laws • Tax paid according to law • Promotion of employment • Social contribution
Shareholders and investors	General meeting, investor forum, annual and interim report, announcement	• Operation results • Corporate governance • Information disclosure • Sustainable development
Employees	Staff meeting, training and activities	• Health and safety • Occupational development • Compensation and benefits
Suppliers	Contract negotiation, daily business transaction and project cooperation	• Fair cooperation • To adhere to commitment • Mutual benefits

Stakeholders	Major communication channels	Major concerns
Customers	Customer complaint hotline, customer satisfaction survey, customer service center, discussion and visits	• Quality of service • Handling of complaints • Protection of privacy
Business partners	Cooperation, communication and interaction	• Fair cooperation • Performance of contracts with integrity • Mutual growth
Communities and the public	Public welfare, community education and promotion, forum and commutation, enterprise recruitment publicity etc.	• Public welfare • Promotion of employment • Involvement in community construction

Based on the 11 areas as specified in the "Guidelines" issued by the Stock Exchange, the Company has evaluated the importance of various key areas to our internal and external stakeholders and identified major concerns of our stakeholders.



Management of Emission

The Group complies with the national and local laws and regulations such as the "Environmental Protection Law of the People's Republic of China", adheres to the concept of sustainable development comprehensively, optimizes operations and management, reduces resource consumption, pushes the implementation and development of green real estate so as to minimize the effects that will be caused by the operations of the Group.

THE OFFICE AREA

The Group vigorously promotes green office, adheres to the principle of recycling, reuse and waste reduction to reduce emission of carbon footprint from the office with an aim to enhance the utilization of resources and make continual progresses in the management of polluted emission. The Group continues to promote paperless office by double-sided printing and copying if printing needed. Office wastes will be collected centralizedly in waste classification and recycling bins. For recyclable items, they will be reused to avoid wasting.

PROPERTY DEVELOPMENT PROJECTS

The Group has compiled the "Environmental Work Standards for Construction Sites" in accordance with the relevant laws and regulations such as the "Construction Laws of the People's Republic of China", "JGJ 146-2013 Construction Site Environment and Hygiene Standards for Construction Projects" and "GB/T50378-2014 Green Building Evaluation Standards". It has standardized the environmental protection and emission management of the construction sites. These standards cover various aspects of on-site dust control, garbage disposal, earthwork construction environmental protection, and environmental monitoring, and can effectively strengthen the environmental management standards at the construction sites.

Dust control: In order to prevent and control the large amount of dust generated during the construction phase, the Group requires the contractors to take dust prevention measures during the process of operation:

- The main roads and vehicle access roads on the construction sites shall be hardened, and special personnel shall be arranged to sprinkle water every day to keep the roads wet;
- The soil and stones should be piled up in a centralized manner, and the bare sites and the soil and stones piled up in piles should be covered, solidified or greened;
- The dregs and wastes generated during the construction process shall be cleared once produced to minimize the exposure time of the bare soil and stones during the excavation process;
- The earthwork must be transported by vehicles in a closed or covered manner. No spills or leakages are allowed.

More than 80% of the projects under construction have currently been installed with fog cannon dust suppression equipment, and 20% of the special projects under construction have installed external frame spraying devices and road spraying devices. Through these measures, dust on the construction sites has been effectively controlled.

Noise Control: In order to reduce noise pollution, the Group strictly abides by the regulatory requirements of the "Law on the Prevention and Control of Environmental Noise Pollution" and "Emission Standard of Environment Noise for Boundary of Construction Sites" to strengthen noise management during the construction phase of the construction sites. Construction vehicles and machinery are strictly prohibited from honking trebly. It is forbidden to throw or tip the materials during loading and unloading, and construction operation at night should be avoided.

Emissions Disposal: The Group requires the contractors to collect and dispose the waste in a timely manner, and stack waste in an centralized manner. Wastewater and mud must be handled in a centralized manner prior to discharge so as to reduce environmental impact.

PROPERTY MANAGEMENT PROJECTS

The wastes generated by the Group's property management projects will be recycled and treated by qualified professional companies. These professional companies will be supervised and inspected to ensure the efficiency and quality of waste recycling. The domestic sewage produced by the property management projects is discharged into the urban sewage treatment plant through the urban pipe networks. The Group continues to implement the reuse technology of water, and put the treated domestic wastewater that meets the required standards for daily work such as the maintenance of green belts. At the same time, while maintaining the green belts, the Group encourages the use of more advanced sprinkler and irrigation method to replace the watering method consuming a large amount of water, thereby enhancing the water-saving effect.

EMISSIONS PERFORMANCE IN 2018

Emissions from the operations of the Group mainly include greenhouse gas from the use of energy, and non-hazardous wastes. The hazardous wastes generated during the operation are few ink cartridges, and all are recycled and reused by qualified professional companies, which is not involved in emission of hazardous wastes and the impact to the environment is immaterial.

