2019

INTERIM REPORT

Sunshine 100 China Holdings Ltd

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2608

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yi Xiaodi *(Chairman)*
Mr. Fan Xiaochong *(Vice Chairman)*

Non-executive Directors

Ms. Fan Xiaohua
Mr. Wang Gongquan

Independent non-executive Directors

Mr. Gu Yunchang
Mr. Ng Fook Ai, Victor
Mr. Wang Bo

AUDIT COMMITTEE

Mr. Ng Fook Ai, Victor *(Chairman)*
Mr. Gu Yunchang
Mr. Wang Bo

REMUNERATION COMMITTEE

Mr. Wang Bo *(Chairman)*
Mr. Fan Xiaochong
Mr. Gu Yunchang

NOMINATION COMMITTEE

Mr. Yi Xiaodi *(Chairman)*
Mr. Gu Yunchang
Mr. Wang Bo

JOINT COMPANY SECRETARIES

Dr. Ngai Wai Fung
Mr. He Jie

COMPANY'S WEBSITE

www.ss100.com.cn

AUTHORISED REPRESENTATIVES

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Dr. Ngai Wai Fung

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AUDITOR

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China Everbright Bank
China Minsheng Bank
Huaxia Bank
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Industrial and Commercial Bank of China

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LISTING INFORMATION

Place of listing: The Stock Exchange of Hong Kong Limited
Stock code: 2608

Chairman's Report

I am pleased to present the business review and outlook of Sunshine 100 China Holdings Ltd (the "**Company**" or "**Sunshine 100**", together with its subsidiaries collectively the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**") to the shareholders of the Company.

RESULTS

In the first half of 2019, the Group realized contracted sales in the amount of RMB3,787.9 million and a contracted sales area of 312,441 square metres. As the Company strengthened its efforts in the sales of non-residential products, contracted sales of commercial properties and car parks contributed RMB1,559.8 million, accounting for 41%, representing an increase of 27.0% as compared with the corresponding period of the previous year. As compared with the first half of 2018, income slightly decreased by 3.0% to RMB3,594.6 million, gross profit increased by 20.2% to RMB811.0 million, and gross profit margin rose by 4.4 percentage points to 22.6%.

In the first half of the year, the Group implemented the asset structure adjustment strategy to accelerate the destocking of land reserve. Gains on the equity transfer of two non-core projects in Chongqing and Qingyuan of Guangdong Province respectively led to a substantial increase of 77.4% in net profit to RMB793.1 million, with net profit margin up by 10 percentage points to 22.1%. Profit attributable to equity shareholders recorded an increase of 5.9% to RMB329.8 million. In addition, transactions involving disposal of assets also improved the debt structure, overall liquidity and asset structure. As at the end of the first half of the year, the Company's cash and cash equivalents increased by 35.2% to RMB3,499.0 million as compared with the end of 2018, total interest-bearing liabilities decreased by 11.3% to RMB26,336.3 million, and net gearing ratio (which is total loans and borrowings plus total lease liabilities minus cash and cash equivalents and current restricted deposit, divided by total equity) substantially decreased by 55.5 percentage points to 206.1%. We believe that with the gradual receipt of proceeds from disposal of assets, the Company's financial structure will be further optimised and its core competitiveness will be continuously enhanced.

BUSINESS REVIEW

Over the recent years, China has maintained regulation and control over the real estate industry, and the restrictions on price and sales and financing crunch are gradually normalizing. In addition, the residential market is approaching saturation and with the homogeneous competition in the industry intensifying, resulting in shrinking profits. In response to the market changes and severe survival environment, the Company has gradually switched its focus to the non-residential market in recent years, and considers innovative products in market segments as a future profit growth driver of the Company. Since the beginning of the year, we have further consolidated and enhanced the advantages of our core products by continuously promoting the transformation of our business model. Relying upon high-quality land reserve, we capitalised on market opportunities through disposal of the equity interest in some of our residential projects. With the receipt of sales proceeds, we proactively reduced our debts and substantially improved our profit and financial structure. In addition, we actively deploy new projects which focused on our core product lines, thereby laying a solid foundation for the steady growth of business for the coming year and onwards.

Promoted the Transformation of Business Model to Enhance the Competitiveness of Our Core Products

The mixed rental and sales business model is key to the sustainable development of non-residential core products of Sunshine 100. This business model is characterised by securing income through high premium sales, which is in turn re-invested in the operation service platform, and to ensure quality and continuous receipt of operating income through unified after-sales management. Such business model has been developed based on the Company's long-term exploration of commercial street products. The 12 street projects we have developed so far have generally delivered satisfactory development and operating results without failure. It has been proved by practice that in the market environment of "high interest and low rent", the mixed rental and sales business model enables Sunshine 100 to effectively replicate its non-residential products, thus forming a virtuous product cycle. Since the beginning of the year, the mixed rental and sales business model has continuously achieved new success in our products at Himalaya projects and Cultural Blocks.

The Himalaya product line, which the Company has focused on expanding over the past two years, has achieved satisfactory sales performance with its high-quality and high-value brand image, and has become one of stable performance contributors of the Company. In the first half of the year, the contracted sales of 5 Himalaya projects for sale amounted to approximately RMB383 million, with an average selling price of approximately RMB22,000 per square metre. With the opening of sales channels, the de-stocking of Himalaya projects has been accelerating. Since the beginning of 2019, the Himalaya projects have successively been delivered and put into operation, and the chain operation service system will become fully operational. The Company participated in the establishment of the Himalaya Hospitality International Pte Ltd with the team members of the former Ascott Group to ensure the service quality, thereby steadily increasing the service income with an international and professional operation team. In the first half of the year, Chongqing Sunshine 100 Himalaya became operational and had 532 rooms available for rent. By providing an experience that blends international with local cultural features, the project received the highest rating among its peer hotels on the Ctrip platform. The first Himalaya club will also commence operation in the fourth quarter of 2019 under this project, which will provide premium services and experiences for business travellers.

In addition, Tianjin Sunshine 100 Nankai Himalaya, Wuxi Sunshine 100 Himalaya and Tianjin Sunshine 100 Tianta Himalaya are expected to open at the end of 2019, in the first quarter of 2020 and the third quarter of 2020, respectively, which will offer more than 2,000 guest rooms, thus providing strong support for the increase in future operating income. As a result, the Himalaya operating service system will be further optimised.

The industry-leading edge of the Commercial Street Complex product line has become increasingly prominent. The business model characterised by mixed rental and sales and unified management has achieved new successful experiences. Alliance Art Group (合縱文化集團) was introduced in Liuzhou Sunshine 100 City Plaza project to reposition and package the indoor commercial street area, which has an aggregate gross floor area (the "**GFA**") of approximately 28,000 square meters and was previously used as a traditional department store, into Utopia Music City (烏托邦音樂城), a scene-based complex which accommodates tenants from a variety of industries and integrates fashion with local cultural elements. The complex has quickly become the most popular consumer destination in the region since its official opening on 22 June 2019.

To create a cultural highland and generate city guesthouse effects is our key to solving the problems for sales-oriented business operations. Yixing Sunshine 100 Phoenix Street blends commercial activities with waterfront recreation and cultural creativity. In the first half of the year, this project held more than 26 large-scale theme events and attracted over 1.23 million visitors. In March 2019, it received China's Best New Tourism Project Award of the China Tourism Investment ITIA Award (中國旅遊投資ITIA獎之中國最佳新型旅遊項目獎). In addition, Changsha Sunshine 100 Phoenix Street and Changzhou Sunshine 100 Zone 7 Upper East Side, which are expected to commence operation in October and November 2019, respectively, also entered the preparatory operation stage and achieved a smooth progress of attracting investments.

Moreover, the Arles product line, which is characterised by shared living, continued to focus on content operations. By establishing "Friendly Neighbours Community" and organising a series of community activities, it has developed a unique community culture, won a good reputation among its target customers and promoted steady increase in both sales volume and selling price. Xi'an Sunshine 100 Arles was launched for the first time in April 2019 with more than 600 suites quickly sold out, and achieved contracted sales of RMB703.5 million in the first half of the year. Wenzhou Sunshine 100 Arles achieved contracted sales amount of RMB520.3 million, while Wuxi Sunshine 100 Arles and Chongqing Sunshine 100 Arles also made continuous sales contributions. For the next step, we will explore a long-term mechanism to support the Arles product line to strengthen its operating system and focus on content construction, thereby making Arles more distinctive.

Accelerated the Expansion of Innovative Business by Relying on High-Quality Land Reserve

After disposal of the equity interest in some of its projects, the Company continues to maintain high-quality land reserve sufficient to support its long-term development. As at 30 June 2019, we had land reserve with an aggregate planned GFA of approximately 12.84 million square metres, most of which are located in areas surrounding Beijing, Wenzhou, Wuxi, Xi'an, Wuhan, Shenyang and other provincial capital cities.

In addition, the Company and its primary associated companies has a wealth of potential land reserve, which are mainly located in Xinglong County, Chengde City, Hebei Province and Wenzhou City, Zhejiang Province and are carrying out land consolidation work. Specifically, Xinglong Sunshine 100 High-speed Railway New Town project has a planned area (including aspirational land use area) of more than 6,000 mu, and is being developed around the Xinglong West Station of the future Beijing-Shenyang High-speed Railway. Upon inauguration of the high-speed railway, the project is within only 20 minutes' ride from Beijing. In May 2019, the Group won the public tender for a parcel of land of approximately 46,600 square meters for residential and commercial service use at the consideration of RMB258.67 million. The Group will continue to expand its land reserve in this area so as to build it into the most distinctive high-speed rail ecological new town in the surrounding areas of Beijing. The saleable site area of our primary development project in Wenzhou exceeds 3,000 mu. As of the end of the first half of the year, the Group had accumulatively completed the land consolidation work and sold out more than 820 mu through public tender. On the one hand, these parcels of land, after having been consolidated and delisted, can continue to provide sufficient land reserve for the Company's development and sales in the future. On the other hand, we can also realise the value of such land parcels early by co-developing or transferring such land parcels.

With the rising demand of the middle class in China's cities for "reverse urbanisation", the market conditions became ripe to develop the Company's high-quality cultural and tourism project lands reserved in different periods, which includes the two development projects in Xinglong County, Chengde City, Hebei Province and Pingle County, Guilin City, Guangxi. The cultural and tourism town project located in Liudaohe Town, Xinglong County covers a site area of more than 3,000 mu, and is adjacent to Miyun District, Beijing. It enjoys convenient transportation, superior ecological environment and rich cultural resources such as the Great Wall of the Ming Dynasty, and is believed to be the back garden of Beijing with great potentials. The Lijiang River Cultural and Tourism Town Project located in Pingle County covers a planned site area of more than 12 million square meters and boasts river frontage of 16 kilometers along the Lijiang River. It enjoys convenient transportation and is a popular holiday destination for people living in the Guangdong-Hong Kong-Macau Greater Bay Area and the surrounding cities. In addition, the Liyuan Project in Xiangshan District, Guilin City, and the Lijiang COART Village Project in Lijiang, Yunnan Province have both entered the stage of accelerated development and are expected to achieve market breakthroughs in the future.

Adhering to the principle of prudent land acquisition, the Company will continue to focus on business expansion in the Yangtze River Delta, the Pearl River Delta and cities located in the surrounding economic circles of Beijing, concentrate on developing its core product lines and speed up the deployment of its new business. It is expected that the cities where new projects will be located in for the coming year will include, amongst others, Xi'an, Zhengzhou, Haikou, Yueyang, Yancheng.

Optimized Asset Structure to Support Strategic Transformation and Upgrading

The Group proactively implemented the asset structure adjustment strategy this year. It disposed of Chongqing Sunshine 100 Himalaya and Qingyuan Sunshine 100 Arles in April 2019, and Dongguan project in early August 2019, respectively, amounting to an aggregate GFA of approximately 2,459,000 square meters. The total value from disposal of the three projects exceeded RMB8 billion, and the interest-bearing liabilities were reduced by more than RMB3 billion. Although the disposal of multiple non-core projects will reduce the properties available for sale in the short run, which in turn will affect the contracted sales for this year, it will be beneficial to the overall operation of the Company and have a very positive impact on the Company's long-term business transformation. The realisation of the value of land reserve to obtain proceeds in advance not only helps to improve our operating cash flow, optimise our debt structure and continuously reduce the financial risk, but also provides additional funds for the expansion of non-residential innovative products, which contributes to the transformation of the Company's business model from development profits to income generated from value-added services.

FUTURE OUTLOOK

In response to the changes in market landscapes and the survival environment of the real estate industry in China, we will firmly take the transformation and innovation direction to capitalise on the enormous opportunities in the non-residential market in the second half of the year and onwards. We will continue to consolidate and expand our achievements in business transformation, ride on the advantages of our innovative core product lines and preserve products which we have pricing power, so as to secure profit margin through high premium.

At the same time, we will strengthen our corporate culture and value which focus on product innovation, and extend the innovative thinking to the details of our management and services, thereby continuously enhancing the competitive advantages of our core products and achieving profitable growth in the long run.

The sales of the Himalaya product line have shown an accelerated growth momentum. In the second half of the year, we will continue to expand sales channels while, guided by high quality and high value, consolidating our operational service system. We will also endeavour to establish competition barriers by strengthening our professionalism in the whole process of development, marketing and operation, so as to develop it into a mature product line and achieve scale expansion. In addition, we will accelerate the implementation of a number of new projects.

In terms of Cultural Blocks products, we will further improve the existing mixed rental and sale business model, strengthen the operational capacity system and incorporate local culture into business experiences, accumulate valuable experience in building the city guesthouse and culture name card. We will vigorously expand our cooperation with local governments to secure more high-quality land parcels in the centre of cities on favourable terms.

The Arles product line is expected to focus on cultural and tourism products, taking into account the needs of emerging markets. Cultural and tourism products will become an important business segment for the Company's future development. We have engaged experienced talents and teams to carry out the preliminary positioning, innovation and post-operation of our existing land reserve with cultural and tourism characteristics, and achieve market breakthroughs with new thinking different from that for traditional residential development to achieve rapid development, thus accelerating the revitalisation of land reserve and focusing on securing new opportunities for expansion in the target areas.

The Company's long-term development would never be achieved without the support of our staff. Business transformation and product innovation require a matching team structure. Sunshine 100 has consistently emphasised "people-oriented" management philosophy and always believes that outstanding talents who share the same values as ours are the most important assets of the Company. Looking ahead, we will continue our focus on the corporate culture while actively promoting organisational changes which are compatible with business transformation, striding towards higher efficiency and growth with the courage to transform and the passion to innovate.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to all our colleagues, clients, shareholders and all friends who care about Sunshine 100.

Yi Xiaodi
Chairman and Executive Director

Management Discussion and Analysis

BUSINESS REVIEW

(I) Property development

Contracted sales

During the Reporting Period, the Group (including light-asset operation projects) realized contracted sales in the amount of RMB3,787.9 million, representing a decrease of 14.1% from the corresponding period of 2018, and an aggregate contracted sales area in the amount of 312,441 square metres, representing a decrease of 10.6% from the corresponding period of 2018. The Company increased efforts in the sales of non-residential real estate products. The contracted sales generated from commercial properties and car parks amounted to RMB1,559.8 million, representing an increase of 27.0% from the corresponding period of 2018. Approximately 38.9% and 33.5% of the contracted sales was generated from the Yangtze River Delta and Midwest respectively, among which, contributions from two projects, Xi'an Sunshine 100 Arles and Wenzhou Sunshine 100 Arles, were significant, with the contracted sales being RMB703.5 million and RMB520.3 million respectively, accounting for 18.6% and 13.7% of the Group's total contracted sales respectively.