Emission Performance Table[1]

Indicator	Performance
Total Greenhouse Gas Emissions (Scope 1 and Scope 2) (tons)[2,3]	88,346
Greenhouse Gas Emission Density (Scope 1 and Scope 2) (tons/Million in RMB Income)	0.72
Total amount of non-hazardous waste (tons)[4]	31,090
Density of non-hazardous waste (kg/Million in RMB Income)	253.34

Notes:

1. Based on the nature of the Group's business, gas emissions are mainly greenhouse gas generated from the use of fossil fuel-converted electricity and fuels.
2. The Group's greenhouse gas accounting scope mainly covers carbon dioxide, methane and nitrous oxide. Greenhouse gas emissions data are presented in CO2 equivalent and are calculated in accordance with the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (2006年IPCC國家溫室氣體清單指南).
3. Scope 1 of Greenhouse Gas: Covering the greenhouse gas emissions directly generated from the Group's operations; Scope 2 of Greenhouse Gas: "Indirect Energy" greenhouse gas emissions from the Group's internal consumption (electricity and heat purchased or obtained).
4. The non-hazardous wastes generated by the Group operation are recycled and treated by recycling companies. The non-hazardous wastes mainly include office/domestic wastes, waste electrical and electronic equipment, and kitchen wastes.

USE OF RESOURCES

The Group conscientiously implemented the relevant laws and regulations such as the "Law of the People's Republic of China on Conserving Energy"to reduce resource consumption and improve economic efficiency, and formulated relevant management regulations.

WORKPLACE

In order to achieve resource conservation in workplace and reduce the impact on the environment, the Group promotes sustainable office methods. The Group actively uses natural light, LED lights and other energy-saving and environmental protection methods for lighting and uses energy-efficient and low-energy appliances. The Group requires its employees to turn off the power after use and post energy-saving signs in conspicuous places. The Group also uses water-saving faucets in toilets and post tips to remind employees to save water.

PROPERTY DEVELOPMENT PROJECTS

The Group has vigorously promoted new construction techniques and based on the rapid construction system, it has used a large number of prefabricated components to reduce the waste of building materials in the production process. On the construction sites, the Group actively promotes the application of prefabricated partition boards using industrial waste as raw materials and improves the energy efficiency of enclosure structure, and tries to use new materials to replace natural stone and natural wood. The Group has extensively promoted the use of LED lighting to save energy. In the buildings and the basement of the construction area, LED energy-saving lighting lamp tubes are installed, and the wiring is reasonable and beautiful, which fully satisfies the light illuminance required for construction and traffic.

PROPERTY MANAGEMENT PROJECTS

In order to reduce the resource consumption in the property management region projects, the Group has formulated the "Energy Conservation Management Regulations", and various energy conservation products, energy conservation methods and water saving measures have been adopted in various property management projects, including: using LED lighting in public areas and adjusting the lighting time and brightness according to the change of the duration of day and night; using water-saving systems and water-saving equipment in public areas.

PERFORMANCE OF USE OF RESOURCES IN 2018

The resources used by the Group mainly include gasoline, diesel, purchased electricity, natural gas and water.

Resources Utilization Performance Table

Indicators	Performance
Total integrated energy consumption (MWh)[1]	154,185
Integrated Energy Consumption Density (MWh/Million in RMB Income)	1.26
Direct energy consumption (MWh)[1]	39,036
Gasoline (Litre)	2,385,116
Diesel (Litre)	213,198
LPG (kg)	521,133
Natural gas (m^3)	829,946
Indirect energy consumption (MWh)[1]	115,149
Purchased electricity (MWh)	115,149
Water consumption (tons)	3,978,784
Water consumption density (tons/Million in RMB Income)	32.42

Notes:

1. Total comprehensive energy consumption is derived from direct and indirect energy consumption based on the conversion factors as set out in the General Principles for Calculation of the Comprehensive energy Consumption (GB/T 2589–2008).

2. In view of the Group's operation characteristics, the key performance indicator A2.5-packaging materials for finished products is therefore not applicable to the Group.

ENVIRONMENT AND NATURAL RESOURCES

The Group has always regarded environmental protection as one of its key areas of work. The Group has always strictly complied with the relevant environmental protection laws and regulations, actively promoted using of sustainable and environmentally friendly materials, encouraged green construction and actively developed the green building, for providing comfortable living environment for customers while fulfilling our commitment to environmental protection.

GREEN BUILDING MATERIALS

In the project development process, the Group attaches great importance to the use of safe, healthy, energy-saving and environmentally friendly materials that meet the relevant national green environmental protection regulations. These materials have many features such as saving water and electricity, low harmful substances, and they will not harm the human body while ensuring performance.

GREEN CONSTRUCTION

The Group applies the management tools of the actual and real measurement and delivery evaluation for all of our projects under construction and implements strict construction quality management measures. Meanwhile, in active response to the relevant requirements of the state, provinces and municipals, we vigorously promote the application of industrialized construction technology, such as precast building components, finalized model, prefabricated internal partition wall and plastering-free so as to enhance construction quality and projects efficiency. Meanwhile, in strict accordance with the relevant regulations of the country and the characteristics of the industry, contractors are required to implement green construction, save resources as much as possible, and reduce negative impact caused by the construction activities on the environment and realize the objectives of "Four Conservation and One Environmental Protection" (i.e. energy conservation, land conservation, water conservation, materials conservation and environmental protection). While saving water, electricity and consumables, it has effectively reduced the dust, noise, and other pollutants discharged from the construction sites.

GREEN RESEARCH AND DEVELOPMENT

The Group is committed to the research of green construction technologies and green building. Currently, the Group has established specialized research and development bases in Chongqing and Shanghai for the innovation and research and development of new building materials, assembled interior decoration techniques, dry construction process, green construction materials, passive houses low energy consumption building and other relevant technologies.