Contracted sales of the Group by geographic location during the Reporting Period were as follows:

			For the six months ended 30 June					
			Contracted sales area *(square metres)*[1]		Contracted sales amount *(RMB million)*[2]		Unit selling price *(RMB/square metre)*[1]	
Economic area	**City**	**Project name**	**2019**	2018	**2019**	2018	**2019**	2018
Bohai Rim	Shenyang	Shenyang Sunshine 100 International New Town	**30,197**	14,062	**267**	148	**8,636**	9,174
		Shenyang Sunshine 100 Golf Mansion	**3,695**	1,033	**39**	8	**10,080**	6,776
	Jinan	Jinan Sunshine 100 International New Town	**14,051**	22,131	**311**	484	**21,908**	21,237
	Dongying	Dongying Sunshine 100 Phoenix Community	**3,194**	11,426	**30**	111	**8,952**	9,365
	Weifang	Weifang Sunshine 100 Phoenix Community	**17,222**	18,130	**148**	135	**8,577**	7,446
	Tianjin	Tianjin Sunshine 100 Nankai Himalaya	**2,999**	2,156	**114**	72	**37,870**	33,395
		Tianjin Sunshine 100 International New Town	**58**	–	**10**	8	**9,256**	–
	Sub-total		**71,416**	68,938	**919**	966	**12,550**	13,345

			For the six months ended 30 June					
			Contracted sales area (square metres)[1]		Contracted sales amount (RMB million)[2]		Unit selling price (RMB/square metre)[1]	
Economic area	**City**	**Project name**	**2019**	2018	**2019**	2018	**2019**	2018
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 Arles	**14,873**	80,177	**198**	972	**12,739**	12,061
		Wuxi Sunshine 100 Himalaya	**5,994**	12,454	**113**	201	**18,923**	16,139
	Wenzhou	Sunshine 100 Wenzhou Center	**7,957**	2,593	**156**	58	**18,735**	22,368
		Wenzhou Sunshine 100 Arles	**42,992**	61,430	**520**	676	**11,944**	10,809
		Wenzhou Sunshine 100 Repulse Bay[3]	**36,540**	–	**404**	–	**11,045**	–
	Changzhou	Changzhou Sunshine 100 Zone 7 Upper East Side	**2,884**	4,513	**62**	92	**20,620**	20,386
	Yixing	Yixing Sunshine 100 Phoenix Street	**1,198**	1,719	**19**	44	**15,684**	25,596
	Sub-total		**112,438**	162,886	**1,472**	2,043	**12,872**	12,438
Pearl River Delta	Qingyuan	Qingyuan Sunshine 100 Arles	**4,118**	20,687	**55**	265	**13,032**	11,892
	Putian	Putian Sunshine 100 Phoenix Plaza[3]	**3,972**	5,269	**72**	99	**17,198**	16,322
	Sub-total		**8,090**	25,956	**127**	364	**15,077**	12,791

			For the six months ended 30 June					
			Contracted sales area (square metres)[1]		Contracted sales amount (RMB million)[2]		Unit selling price (RMB/square metre)[1]	
Economic area	**City**	**Project name**	**2019**	2018	**2019**	2018	**2019**	2018
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	**319**	–	**5**	–	**9,537**	–
	Chongqing	Chongqing Sunshine 100 Himalaya	**–**	5,273	**–**	109	**–**	19,533
		Chongqing Sunshine 100 Arles	**10,342**	4,192	**113**	57	**9,956**	11,689
	Changsha	Changsha Sunshine 100 Phoenix Street	**5,545**	20,430	**119**	404	**20,898**	19,432
	Liuzhou	Liuzhou Sunshine 100 Yaobu Town	**292**	64	**11**	2	**33,830**	31,250
		Liuzhou Sunshine 100 City Plaza	**–**	–	**6**	2	**–**	–
	Chengdu	Chengdu Sunshine 100 Mia Center	**–**	157	**2**	4	**–**	19,108
	Nanning	Nanning Sunshine 100 Upper East Side International	**–**	–	**1**	55	**–**	–
		Nanning Sunshine 100 Nine Peninsulas[3]	**30,504**	55,408	**224**	347	**7,105**	6,263
	Wuzhou	Wuzhou Sunshine 100 Sankee City[3]	**11,353**	5,903	**84**	55	**7,089**	7,793
	Lijiang	Lijiang Sunshine 100 COART Village	**–**	211	**–**	2	**–**	9,479
	Xi'an	Xi'an Sunshine 100 Arles	**61,997**	–	**704**	–	**11,342**	–
	Guilin	Pingle Sunshine 100 Li River Cultural Village	**145**	–	**1**	–	**7,212**	–
	Sub-total		**120,497**	91,638	**1,270**	1,037	**10,251**	10,356
Total			**312,441**	349,418	**3,788**	4,410	**11,845**	12,097

Notes:

(1) Excluding car parks

(2) Including car parks

(3) Being light-asset operation projects

Contracted sales of the Group by type of business during the Reporting Period were as follows:

	For the six months ended 30 June					
	Contracted sales area *(square metres)*[(1)]		**Contracted sales amount** *(RMB million)*[(2)]		**Unit selling price** *(RMB/square metre)*[(1)]	
Type	**2019**	2018	**2019**	2018	**2019**	2018
Residential properties	**212,249**	285,830	**2,228**	3,182	**10,500**	11,132
Commercial properties and car parks	**100,192**	63,588	**1,560**	1,228	**14,698**	16,434
Total	**312,441**	349,418	**3,788**	4,410	**11,845**	12,097
Proportion						
Residential properties	**68%**	82%	**59%**	72%		
Commercial properties and car parks	**32%**	18%	**41%**	28%		
Total	**100%**	100%	**100%**	100%		

Notes:

(1) Excluding car parks

(2) Including car parks

Property Construction

During the Reporting Period, the total GFA of the Group's newly commenced construction was 511,701 square metres, representing a decrease of 26.5% from the corresponding period of 2018, while the completed GFA was 458,762 square metres, representing a decrease of 10.7% from the corresponding period of 2018, mainly because the disposal of projects has affected the original development timetable.

The property construction of the Group during the Reporting Period was as follows:

		For the six months ended 30 June 2019		
Economic area	**City**	**Newly-started total GFA** *(square metres)*	**Completed total GFA** *(square metres)*	**Total GFA under construction as at the end of the period** *(square metres)*
Bohai Rim	Jinan	–	–	227,417
	Shenyang	–	–	103,206
	Dongying	–	8,885	–
	Weifang	–	–	190,047
	Tianjin	–	–	125,986
	Sub-total	**–**	**8,885**	**646,656**
Yangtze River Delta	Wuxi	–	76,567	230,660
	Wenzhou	–	223,978	1,233,679
	Changzhou	–	95,032	154,409
	Sub-total	**–**	**395,577**	**1,618,748**
Pearl River Delta	Qingyuan	63,393	54,300	340,479
	Dongguan	–	–	69,693
	Putian	–	–	163,527
	Sub-total	**63,393**	**54,300**	**573,699**

		For the six months ended 30 June 2019		
Economic area	City	Newly-started total GFA *(square metres)*	Completed total GFA *(square metres)*	Total GFA under construction as at the end of the period *(square metres)*
Midwest	Chongqing	–	–	245,275
	Changsha	–	–	130,428
	Guilin	–	–	21,762
	Nanning	275,291	–	397,998
	Wuzhou	–	–	460,300
	Xi'an	–	–	163,056
	Wuhan	173,017	–	173,017
	Lijiang	–	–	32,932
	Sub-total	**448,308**	**–**	**1,624,768**
Total		**511,701**	**458,762**	**4,463,871**