GREEN BUILDING

The Group actively implements the green concept and it is committed to the development of green buildings. At present, the mainstream architectures designed by the Group all have met the requirements of One-star Green Architecture Design. For a healthy and environmentally friendly living and office environment of our customers, the Group has implemented strict full-cycle environmental management measures covering from design to operations in respect of its projects in various regions of the PRC, and has applied for and obtained a series of green labels in the industry, among which the Group has applied to America WELL for a healthy building certification in respect of the design of Xi'an Qujiangyin project and has designed and implemented Shijiazhuang Glorious Garden No.1 and Huancheng Shuixi 41# according to the Design Standards for Energy Efficiency of Passive Ultra-low Energy Consumption Residential Buildings (《被動式超低能耗居住建築節能設計標準》), and has obtained a LEED Gold Prize certificate in respect of Shanghai Gopher Center.

Case 1: Xi'an Qujiangyin Project

Xi'an Qujiangyin Project is located in Qujiang, Xi'an City: south of South Third Ring of the Phase 2 Section, west of new botanical garden and the north of Botanical Garden East Road. Apartment GFA of this project has at present been successfully applied and registered as the U.S. WELL Health Construction, and is the first international WELL health residential project in Xi'an. This Project mainly applies the following key green technologies:

Fresh Air Defrosting and Moistening System: the project provides each unit and public lobby with indoor type of fresh air system, offering 24-hour fresh air to property owners. Efficient filter is equipped to a level of 0.3 micrometer, by which over 95% of PM2.5 in the wind can be removed. It's also equipped with imported electrode humidifier with working accuracy within ±5%, satisfying indoor moistening needs in winter;

Environmental Decoration System: in this project, content of chemical pollutant (formaldehyde and TVOC) of more than 30 products (seven major types of products in total, such as paint, adhesive, wallpaper and other materials in fine decoration) has been analyzed and put under control, strictly meeting the environmental requirement of main and auxiliary materials, lowering the pollutant percentage from the source of materials and gaining control over construction precision material quantity;

Water Purifying and Softening System: the project is equipped with whole house water purifying and softening system, effectively removing residual chlorine, VOC, heavy metal and bacteria from water through a gradual filter process with use of: preset screening procedure + central water purifier + direct drinking water machine + softening water machine. Therefore, drinking water can be readily for direct drinking while calcium and magnesium ions can be effectively removed from soft water to lower the risk of equipment fouling and improve comfort experience of bath;

Healthy Lightening System: a healthy and comfortable lightening environment is created in this project, and it conducts an illumination simulation in design program, and mainly controls over lightness, shading angle and color rendering index, etc.;

Smart Community System: the project is based on IOT technology, realizing a smart community within which hardware of each system are connected with each other and property owners can enjoy living convenience and multiple life protection by the mere use of an APP.

Case 2: Shijiazhuang Glorious Garden No.1

Shijiazhuang Glorious Garden No.1 project is located in Shijiazhuang Hi-tech Industrial Development Zone, south of Changjiang Avenue, north of Xiangjiang Road, east of Xizhang Street and west of Alishan Avenue. The passive building design of the project is in accordance with the Design Standards for Energy Efficiency of Passive Ultra-low Energy Consumption Residential Buildings of Hebei Province (DB13(J)/T273-2018). The project mainly applies the following key green technologies:

More efficient exterior thermal insulation: the project applies the non-transparent perimeter support structure (including roofing and exterior wall) with a thermal conduction coefficient of no more than 0.15W/(m^2·K), and its main exterior thermal insulation materials are B1 grade graphite polystyrene boards (with exterior wall thermal insulation thickness of approximately 230mm and roof thermal insulation thickness of approximately 220mm), and it also uses non-thermal bridge anchorage parts;

More efficient exterior door and window system: the thermal insulation and airtightness performance of the passive doors and windows of the project has reached the highest level as set out in the national grading list for performance of exterior doors and windows of buildings (representing heat transfer coefficient of no more than 1.0 W/(m^2·K) for the exterior windows and exterior doors, and airtightness of level 8 for the exterior windows). Fire resistance integrity of the exterior doors and windows reaches 0.5 hours;

High efficiency heat recovery fresh air conditioning system: the passive residential buildings of the project apply environmental energy integrated machines, which provide functions of refrigeration, heating, fresh air and haze removal;

Better airtightness: the passive rooms of the project require a complete airtight layer surrounding the entire passive area and an airtightness level of $n50 \leq 0.6$ times per hour (in case of a pressure difference between the interior and the exterior of 50Pa, the air change per hour shall be no more than 0.6 times);

Peripheral protection structure with no thermal bridge: the project's thermal insulation layer is continuous, complete, and seamless. To avoid any damage to the continuity of the thermal insulation layer, when a pipeline must penetrate the layer, the hole of which should be enlarged for dense thermal insulation treatment.

In addition, the project actively implements the concept of Sponge City Construction, by setting up a rainwater storage pool with size of approximately 1000m^3, and a rainwater self-seepage system with area of approximately 245m^2 for the local landscape garden.

EMPLOYMENT

The Group's rapid development is based on the unremitting efforts of every employee, and the employees are also the foundation of the Group's sustainable development. The Group complies with laws and regulations such as Labor Law of the People's Republic of China and Labor Contract Law of the People's Republic of China. The Group implements a labor contract system, attaches great importance to human resources management, and strives to provide a working environment with fairness, health, safety, comfort and harmony to employees. In 2018, the Group has been granted by China Real Estate Association with three awards, namely "Best Employer in China's Real Estate Industry for 2018", "Best Human Resource Team in China's Real Estate Industry for 2018" and "Talent Cultivating Enterprise in China's Real Estate Industry for 2018", among which the award of "Best Employer in China's Real Estate Industry" has been granted to the Group for consecutive four years.

EMPLOYEE RECRUITMENT AND PROMOTION

The Group regards equal opportunities as the criteria and fully respects employees in different backgrounds during the recruitment process. There is no discrimination in the Group on the basis of age, gender, race, etc., and a fair and harmonious working environment is provided. In order to enhance the image of the Group as a good employer and improve talent introduction, the Group has formulated recruitment policies in accordance with the development plan and corporate culture. The Group's headquarters also provides guidance on the recruitment of sub-companies in various regions. The Group strictly implements the labor contract system and 100% of employees have signed labor contracts with the Group. The Group has established clear dismissal system and detailed the instructions for termination of employment in the labor contract. The Group strongly encourages the promotion of internal talents. Each year, the performance of employees is evaluated, assessed and graded.

The Group attaches great importance to the recruitment and training of college students by deepening the cooperation between schools and enterprises, actively exploring the channel of recruitment in schools and providing college students with various kinds of internship opportunities. The Group held the national campus marketing challenge contest for three consecutive years. In 2018, the Group was granted the "2018 Newly Emerged Excellent Employer Award" by liepin.com and the "2018 Outstanding Employer Award" by dajie.com, and was accredited as the "2018 Best Employer for Chinese College Students in Internship" and the "Employer Most Preferred by Chinese College Students in 2018" by shixiseng.com.

The Group has strictly complied with laws on prohibition of child and forced labor, and implemented stringent internal recruitment management system to prohibit any departments and employees from employment of child labor and forced labor. The Group did not identify any employment of child labor and forced labor in 2018.

REMUNERATION AND BENEFITS

By building a comprehensive salary system, the Group provides employees with competitive remuneration and adjusts the remuneration standards of employees according to market conditions year by year. At the same time, in order to implement the performance-oriented and market-oriented principles, the Group has established short-, middle-, and long-term performance appraisal and incentive systems to pay employees according to their capabilities and performance.

The Group is committed to creating a superior welfare system for its employees and has established a welfare system covering every employee's life, work and career cycle with an aim to create "big benevolence with small warmth":

- Employees enjoy a sound insurance system and the social insurance coverage rate of employees is 100%. The Group also provides supplementary commercial insurance, family physical examination, family commercial insurance and other supporting systems for employees with a goal to protect their physical and mental health in a comprehensive way;

- The Group has established an employee mutual aid association to provide financial assistance to employees or their lineal relatives who have financial difficulties due to serious illnesses or accidental injuries. The Group has designated May 4 as the donation day of SUNAC on which employees make donations for colleagues in need of financial help;

- The Group has established the "SUNAC Club" with an aim to set up a platform for employees to display their interests and hobbies, organize sports events and hold food parties, and thus give them the sense of enrichment created by work-life balance.

In 2018, the Group was the only real estate enterprise that was honored as the "Best Employer in Respect of Corporate Welfare in 2018".

WORKING HOURS

The Group regulates the number of working hours. During the working hours, employees are entitled to national statutory holidays, paid annual leave, marriage leave, maternity leave, breastfeeding leave and bereavement leave.

AN EQUAL AND MUTUAL-TRUST WORKING ENVIRONMENT

The Group is committed to creating a working environment with sound, harmonious and trustworthy atmosphere. It promotes equal cooperation among employees at all levels and provides employees with multi-channel communication platforms, including:

- **Comprehensive information release channels:** Employees can learn about the Company's business developments, important events and notifications at any time through the Group's website, instant communication tools and company e-mails;
- **Open-door and transparent management:** The Group has designed open office space for management to facilitate the communications between employees and management;
- **Considerate employee relations specialist:** The Group has opened a dedicated staff communication channel, specifically designated personnel in the HR Department to handle employee relations, and encouraged employees to give comments and suggestions;
- **Objective employee satisfaction survey:** Through cooperative companies, the Group has conducted employee satisfaction surveys in the form of questionnaires or interviews, and consulted employees on business, management and other aspects.

HEALTH AND SAFETY

The Group attaches importance to the occupational safety of its employees, strictly monitors and manages the health and safety hazards in all workplaces, also, the Group has established strict safety regulations. In addition, the Group organizes a free health examination for all staff members every year.

In 2018, the rate of work-related fatalities and the rate of work-related serious injuries were zero and zero, respectively.

HEALTH AND SAFETY IN OFFICE

The Group requires employees to know all kinds of safety labels of the Company, understand all the emergency exits and evacuation routes, and take good care of various types of safety equipment in the Company, including the fire-fighting facilities, and not to remove or possess such equipment and facilities casually.

For sudden calamity and work injury, etc., the Group has compiled the corresponding emergency measures, and requires employees to understand such emergency measures and handling procedures. If any unsafe condition has occurred, employees should report to the direct senior officer-in-charge and implement corresponding procedures immediately. To ensure a healthy working environment, the Company will carry out cleaning service to air-conditioning systems on regular basis, and clean and disinfect carpets periodically.