Breakdown of Major Properties

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold (square metres)	GFA under development (square metres)	Planned GFA (square metres)	Our attributable interest in the project
Bohai Rim	Jinan	Jinan Sunshine 100 International New Town	No. 19 Yangguang New Road, Huaiyin District, Jinan City, Shandong Province			32,174	227,417	–	49.00%
		Phase I				321	–	–	
		Phase II				705	–	–	
		Phase III				6,386	–	–	
		Phase IV				9,599	–	–	
		Phase V		2020	89%	15,163	122,608	–	
		Phase VI		2021	34%	–	104,809	–	
	Shenyang	Shenyang Sunshine 100 International New Town	Yuhong New Town, Yuhong District, Shenyang City, Liaoning Province			164,778	84,004	268,597	100.00%
		Phase I				21,788	–	–	
		Phase II				46,068	–	–	
		Phase III		2020	67%	96,922	84,004	268,597	
		Shenyang Sunshine 100 Golf Mansion	No. 18 Qi Hao Street, Economics and Technology Development District, Shenyang City, Liaoning Province			72,597	19,202	18,456	51.00%
		Phase I				34,634	–	–	
		Phase II, Phase III		2022	65%	37,963	19,202	18,456	
	Tianjin	Tianjin Sunshine 100 International New Town	Hongqi South Road, Nankai District, Tianjin City			10,219	–	–	86.00%
		Tianjin Sunshine 100 Nankai Himalaya	West of Hongqi Road and North of Chuxiong Road, Nankai District, Tianjin City	2019	72%	–	31,075	–	100.00%
		Tianjin Sunshine 100 Tianta Himalaya	Intersection of Weijin North Road and Tianta Road, Nankai District, Tianjin City	2020	38%	–	94,911	–	20.00%

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
	Dongying	Dongying Sunshine 100 Phoenix Community	No. 248 North 1st Road, Dongying District, Dongying City, Shandong Province			28,097	–	–	100.00%
		Phase I				2,757	–	–	
		Phase II				6,530	–	–	
		Phase III				18,810	–	–	
	Weifang	Weifang Sunshine 100 Phoenix Community	No. 5051 Shengli East Street, Kuiwen District, Weifang City, Shandong Province			67,799	190,047	886,554	100.00%
		Phase I				27,588	–	–	
		Phase II				40,211	–	–	
		Phase III		2021	25%	–	190,047	–	
		Phase IV				–	–	423,573	
		Phase V				–	–	462,981	
	Chengde	Xinglong Sunshine 100 High-speed Rail New Town	Dayoutun Village, Shisiba Village, Xinglong Town, Xinglong County, Chengde City, Hebei Province			–	–	165,780	100.00%
	Yantai	Yantai Sunshine 100 City Plaza	Nos. 25-27 Haigang Road, Zhifu District, Yantai City, Shandong Province			16,583	–	374,106	100.00%
		Phase I				16,583	–	–	
		Phase II				–	–	374,106	
	Sub-total					**392,247**	**646,656**	**1,713,493**	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold	GFA under development	Planned GFA	Our attributable interest in the project
						(square metres)	*(square metres)*	*(square metres)*	
Midwest	Wuhan	Wuhan Sunshine 100 Lakeside Residence	No. 2 Yangqiaohu Avenue, Canglong Island, Jiangxia District, Wuhan City, Hubei Province			93,821	–	–	100.00%
		Phase I				463	–	–	
		Phase II				5,560	–	–	
		Phase III				8,447	–	–	
		Phase IV				7,484	–	–	
		Phase V				17,328	–	–	
		Phase VI				36,270	–	–	
		Phase VII				18,269	–	–	
		Wuhan Shangdongfang	Qixin Village, Zhifang Street, Jiangxia District, Wuhan City, Hubei Province			–	173,017	174,679	100.00%
		Phase I		2021	11%	–	103,726	–	
		Phase II		2021	11%	–	69,291	–	
		Phase III				–	–	90,307	
		Phase IV				–	–	84,372	
		Phase V				–	–	–	
	Xi'an	Xi'an Sunshine 100 Ariles	No. 3501 Chanhe West Road, Chanba Ecological District, Xi'an City, Shaanxi Province	2021	19%	–	163,056	454,689	100.00%
	Chongqing	Chongqing Sunshine 100 Arles	No. 163 Yunan Road, Banan District, Chongqing City			16,772	245,275	65,878	80.00%
		Phase I				16,772	–	–	
		Phase II		2021	58%	–	245,275	–	
		Phase III				–	–	65,878	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold	GFA under development	Planned GFA	Our attributable interest in the project
						(square metres)	*(square metres)*	*(square metres)*	
	Chengdu	Chengdu Sunshine 100 Mia Centre	No. 6 Wugui Road, Chenghua District, Chengdu City, Sichuan Province			55,510	–	–	100.00%
		Phase I				17,418	–	–	
		Phase II				38,093	–	–	
		Chengdu Xin Sheng Yuan Project	Keyuan South 2nd Road, High-tech Zone, Chengdu City, Sichuan Province			–	–	20,000	100.00%
	Changsha	Changsha Sunshine 100 International New Town	No. 518 Section One, 2nd South Ring Road, Yuelu District, Changsha City, Hunan Province			74,632	130,428	–	100.00%
		Phase I				6,240	–	–	
		Phase II				28,740	–	–	
		Phase III				6,600	–	–	
		Phase IV		2019	91%	33,052	130,428	–	
	Guilin	Pingle Sunshine 100 Li River Cultural Village	Pingle Town, Pingle County, Guilin City, Guangxi Zhuang Autonomous Region			16,774	21,762	89,549	75.00%
		Phase I		2020	89%	–	529	58,240	
		Phase II, Phase III		2020	89%	16,774	21,233	31,309	
		Guilin Sunshine 100 Scape Project	Ertang Township, Xiangshan District, Guilin City, Guangxi Zhuang Autonomous Region			–	–	242,997	100.00%

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold	GFA under development	Planned GFA	Our attributable interest in the project
						(square metres)	*(square metres)*	*(square metres)*	
	Liuzhou	Liuzhou Sunshine 100 City Plaza	No. 2 Guizhong Avenue, Liuzhou City, Guangxi Zhuang Autonomous Region			35,922	–	–	75.00%
		Phase I				12,680	–	–	
		Phase II				6,800	–	–	
		Phase III				1,550	–	–	
		Phase IV				14,892	–	–	
		Liuzhou Sunshine 100 Yaobu Classic Town	No. 9 Panlong Road, Liuzhou City, Guangxi Zhuang Autonomous Region			47,688	–	–	98.75%
		Phase I				22,077	–	–	
		Phase II				2,809	–	–	
		Phase III				22,802	–	–	
	Nanning	Nanning Sunshine 100 City Plaza	No. 63-1 Minzu Avenue, Nanning City, Guangxi Zhuang Autonomous Region			22,096	–	92,230	100.00%
		Phase I				22,096	–	–	
		Phase II				–	–	92,230	
		Nanning Sunshine 100 Up-east International	No. 166 Minzu Avenue, Nanning City, Guangxi Zhuang Autonomous Region			38,634	–	–	26.01%
		Nanning Vantone Air Garden	No. 80 Renmin West Road, Nanning City, Guangxi Zhuang Autonomous Region			2,751	–	–	100.00%

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold *(square metres)*	GFA under development *(square metres)*	Planned GFA *(square metres)*	Our attributable interest in the project
		Nanning Sunshine 100 Mountainside Garden	Nos. 1-2 Yinghua Road, Nanning City, Guangxi Zhuang Autonomous Region			9,841	–	–	51.00%
		Nanning Sunshine 100 Australian Garden	No. 8 Qingshan Road, Nanning City, Guangxi Zhuang Autonomous Region			501	–	–	50.00%
		Nanning Sunshine 100 Nine Peninsulas	Wuhua Avenue Middle, Wuming District, Nanning City, Guangxi Zhuang Autonomous Region			15,222	397,998	903,994	30.00%
		Phase I		2020	25%	2,572	26,830	–	
		Phase II		2020	25%	12,650	128,174	–	
		Phase III		2020	57%	–	242,994	–	
		Phase IV				–	–	903,994	
	Wuzhou	Wuzhou Sunshine 100 Sankee City	No. 38 Xinglong Road, Changzhou District, Wuzhou City, Guangxi Zhuang Autonomous Region			10,983	460,300	1,026,914	27.75%
		Phase I				10,983	–	–	
		Phase II		2020	85%	–	249,034	–	
		Phase III		2019	89%	–	99,369	–	
		Phase IV		2020	49%	–	111,897	–	
		Phase V				–	–	1,026,914	
	Lijiang	Lijiang Sunshine 100 COART Village	Kaiwen Community and Longquan Community, Shuhe Street, Lijiang City, Yunnan Province	2019	96%	24,386	32,932	148,763	51.00%
	Sub-total					**465,533**	**1,624,768**	**3,219,692**	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold (square metres)	GFA under development (square metres)	Planned GFA (square metres)	Our attributable interest in the project
Yangtze River Delta	Wuxi	Wuxi Sunshine 100 Arles	No. 1 Tianyi New Street, Xizhang,Yanqiao Town, Huishan District, Wuxi City, Jiangsu Province			393,530	128,366	30,171	100.00%
		Phase I				88,765	–	–	
		Phase II				64,817	–	–	
		Phase III				5,712	–	–	
		Phase IV		2020	75%	128,743	128,366	30,171	
		Phase V				55,765	–	–	
		Phase VI				49,728	–	–	
		Wuxi Sunshine 100 Himalaya	No. 8 of 8th Financial Street, Tai Lake New Town, Wuxi City, Jiangsu Province	2019	82%	–	102,294	–	100.00%
	Yixing	Yixing Sunshine 100 Phoenix Street	East Jiefang Road, Chengdong New District, Yixing City, Jiangsu Province			44,183	–	–	80.00%

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold	GFA under development	Planned GFA	Our attributable interest in the project
						(square metres)	*(square metres)*	*(square metres)*	
	Wenzhou	Sunshine 100 Wenzhou Center	Binjiang Qidu, Lucheng District, Wenzhou City, Zhejiang Province			2,909	396,833	–	51.00%
		Phase I (C)				2,909	–	–	
		Phase II (A)		2023	46%	–	268,090	–	
		Phase II (B)		2023	14%	–	128,743	–	
		Wenzhou Sunshine 100 Arles	Yangyi Road, Lucheng District, Wenzhou City, Zhejiang Province			36,872	836,846	63,138	51.00%
		Phase I (A11 parcel)				36,872	–	–	
		Phase II (A02 parcel)		2020	56%	–	348,920	–	
		Phase II (A03 parcel)		2021	48%	–	173,112	–	
		Phase II (A05 parcel)		2021	7%	–	100,333	–	
		Phase II (A07 parcel)		2021	7%	–	181,411	–	
		Phase II (A16 parcel)		2021	7%	–	33,070	–	
		Phase II (B09 parcel)				–	–	29,334	
		Phase II (C04&C08 parcels)				–	–	33,804	
	Changzhou	Changzhou Sunshine 100 Zone 7 Upper East Side	East of Dongcheng Road and North of Dongfang East Road, Economic Development Zone, Changzhou City, Jiangsu Province			7,514	154,409	–	51.00%
	Sub-total					**485,007**	**1,618,748**	**93,309**	

Economic area	City	Project	Address	Expected completion date of properties under development[1]	Completion progress of properties under development[1][2]	Saleable GFA remaining unsold	GFA under development	Planned GFA	Our attributable interest in the project
						(square metres)	*(square metres)*	*(square metres)*	
Pearl River Delta	Qingyuan	Qingyuan Sunshine 100 Arles	No. N24 Area, Po Keng Lian Tai Industry City, Long Tang Town, Qing Cheng District, Qingyuan City, Guangdong Province			132,107	301,579	1,221,277	55.00%
		Phase I				24,066	–	–	
		Phase II				104,028	–	–	
		Phase III		2020	82%	4,013	301,579	83,206	
		Phase IV				–	–	1,138,071	
		Qingyuan Yingde Project	North of Zhenyang Three Road and East of Ying'an Monitoring Station, Yingcheng Street, Yingde City, Qingyuan City, Guangdong Province	2021	26%	–	38,900	–	55.00%
	Dongguan	Dongguan Songshan Mansion	Block 7, Innovative Science and Technology Park, Dongguan Songshan Lake High-tech Industry Development Zone			–	69,693	50,625	100.00%
		Phase I				–	31,106	–	
		Phase II				–	33,807	43,928	
		Phase III				–	4,780	6,697	
	Putian	Putian Sunshine 100 Phoenix Plaza	No. 1069, Wenxian East Road, Licheng District, Putian City, Fujian Province			23,609	163,527	–	49.00%
	Sub-total					**155,716**	**573,699**	**1,271,902**	
Total						**1,498,503**	**4,463,871**	**6,298,396**	

Notes:

(1) Expected completion date and completion progress are applicable to projects under development, but not applicable to those completed or to be developed.

(2) Completion progress represents the overall completion progress as at 30 June 2019.

(3) The completed investment properties with a total GFA of approximately 490.376 square metres is excluded in this table.

(4) The self-operated commercial areas of Shenyang Sunshine 100 Golf Mansion and Qingyuan Sunshine 100 Arles with a total GFA of approximately 10,980 square metres, the self-operated hotels of Jinan Sunshine 100 International New Town, Liuzhou Sunshine 100 City Plaza and Shenyang Sunshine 100 Golf Mansion with a total GFA of approximately 64,780 square metres, and the sharing office space of Wuxi Sunshine 100 International New Town with a total GFA of approximately 8,844 square metres are not included in this table.

(II) Investment Properties

During the Reporting Period, the Group had new investment properties with a GFA of 10,927 square metres and sold completed investment properties with a GFA of 5,465 square metres. In the meantime, the GFA of investment properties decreased by 147,546 square metres due to disposal of projects. As at 30 June 2019, the Group held investment properties with a GFA of 565,368 square metres. Moreover, during the Reporting Period, the rental income was RMB71.2 million, remaining relatively stable as compared with the corresponding period of 2018.

(III) Land Acquisition

During the Reporting Period, the Group paid an aggregate amount of approximately RMB421.2 million for various land acquisitions, which included the payment of approximately RMB269.2 million for acquiring the land use rights and related expenses in connection with a parcel of land located at Dayoutun Village, Xinglong Town, Xinglong County, Chengde City, Hebei Province, the PRC, and the payment of land premium of Yantai Sunshine 100 City Plaza in the amount of approximately RMB100.9 million.

Breakdown of the land reserves of the Group at the end of the Reporting Period was as follows:

Economic area	City	Total GFA *(square metres)*	Proportion	Attributable GFA *(square metres)*	Proportion
Bohai Rim	Weifang	1,175,792	9%	1,175,792	14%
	Shenyang	731,283	6%	667,211	8%
	Yantai	450,174	3%	450,175	5%
	Jinan	336,910	3%	165,085	2%
	Tianjin	153,778	1%	73,958	1%
	Chengde	165,780	1%	165,780	2%
	Dongying	31,390	0%	31,390	0%
	Sub-total	**3,045,107**	23%	**2,729,391**	32%

Economic area	City	Total GFA *(square metres)*	Proportion	Attributable GFA *(square metres)*	Proportion
Midwest	Chongqing	329,932	3%	263,946	3%
	Guilin	381,956	3%	347,216	4%
	Changsha	208,848	2%	208,849	2%
	Liuzhou	198,526	2%	168,223	2%
	Nanning	1,516,561	12%	559,367	7%
	Wuzhou	1,498,197	12%	415,750	5%
	Wuhan	447,993	3%	447,992	5%
	Chengdu	96,978	1%	96,979	1%
	Xi'an	617,745	5%	617,745	7%
	Lijiang	206,081	2%	105,101	1%
	Sub-total	**5,502,817**	45%	**3,231,168**	37%
Yangtze River Delta	Wenzhou	1,336,598	10%	681,665	8%
	Wuxi	700,922	5%	700,922	8%
	Changzhou	161,923	1%	82,580	1%
	Yixing	86,756	1%	69,404	1%
	Sub-total	**2,286,199**	17%	**1,534,571**	18%
Pearl River Delta	Qingyuan	1,694,173	13%	931,795	11%
	Dongguan	120,318	1%	120,318	1%
	Putian	187,136	1%	91,696	1%
	Sub-total	**2,001,627**	15%	**1,143,809**	13%
Total		**12,835,750**	100%	**8,638,939**	100%

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group decreased by 3.0% to RMB3,594.6 million from RMB3,704.1 million in the corresponding period of 2018, mainly attributable to the decrease in income generated from sale of properties of the Group.