SAFETY OF PROPERTY DEVELOPMENT PROJECTS

The Group requires its contractors to comply with the regulations related to the safe production of construction projects, it has formulated appropriate safety plans to ensure the safety performance of construction facilities, and provided labor protection appliances and safety trainings for construction workers. The Group also imposes strict requirements on the employees of the Group at the construction sites. Employees must comply with safety regulations and pay attention to work safety. In order to improve safety operations skills and enhance accident prevention and emergency response capabilities, the Group requires employees to:

- participate in compulsory safety trainings and learn necessary first-aid knowledge;
- correctly wear and use labor protection equipment;
- faithfully implement safety regulations and operating procedures; and
- avoid inappropriate and risky operations.

DEVELOPMENT AND TRAININGS

The Group provides posts that promote the personal growth of employees based on their work experience, professional direction and personal interests. The Group focuses on growing together with employees, and providing smooth dual-channel career development and comprehensive and multi-level trainings. The Group promotes and supports the full development of employees, and continuously improves the internal development capacities of the organization. In 2018, the Group established the SUNAC school with a view to focusing more on staff tutoring and corporate growth and development.

In 2018, approximately 350,000 person-time have participated in the Group's trainings. In order to effectively enhance the overall quality of the Company's talents, the Group has carried out centralized trainings according to the real conditions of various employees, such as:

Creators' cultivation: For the campus recruited employees, the Group rapidly promotes their growth through senior executives' exchanges, mentors' career development guidance, skillful workers' business guidance, predecessors' Baton Plan, business course trainings, and challenging task trainings;

New employee training: The training course provides new employees with information about the Group's strategy, culture, products, business operations, and system requirements, assists new employees in adapting to the working environment, enhances their professional skills, and deepens their understanding of the Group's culture and systems;

Professional training: In order to make it easier for employees to adapt to their job functions and development requirements of the Group, the Group has conducted various forms of internal and external trainings to enhance the professional capabilities of employees;

Leadership training: The Group regularly organizes systematic management trainings and high-level management's teaching and exchange activities to enhance management personnel's control on the management process, improve their strategic planning capabilities, and deepen their understanding of practical work;

Online learning: In 2018, the Group launched an internal staff online learning platform named "SUNAC E-learning". The online platform had 1,032 courses, 7,277 documentary materials and 258,856 learners, and helped to mobilize staff's enthusiasm in self-learning and improve training efficiency;

Anti-corruption education: The Company attaches great importance to the construction of employees' awareness of anti-corruption and self-discipline, and carries out online and offline special trainings to ensure that every employee of the Group completes the training at the beginning of his or her employment and signs the Employee Probity Agreement.

SUPPLY CHAIN MANAGEMENT

The Group actively cooperates with suppliers and maintains a sustainable supply chain to facilitate their compliance with the Group's standards on business ethics, environment, health and safety. The Group has been consistently adhering to the principles of fairness, transparency and impartiality in tenders and procurements, and formulated rules and systems to ensure the traceability of choice, management and assessment of suppliers. The system serves on the foundation of sustainable and mutual relationship between supplier and the Group. The Group expects suppliers will comply with relevant laws and regulations on environmental protection, occupational health and safety and encourages the use of green products.

For daily management of suppliers, the Group emphasizes mutual communication, including regular communication, mutual visits by senior management on non-regular basis, and exchange on project technologies, etc., to safeguard the stable and sustainable development of relationship. In practice, for project operation both parties shall sign the "Anti-corruption Agreement" (廉潔協議) formulated by the Company as an annex to the Contract on Supply of Goods of the project to ensure the compliance with integrity, self-discipline, as well as compliance with law and disciplinary requirements of supplier and engineering management staff during goods delivery.

PRODUCT RESPONSIBILITY

The Group has attached great importance to providing customers with high-quality products and services, and on this basis, it has continued to improve and perfect relevant abilities. During the entire production and service cycle of project planning, construction and delivery, the Group strictly controls product liability and strives to provide high-quality products.

CONSTRUCTION PRODUCTS QUALITY

In order to guarantee the quality of construction products, the Group has formulated the Quality Internal Control System that is stricter than the national quality standards, including more than 1,500 sub-items of eight categories, such as the quality of civil engineering projects and the assessment of project risk sources, involving raw material selection, infrastructure construction, decoration and other aspects, to ensure that the products' excellent quality.

At the same time, the Group requests contractors to carry out the construction activities strictly in accordance with the contract requirements and relevant standards and specifications, and it has set up an internal self-inspection system. The Group's Project Management Center will conduct regular inspections on contractors. In addition, the Group also invites independent third party testing agencies to conduct regular inspections and evaluations on civil works, doors, windows, curtain walls, refined decorations and gardens, and provides quality assurance for products during all stages (from production to delivery to post-delivery stage).

In 2018, the Group's Wuxi Comphorwood Mansion (無錫香樟園) Project won the China Construction Engineering Luban Prize (中國建設工程魯班獎), which is the highest honor for engineering quality in China's construction industry. Wuxi Comphorwood Mansion Project won this honor as the only residential property project in Wuxi, indicating that the project was at the top leading position in terms of construction quality among similar projects in the whole country and representing the high recognition from the industry on the product quality of the Group.