Income from sale of properties

During the Reporting Period, income generated from the sale of properties decreased by 2.8% to RMB3,296.2 million from RMB3,391.7 million in the corresponding period of 2018, mainly attributable to the decrease in the average selling price of the properties delivered during the Reporting Period.

	For the six months ended 30 June					
	Sales area *(square metres)* (1)		**Sales amount** *(RMB million)* (2)		**Unit selling price** *(RMB/square metre)* (1)	
Type	**2019**	2018	**2019**	2018	**2019**	2018
Residential Properties	**265,862**	283,021	**2,353**	3,080	**8,852**	10,883
Commercial properties and car parks	**70,932**	17,334	**943**	312	**12,430**	13,330
Total	**336,794**	300,355	**3,296**	3,392	**9,605**	11,024
Proportion						
Residential Properties	**79%**	94%	**71%**	91%		
Commercial properties and car parks	**21%**	6%	**29%**	9%		
Total	**100%**	100%	**100%**	100%		

Notes:

(1) Excluding car parks

(2) Including car parks

Income from property management and hotel operation

During the Reporting Period, the income generated from property management and hotel operation of the Group decreased by 3.4% to RMB211.7 million from RMB219.1 million in the corresponding period of 2018, mainly attributable to the decrease in the income from hotel operation.

Rental income from investment properties

During the Reporting Period, the rental income from investment properties of the Group was RMB71.2 million, remaining stable as compared with RMB71.7 million in the corresponding period of the previous year.

Light-asset operation income

During the Reporting Period, the Group participated in certain complex projects by way of light-asset operation and provided property selling agency and brand- use services to the projects, thus recording light-asset operation income of RMB15.7 million, decreasing by 27.3% from RMB21.6 million in the corresponding period of 2018, mainly because the old projects by way of light-asset operation are approaching completion and new projects had not commenced large-scale pre-sales, resulting in the decrease in the overall contracted amount of the projects under the Group's operation as compared with the corresponding period of last year, which accordingly brought down the sales agency fee and brand royalties charged by the Group.

Cost of sales

During the Reporting Period, the cost of sales of the Group decreased by 8.1% to RMB2,783.7 million from RMB3,029.4 million in the corresponding period of 2018. Particularly, the cost of property sales decreased by 8.7% to RMB2,547.9 million from RMB2,791.8 million in the corresponding period of 2018, mainly attributable to the decrease in the average cost per square metre of the properties delivered during the Reporting Period as compared with the corresponding period of the previous year.

Gross profit

As a result of the above factors, during the Reporting Period, the gross profit of the Group increased by 20.2% to RMB811.0 million from RMB674.7 million in the corresponding period of 2018, and the gross profit margin increased to 22.6% from 18.2% in the corresponding period of 2018.

Valuation gains on investment properties

During the Reporting Period, valuation gains on investment properties of the Group decreased by 38.3% to RMB341.9 million from RMB554.0 million in the corresponding period of 2018, mainly attributable to the decrease in investment properties as a result of disposal of projects.

Other income

During the Reporting Period, other income of the Group substantially increased to RMB445.8 million from RMB8.7 million in the corresponding period of 2018, mainly attributable to the gains derived from the disposal of projects during the Report Period.

Selling expenses

During the Reporting Period, the Group's selling expenses decreased by 19.5% to RMB223.5 million from RMB277.5 million in the corresponding period of 2018, mainly attributable to the decrease in the payment of advertising expenses and sales agency fee as a result of the Group's strengthened cost control and adjustments to its commission policy.

Financial income

During the Reporting Period, financial income of the Group increased by 24.9% to RMB363.9 million from RMB291.4 million in the corresponding period of 2018, mainly attributable to the effect of gains on fair value change of the derivative component of the convertible bonds of the Group.

Financial costs

During the Reporting Period, financial costs of the Group increased by 21.8% to RMB341.5 million from RMB280.3 million in the corresponding period of 2018, mainly attributable to the increased interest expensed as a result of the increased number of completed projects as well as the effect of loss on fair value change of the financial assets at fair value through profit or loss.

Income tax

During the Reporting Period, the income tax expenses of the Group increased by 23.9% to RMB309.7 million from RMB249.9 million in the corresponding period of 2018, mainly attributable to the increase in the profit before taxation and the land appreciation tax of the Group.

Profit for the period

During the Reporting Period, the profit of the Group substantially increased by 77.4% to RMB793.1 million from RMB447.0 million in the corresponding period of 2018.

Profit attributable to equity shareholders of the Company

Based on the abovementioned factors, the profit attributable to equity shareholders of the Company increased by 5.9% to RMB329.8 million from RMB311.4 million in the corresponding period of 2018.

WORKING CAPITAL, FINANCE AND CAPITAL RESOURCES

Cash and cash equivalents

As at 30 June 2019, the Group had RMB3,499.0 million of cash and cash equivalents, representing an increase of RMB910.3 million as compared to 31 December 2018, mainly due to the cash received from the disposal of the equity interest of Chongqing project and Qingyuan project.

Current ratio, gearing ratio and net gearing ratio

As at 30 June 2019, the Group's current ratio (which is total current assets divided by total current liabilities) was 166.0%, remaining relatively stable as compared with that as at 31 December 2018. As at 30 June 2019, the Group's current assets and current liabilities amounted to RMB43,434.1 million and RMB26,162.6 million, respectively.

As at 30 June 2019, the Group's gearing ratio (which is total loans and borrowings plus total lease liabilities divided by total assets) decreased to 44.8% from 48.3% as at 31 December 2018. Net gearing ratio (which is total loans and borrowings plus total lease liabilities minus cash and cash equivalents and current restricted deposits, divided by total equity) decreased to 206.1% from 261.6% as at 31 December 2018, mainly attributable to the decrease in the total loans and borrowings and the increase in cash and cash equivalents as a result of the disposal of projects during the Reporting Period.

Contingent liabilities

During the Reporting Period, the Group entered into agreements with certain banks to provide guarantees for the mortgage loans of purchasers of its properties. As at 30 June 2019, the Group provided guarantees for mortgage loans in an amount of RMB7,253.1 million (31 December 2018: RMB7,266.6 million) to banks in respect of such agreements.

Loans and borrowings and pledged assets

As at 30 June 2019, the Group's total loans and borrowings amounted to RMB26,336.3 million. In particular, RMB8,304.6 million, RMB9,113.2 million, RMB8,518.5 million and RMB400.0 million were repayable within one year or on demand, after one year but within two years, after two years but within five years and after five years, respectively. The Group's borrowings are denominated in Renminbi and US dollar, mostly with fixed interest rate. As at 30 June 2019, the Group had comprehensive credit facilities granted by bank and other financial institutions in an aggregate amount of RMB17,750 million, of which RMB15,934 million had not been utilized. The Group currently has no interest rate hedging policy. However, the management will monitor the interest rate risks and consider taking other necessary actions if any material risks are expected.

As at 30 June 2019, the Group's pledged properties and restricted deposits with a carrying value of RMB13,097.6 million (31 December 2018: RMB15,128.5 million) to secure banking facilities granted to the Group.

Capital commitments

As at 30 June 2019, the Group's contracted capital commitment for properties under development and investment properties under construction not provided for in the financial statements amounted to RMB6,874.3 million (31 December 2018: RMB4,686.2 million). As at 30 June 2019, the Group's capital commitment approved but not contracted for amounted to RMB10,110.3 million (31 December 2018: RMB10,012.7 million).