In 2018, the Group's Jinan Fortune Garden (濟南財富花園) Project won the China Civil Engineering Zhantianyou Award (中國土木工程詹天佑獎), which is a prize approved by the Ministry of Science and Technology and recognized by the Ministry of Construction. The purpose of the award is to recognize and reward projects that have made remarkable achievements in scientific and technological innovation and application of new technologies. Only about 20 awarded projects are selected among the construction projects across the country every year. Jinan Fortune Garden Project developed six innovative technologies during the process of construction and adopted 8 major new technologies and 15 minor new technologies currently adopted by the construction industry. Winning the honor among hundreds of excellent innovative projects across the country means that the project represents the top leading level of China's residential property construction industry, whether in terms of technological innovation and the application of new technologies or in terms of the presentation of engineering quality.

CHINESE-STYLE PRODUCT SERIES

In 2018, the Group launched a series of Chinese-style products which adopted Chinese architecture styles with innovations to make a better representation of traditional lifestyles. The Chinese-style product series includes, amongst others, the Taohuayuan series (桃花源系) adopting the style of Ming and Qing dynasties and Yihe series (宜和系) presenting a modern expression of traditional spirits.

Among which, the Taohuayuan series is based on the concept of building an "oriental treasure and world paradise (東方瑰寶，世界桃園)" that is filled with Chinese architectural features. It aims to convey the spirits of Chinese literati that last for thousands of years with gardens, trees and flowers and create a global collection of Chinese-style villas.

Suzhou Fairy Land (蘇州桃花源)

The Yihe series is the development of innovative genes in Chinese culture. With the "traditional spirit, contemporary expression (傳統精神，當代表達)" as the core, while respecting the inheritance of traditional culture, it integrates the aesthetic trend with international consciousness, takes the lead in the modern space, form, materials and technology, expresses the charm of oriental aesthetics and builds residence model of new era of China.

Hangzhou Yi He Yuan (杭州宜和園)

The Group attaches great importance to the protection of intellectual property rights, intangible assets and corporate reputation. Through a sound trademark management system, the Group's Legal Control Center safeguards the intellectual property rights and trademark applications, registrations, enrollments, changes, renewal, and annulments involved in the daily operations of regional companies, city companies and project companies. For trademark infringement and unfair competition practices conducted by cooperative companies, the Legal Control Center will take timely measures and actions to safeguard the Group's legitimate rights and interests.

PROPERTY MANAGEMENT SERVICE QUALITY

The property service of the Group has Level I qualification of property management and the Group is a standing council unit of the China Property Management Institute. With the brand proposition of "commitment to excellence and beauty (至善，致美)", the Group strives to become the first choice of Chinese families as a "quality life service expert". In 2018, Sunac Property Management Service Group Co., Ltd ("Sunac Property Management Service Group"), a wholly owned subsidiary of the Company engaged in property management services in the PRC, has been awarded the honours of Top 12 of China's Property Service Top 100 Enterprises in 2018, Top 5 Operating Performance of China's Top 100 Property Companies in 2018, Leading Enterprise in Service Quality of China's Top 100 Property Companies in 2018, Top 10 Growth of China's Top 100 Property Companies in 2018 and Top 10 Service Quality of China's Top 100 Property Services Companies.

With the philosophy of "sincerity, concentration, quality and excellence (臻心、專注、品質、卓越)", Sunac Property Management Service Group adhered to the development strategy of regional penetration and high-quality services and was devoted in creating the standard of service in each city. Sunac Property Management Service Group focused on the eight major regions of Beijing, Northern China, Shanghai, Southwestern China, Southeastern China, Guangzhou and Shenzhen, Central China and Hainan to provide comprehensive and excellent services of high quality to customers. Sunac Property Management Service Group implemented a 1.0 version of the property service system and brought quality service to the entire country.

Sunac Property Management Service Group is based on a regulated and established property management system. The Company and its management projects have passed the SGS quality management system certification and focused its services on Sunac high-end communities. With an international and scientific operating management philosophy, a quality and professional service team was built to provide quality services that exceeds the expectation of customers and to lead the way to better urban habitat.

CUSTOMER COMMUNICATION AND INFORMATION PROTECTION

The Group attaches great importance to customer complaints and feedbacks, and has established a customer service system, a specialized customer complaints processing system, a complaints hotline and a complaints mailbox to deal with daily customer complaints promptly. Sunac Property Management Service Group also regularly sends personnel to conduct overall surveys on customer opinions and analyzes, evaluates and adjusts the service quality in conjunction with customer opinions.

In respect of the protection of customers' privacy information, the Group has designated customer information privacy management specialists to manage the confidentiality of projects involving customer identity, telephone number and other personal privacy information. After input into the information system, some numbers and information fields of customers' privacy information will be hidden, strict authorization and authority management are implemented for access to customer information, and relevant system operation data will be recorded. At the same time, the Group conducts regular checks on the implementation of the customer information confidentiality system to ensure that the relevant measures are implemented effectively and in compliance with relevant laws and regulations.

During the reporting period, the Group's operations at all significant levels have complied with all relevant laws and regulations relating to the health and safety, advertisements, labels, and privacy issues of products and services.