Foreign exchange exposure

The Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China (the "**PBOC**") or other statutory institutions. The exchange rates adopted for foreign exchange transactions are those published by the PBOC and may be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currencies (depending on the foreign currency in which the Group's earnings are denominated) or must be conducted through the PBOC with government approval.

Nearly all of the Group's income and expenses are denominated in Renminbi, while certain bank deposits and loans are denominated in the HK dollar and US dollar. However, the operating cash flows and working capital of the Group have not been materially impacted by fluctuations in exchange rates. The Group currently does not hedge its foreign exchange exposures but may adopt hedging measures in the future.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

Disposal of 70% Equity Interest in Chongqing Sunshine 100

On 1 April 2019, Sunshine 100 Real Estate Group Co., Ltd. (陽光壹佰置業集團有限公司) ("**Sunshine 100 Group**", a wholly-owned subsidiary of the Company) entered into the equity transfer agreement with Sunac South-West Real Estate Development (Group) Co., Ltd. (融創西南房地產開發(集團)有限公司) ("**Sunac**"), Sunshine 100 Real Estate (Liaoning) Co., Ltd. (陽光一佰置業(遼寧)有限公司), Yangpu Huadian Properties Co., Ltd.* (洋浦華電置業有限公司) and Chongqing Sunshine 100 Real Estate Development Co., Ltd. (重慶陽光壹佰房地產開發有限公司) ("**Chongqing Sunshine 100**"), pursuant to which Sunshine 100 Group has conditionally agreed to sell, and Sunac has agreed to purchase, 70% equity interest in Chongqing Sunshine 100 for a total consideration of RMB1,334,134,900 comprising (i) an equity consideration of RMB370,000,000 payable in cash (subject to adjustment); and (ii) the shareholder loan of RMB964,134,900.

In addition, pursuant to the equity transfer agreement, Sunshine 100 Group shall continue to extend a shareholder loan amounting to RMB292,782,933 to Chongqing Sunshine 100 after completion of the disposal. The completion of the disposal took place on 18 April 2019. For details, please refer to the Company's announcement dated 2 April 2019 and circular dated 13 June 2019.

Disposal of 100% Equity Interest in Eminent Star

On 13 April 2019, Chang Jia International Limited (長佳國際有限公司) ("**Chang Jia**", a subsidiary of the Company in which the Company owns 55% of the total issued share capital), Victor Select Limited (凱擇有限公司) ("**Victor Select**") and Eminent Star Group Limited (卓星集團有限公司) ("**Eminent Star**") entered into the equity and loan acquisition agreement, pursuant to which Chang Jia has conditionally agreed to sell, and Victor Select has conditionally agreed to purchase, the entire issued share capital and loans of Eminent Star at a total consideration of RMB4,661,241,775.98 payable in cash comprising (i) an equity consideration of RMB4,397,000,000 (subject to adjustment(s)); and (ii) the loan consideration of RMB264,241,775.98.

Sunshine 100 and certain subsidiaries of the Company (including Chang Jia) had advanced loans to Eminent Star in the past, which amounted to RMB264,241,775.98 as at 31 March 2019 (the "**Loans**"), which consists of offshore loans in the amount of approximately RMB126,110,639.92 (the "**Offshore Loans**") and onshore loans in the amount of approximately RMB138,131,136.06 (the "**Onshore Loans**"). Pursuant to the terms of the equity and loan acquisition agreement, the parties acknowledge that the Offshore Loans shall be assigned to Victor Select for a consideration of RMB126,110,639.92 and the Onshore Loans shall be assigned to Victor Select's nominee for a consideration of RMB138,131,136.06.

Upon completion of the disposal, Eminent Star will cease to be a subsidiary of the Company and the financial results of Eminent Star and its subsidiaries will no longer be consolidated into the financial statements of the Group. For details, please refer to the Company's announcement dated 14 April 2019 and circular dated 13 June 2019. As of the date of this interim report, the first completion of the disposal has taken place.

Acquisition of 15% Equity Interest in Hunan Sunshine 100 and 8.85% Equity Interest in Hubei Sunshine 100

On 22 April 2019, Sunshine 100 Group entered into two equity transfer agreements with Tianjin Nongken Hongyilian Investment Co., Ltd. (天津農墾宏益聯投資有限公司) ("**Tianjin Nongken Hongyilian**"), pursuant to which Sunshine 100 Group will acquire 15% equity interest in Sunshine 100 Real Estate (Hunan) Development Co., Ltd. (陽光壹佰(湖南)置業發展有限責任公司) ("**Hunan Sunshine 100**", a subsidiary of the Company) and 8.85% equity interest in Hubei Sunshine 100 Real Estate Development Co., Ltd. (湖北陽光一百房地產開發有限公司) ("**Hubei Sunshine 100**", a subsidiary of the Company), from Tianjin Nongken Hongyilian, at a consideration of RMB100,000,000 each. For details, please refer to the announcement of the Company dated 22 April 2019.

Acquisition of Land Use Rights in Xinglong

On 9 May 2019, Xinglong Sunshine 100 Real Estate Development Co., Ltd.* (興隆縣陽光壹佰房地產開發有限公司) ("**Xinglong Sunshine 100**"), an indirect non-wholly-owned subsidiary of the Company, entered into the letter of acceptance with Xinglong County Natural Resources and Planning Bureau confirming Xinglong Sunshine 100 of its successful bid for the land use rights of the Land Lot No. 20193 for a consideration of RMB258.67 million through the tender process held by Xinglong County Public Resources Trading Center on 9 May 2019 for transfer of state-owned land use rights. For details, please refer to the announcement of the Company dated 9 May 2019.

Save as disclosed above, the Company had no other major investments, acquisitions and disposals during the Reporting Period.

ONGOING LITIGATIONS

Litigation related to Chengdu primary land development project

In 2005 and 2007, the Group entered into a series of co-operation agreements with Chenghua District, Chengdu and government authorities under it to conduct primary development of a parcel of land located in the district. Pursuant to these co-operation agreements, the Group was responsible for providing assistance to the local government in overall project design and planning, relocation and resettlement of incumbent residents and businesses, as well as clearance and delivery of land. It was agreed that if the land is sold at a premium greater than the cost the Group have incurred to prepare it and if the Group win the bid at the auction, the Group will be entitled to deduct its incurred cost from the land premium to be paid; if, however, another developer wins the bid at the auction, the local government shall, within seven days it receives the land premium from the purchaser, pay the same to the Group (after deduction of an agreed fixed amount as the government's share of the profit from the land sale).

The project consists of four phases with site areas of approximately 244,361 square metres, 59,967 square metres, 14,667 square metres and 109,334 square metres respectively. Phase I was completed and the underlying land was sold through a public auction to a third party in July 2007. The Chenghua district government received the land premium in 2008, and paid a total of approximately RMB1,927.0 million out of the land premium to the Group pursuant to the co-operation framework agreements. The remaining land premium payable to the Group in the amount of RMB581.1 million, however, have remained unpaid and stayed on the Group's balance sheet as an overdue trade receivable.

On 28 January 2015, the Group commenced proceedings at the Sichuan Higher People's Court (the "**Higher Court**") against the Government of Chenghua District, Chengdu and Reconstruction and Development Office of Dangerous Buildings of Chenghua District, Chengdu City (成都市成華區危房改造開發辦公室), for the payment of the land clearance income and the management fees of RMB15 million, which totaled RMB596.1 million (the "**Case**"). The Higher Court accepted the Case on 10 February 2015, and commenced the court session for the Case in June 2015.

During the trial of the Case, the Group had negotiated with the Government of Chenghua District for several times in the hope of reaching a settlement. As part of the settlement agenda, the Group filed an application for withdrawal of the Case (the "**Withdrawal Application**") to the Higher Court on 24 July 2018, and the Higher Court has accepted and approved the Withdrawal Application. Both parties wish to reach a settlement agreement in respect of the Case and determine the amount of settlement as soon as possible. As at the date of this interim report, both parties had not reached a settlement agreement in respect of the Case. The Company will publish relevant announcements on the website of the Stock Exchange and the Company's website when there is any material development in respect of the Case.