ANTI-CORRUPTION

The Group has zero tolerance for corruption and bribery behavior. Our Internal Audit System (內部審計制度) and Audit and Punishment Management System (審計處罰管理制度) have detailed the regulations for complaints and reporting, and codes for professional ethics for Staff to follow. The Group has strived to comply with national and local laws and regulations and various internal rules of the Company during the course of operation; any forms of bribery, extortion, fraud and money laundering are prohibited. The Group requires all employees to strictly comply with discipline and law in the ordinary course of business and adhere to the principles of integrity and morality, including:

THE PRINCIPLES OF INTEGRITY AND MORALITY

- No one should commit fraudulent, dishonest or other illegal activities in the ordinary course of business, and no one should, for the benefit of his personal interest, prejudice the interests of other parties, the Company and the shareholders; and
- Provision of false or intentionally misleading information to the Company internally or externally is forbidden, the information disclosure system of the Company should be strictly complied with.

GIFTS AND ENTERTAINMENT

- Employees and their family members must not accept or give gifts and entertainment that may affect their business decisions and independent judgment, acceptance of cash or cash equivalent gifts is prohibited; and
- Employees shall strictly comply with laws, regulations and regulatory requirements on commercial acts relating to anti-bribery, distinguish between normal business dealings and improper trading behavior, firmly rectify and suppress improper trading behavior in operating activities in violation of commercial morality and market rules, and cooperate with regulatory authorities to investigate and handle illegal commercial bribery cases in accordance with the law.

STAKEHOLDERS

- In business cooperation with business partners, all employees of the Group shall consciously protect the legitimate interests of the Company, strictly comply with legal requirements against unfair competition, monopolistic behavior, corruption and bribery, strictly enforce the relevant rules and procedures of the Company for the preparation of commercial contracts, and avoid commercial risks; and
- Employees should respect cooperative partners, and any infringement against legitimate interest of cooperative partners is strictly prohibited.

The Group joined the China Enterprise Anti-Fraud Alliance in 2016, and has actively participated in anti-fraud work communication. In 2018, the Group required all employees to sign the "Employee Integrity Agreement" to strengthen anti-corruption management. The Group regularly conducts anti-fraud training to employees in order to establish the value of integrity. In 2018, the Group launched 85 training sessions on integrity culture for new employees, and conducted 50 special training sessions on integrity culture.

The Group encourages and protects any employee who reveals illegal, non-compliant and dishonest behaviors within the Company. The risk management and control center of the Group is responsible for receiving reports on fraudulent behavior. Employees who have violated the relevant provisions will be penalized. The audit and internal control department of the Group is responsible for receiving reports of fraudulent practices, setting up designated post to collect and deal with reported content and report them directly to the head of department; establishing information system of whistleblowing management, implementing hierarchic management of authority, controlling the scope of the knowers, strictly keeping reported content confidential, and protecting whistle-blowers; updating the Audit and Punishment Management System (審計處罰管理制度) and punishing employees who threaten and retaliate against whistle-blowers.

During the Reporting Period, the Group has not identified any irregularities with respect to bribery, extortion, fraud and money laundering which has a material effect on the Group.

COMMUNITY INVESTMENT

As a "social citizen for better lifestyle", the Group wishes to actively fulfill social responsibilities while providing a better lifestyle for Chinese families. The Group will contribute to social welfare development in China through continuous efforts.

PUBLIC WELFARE

On 8 August 2018, the Sunac Foundation, which was initiated and funded by the Group, was formally approved for establishment by the Tianjin Civil Affairs Bureau. Through the foundation, the Group is committed to upgrading corporate charity from single donation and relief to composite and sustainable industry support and education support and integrating resources of enterprises and society to form a multi-dimensional public welfare system, and participating in the development of the public welfare in China in various aspects.

融创公益基金会 SUNAC FOUNDATION

During the reporting period, the Sunac Foundation conducted public welfare activities in the key fields of education, rural revitalization and architectural heritage conservation.

EDUCATION SUPPORT

Based on its Group's resources, the Group facilitated balanced development of urban and rural education, promoted the development of children in poverty-stricken areas, and launched the comprehensive poverty alleviation through education and intellectual education projects "Saplings Charity Program". In addition to continuing to repair and build hardware facilities and donate Love Book House, the Group focused on the integration of software education resources to enhance the quality education in rural areas, such as creating fun classrooms for children and donating Yingmiao Libraries. As at the end of 2018, the program has built 34 Yingmiao Libraries, and donated more than 30,000 books, stationery and sporting goods and school supplies, and a primary school in Daliangshan, Sichuan.

In 2018, the Group continued to enrich the content of the "Saplings Charity Program", and provide various support to poverty-stricken areas in an in-depth, long-term and sustainable manner through various activities including donation of Yingmiao Libraries, talent development program and Yingmiao summer camp.

RURAL REVITALIZATION PROGRAM

The "Rural Revitalization Program" is a comprehensive poverty alleviation program that integrates industry, cultural and tourism, cultural heritage and education. Combining the industrial advantages of the Group and respecting the original features of villages, the project will comprehensively build culturally distinctive villages, lead villagers out of poverty and establish a sustainable development model to enable villages rely on comprehensive industries and original ecological culture to achieve sustainable development by exploring and inheriting rural cultures.

On 18 August 2018, the signing ceremony of "Sunac China's Pairing Helping Longtang with Precision Poverty Alleviation" was held in Leishan County, Guizhou Province. The Group, the People's Government of Leishan County of Guizhou Province and the YouChange China Social Entrepreneur Foundation jointly signed a memorandum in relation to the tripartite cooperation in the "Rural Revitalization Program" of Longtang village. The Group will establish a long-term mechanism and combine advantages in architecture, design and cultural and tourism industries to help whole Longtang village to get rid of poverty from four aspects of cultural and travel focus, industrial development, cultural activation and education assistance to create "Longtang Sample" of rural revitalization.

ARCHITECTURAL HERITAGE CONSERVATION PROGRAM

Architectural heritage is an important part of cultural heritage and a non-renewable cultural resources. Protecting architectural heritage to enable it maintained through the ages is a common obligation of the whole society and the whole people.

Over the years, through the construction of Chinese-style projects such as Taohuayuan, the Group has cooperated with Xiangshan group, "national craftsmen" of intangible cultural heritage, to study ancient architecture systems and accumulated substantial processes and techniques on traditional Chinese-style architecture. With these accumulations, the Group undertakes the responsibility and obligation to protect and repair national historic architectural heritage.

As a cultural charity project developed by Sunac Foundation to protect traditional architectures of the PRC and inherit architectural heritage culture, "Shanzhu China (善築中國)" will combine the industrial advantages of Sunac and cooperate with the architectural heritage protection authorities to restore the historical features and cultural values of architectures and enable architectural heritage to re-enter the public view to let the public feel the beauty of Chinese culture.

HARMONIOUS COMMUNITY

WALKING FUTURE

The Group has consistently organized "Walking Future" (健走未來) activities in various regions of the PRC and invite property owners' households to join in to create a healthy and positive community culture of Sunac through the participation in sports such as jogging and fluorescent night-time running. In 2018, together with public welfare activities, the "Walking Future" was launched in more than 30 cities in China with about 30,000 people participating, which achieved the charitable target of 30 cities, 300 million steps and 30 Yingmiao Libraries.

SHELL PROGRAM

The Shell Program is a series of branded activities organized by the Group specifically for children of property owners, that promote family interactions and care for healthy physical and mental growth of children, and is an important component of Sunac's community culture. The Shell Program is organized every summer, including, among others, children's oil painting interest-oriented classes, children's health and safety lectures, swimming training classes, children's second classroom and children's fun sports game, which created large parties for "exploring the unknown and the dream of children(探索未知、童夢奇緣)" for nearly 10,000 children of property owners of the Group in China. During the National day holiday period, the Group also organized the first "Shell Camp" activity, which brought about an unforgettable fairy tale journey for children in the beautiful Xishuangbanna.

NEIGHBOURHOOD PROGRAM

The Neighbourhood Program is designed to build up friendship in the neighbourhood and create a happy and harmonious community culture of Sunac through diverse activities in various project communities.

In 2018, through various forms of activities, the Group not only organized featured IP activities such as neighborhood banquets and fun game, but also invited the owners to participate in the outdoor activities to enjoy the beauty of nature. In addition, the activities including hand-making of lacquerware, clayware, illustrations and circular fan, classic movie and concert appreciation, coffee tasting and Sunac school have enriched the lives of the owners, enhanced neighborhood communication and promoted the construction and development of a better community. On the basis of the traditional neighborhood activities with advantages, the Group brought about new thinking and innovation from the perspective and needs of the customers and explored the new "interactive" mode in the community.

INDEPENDENT AUDITOR'S REPORT

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 97 to 230, 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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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	 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 97 to 230 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 comprehensive income should be read in conjunction with the accompanying notes.

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 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

	Note	Attributable to owners of the Company						
		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 RMB'000	2017 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 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 properties 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.

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				Total
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	
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 December 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	2017
	RMB'000	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 (e.g. 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 contracts	**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.

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.

(iii) 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	Vehicles	Furniture and office equipment	Leasehold Improve-ments	Construction in progress	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 tax 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:

	2018 RMB'000	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	Shares capital 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 October 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	2017
	RMB'000	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

	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 Dalian Wanda Commercial Properties Co., Ltd. ("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. The gains from this acquisition, amounting to RMB 2,786 million, was due to the fact that consideration for the acquisition was lower than fair value of net identifiable assets acquired. The consideration is determined after arm's length negotiations between the parties with reference to the net assets value of Chongqing Wanda (estimated by Wanda Commercial).

(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)

41 Business combination *(continued)*

(C) The amounts of revenue and profit or loss of these new acquired subsidiaries since the acquisition date include in the consolidated statement of comprehensive income for this reporting period are summarised as follows:

	Chongqing Wanda RMB'000	Wanda Management Companies RMB'000	Others RMB'000	Total RMB'000
Revenue	4,079,097	6,181	8,828,111	12,913,389
Net profit/(loss)	496,693	(19,686)	8,066	485,073

If the acquisition date for all business combinations that occurred during the year ended 31 December 2018 had been as of the beginning of this annual reporting period, the Group's consolidated revenue and consolidated profit for the year ended 31 December 2018 would have been RMB 127,950 million and RMB 17,907 million respectively.

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 *(continued)*

(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 RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share Options expenses RMB'000	Employer's contribution retirement benefit scheme RMB'000	Other benefits RMB'000	Compensation for loss of office as director RMB'000	Total 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

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