Litigation related to the loan to Xinchengcan

Sunshine 100 Real Estate Group Co., Ltd. ("**Sunshine 100 Group**"), a wholly-owned subsidiary of the Company, filed a lawsuit before the No. 3 Intermediate People's Court of Beijing Municipality (北京市第三中級人民法院) for a dispute arising from a guarantee contract, and received the Case Acceptance Notice issued by the No. 3 Intermediate People's Court of Beijing Municipality on 30 January 2019.

The lawsuit relates to a loan in the principal amount of RMB230 million granted by Sunshine 100 Group to Shenzhen Xinchengcan Investment Co., Ltd. (深圳市新城燦投資有限公司) ("**Xinchengcan**") on 11 August 2016 with an interest rate of 8% per annum and a renewed term up to 31 December 2018. On 18 February 2017, Guizhou Wanfenggu Eco-cultural Tourism Development Co., Ltd.(貴州萬峰谷生態文化旅遊發展有限公司) ("**Guizhou Wanfenggu**") provided a guarantee to Sunshine 100 Group in respect of the aforesaid debt obligation. Upon maturity of the loan, the borrower failed to repay RMB120 million out of the loan principal and interest accrued thereon, and Guizhou Wanfenggu failed to perform its guarantee. In view of this, Sunshine 100 Group filed a lawsuit before the court, demanding Guizhou Wanfenggu to repay the outstanding loan principal of RMB120 million together with accrued interest plus overdue payment penalty (up to the date of full repayment of the principal and interest accrued on the loan).

During the course of the trial, as parties intend to reach an out-of-court settlement on the case, Sunshine 100 Group has applied for the withdrawal of the case to the No. 3 Intermediate People's Court of Beijing Municipality, completed all procedures in relation to the withdrawal by 18 July 2019 and received the civil ruling issued by the No. 3 Intermediate People's Court of Beijing Municipality approving the withdrawal. For details, please refer to the announcement of the Company dated 22 July 2019.

Litigation related to the loan to Baijiarui

Sunshine 100 Group, a wholly-owned subsidiary of the Company, filed a lawsuit before the No. 3 Intermediate People's Court of Beijing Municipality (北京市第三中級人民法院) for a dispute arising from a private lending. The lawsuit has been formally accepted by the No. 3 Intermediate People's Court of Beijing Municipality.

The lawsuit relates to a loan in the principal amount of RMB250 million granted by Sunshine 100 Group to Shenzhen Baijiarui Investment Co., Ltd. (深圳市佰佳瑞投資有限公司) ("**Baijiarui**") with an interest rate of 12% per annum and a renewed term up to 31 December 2018 pursuant to the loan contract (the "**Loan Contract**") entered into with Baijiarui on 28 January 2016 and several supplementary contracts signed subsequently. To guarantee the performance of the Loan Contract, Shenzhen China Create City Renewal Group Co., Ltd. (深圳市中科創城市更新集團有限公司) ("**China Create City Renewal**") has provided a pledge guarantee for the full settlement of obligations under the Loan Contract by pledging the 100% equity interest in Baijiarui and derivative interests thereof held by it, and Shenzhen China Create Asset Management Co., Ltd. (深圳市中科創資產管理有限公司) ("**China Create Asset**") has provided a joint liability guarantee. Upon maturity of the loan, the borrower failed to repay RMB250 million out of the loan principal and interest accrued thereon, and neither China Create City Renewal nor China Create Asset performed their respective guarantee. Sunshine 100 Group filed a lawsuit before the No. 3 Intermediate People's Court of Beijing Municipality, requesting that (1) Baijiarui should repay the principal of the loan of RMB250 million; (2) Sunshine 100 Group should be compensated with priority from the proceeds from disposal, discount, auction or sale, of 100% equity interest in Baijiarui and derivative interests thereof pledged by China Create City Renewal; and (3) China Create Asset should undertake joint guarantee liability for the first request.

Sunshine 100 Group has applied to the No. 3 Intermediate People's Court of Beijing Municipality to take interim measures against the property of the defendant worth RMB250 million. The court has issued a civil ruling to freeze the 30% equity interest in China Create City Renewal held by China Create Asset up to RMB250 million.

The No. 3 Intermediate People's Court of Beijing Municipality heard the case on 26 August 2019 but no judgment has been given yet.

Litigation related to Yueyang Hansen

Yueyang Sunshine 100 Real Estate Co., Ltd. ("**Yueyang Sunshine 100**"), a wholly-owned subsidiary of the Company, became the enforcement applicant under the Execution Case (2018) Xiang Zhi No.6 ((2018)湘執6號執行案件) of the Higher People's Court of Hunan Province (湖南省高級人民法院) and was approved by the Intermediate People's Court of Changde City of Hunan Province (湖南省常德市中級人民法院) to seize the property of Yueyang Hansen Hotel Co., Ltd. (岳陽漢森酒店有限公司) ("**Yueyang Hansen**"), being the party subject to enforcement order.

On 9 November 2017, China Great Wall Asset Management Co., Ltd. Hunan Branch (中國長城資產管理股份有限公司湖南省分公司) ("**Great Wall Assets**") participated in a civil mediation on the dispute arising from a financial loan contract with Yueyang Hansen and its guarantors, being Xiao Han and Wu Fang, and obtained the Civil Mediation Order (2017) Xiang Min Chu No.16 ((2017)湘民初16號《民事調解書》) (the "**Civil Mediation Order**") issued by the Higher People's Court of Hunan Province. According to the agreement under the Civil Mediation Order, Yueyang Hansen should repay the principal of the debt of RMB200 million and the interest and penalty interest thereof to Great Wall Assets before 31 January 2018. Due to the failure of Yueyang Hansen to fulfill the Civil Mediation Order and upon the request of Great Wall Assets, the Higher People's Court of Hunan Province filed a case for enforcement on 21 March 2018, and issued an enforcement ruling on 10 September 2018 to designate the Intermediate People's Court of Changde City to enforce the ruling.

In June 2018, Great Wall Assets, through Tianjin Financial Assets Exchange, conducted a public auction of its aforesaid debt and affiliated rights in Yueyang Hansen, including the principal and interest thereof provided in the Civil Mediation Order and its mortgage rights in the property under the name of Yueyang Hansen. Yueyang Sunshine 100 won the auction at the consideration of RMB248 million, and signed an asset transfer agreement" (the "**Asset Transfer Agreement**") with Great Wall Assets to secure all the debt and affiliated rights under the Civil Mediation Order. As agreed in the Asset Transfer Agreement, as of 30 April 2018, the principal and interest thereof (including penalty interest, compound interest and liquidated damages) of the debt totalled RMB297,237,800.

On 12 April 2019, as requested by Yueyang Sunshine 100, the Intermediate People's Court of Changde City ruled that the enforcement applicant has been changed from Great Wall Assets to Yueyang Sunshine 100.

On 16 May 2019, Yueyang Sunshine 100 received a notice from the Intermediate People's Court of Changde City, stating that all properties of Yueyang Hansen with the measurement nos. 511132020001, 511132020002, 511132020003 and 511132020004 were seized.

As of the date of this interim report, there has been no further developments on this enforcement case.

Save as disclosed above, neither the Company nor any of its subsidiaries is involved in any material litigation or claims, or has any pending or threatened material litigation or claims.

FUTURE PLANS FOR SUBSTANTIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this interim report, there is no plan authorized by the Board for other substantial investments or additions of capital assets.

HUMAN RESOURCES

As at 30 June 2019, the Group employed a total of 4,446 employees (corresponding period of 2018: 4,643 employees). The staff costs of the Group were RMB284.2 million during the Reporting Period (corresponding period of 2018: RMB260.6 million). The Group has adopted a performance-based rewarding system to motivate its staff. In addition to the basic salary, year-end bonuses are offered to staff with outstanding performance. In relation to staff training, the Group also provides various training programs to improve employees' skills and develop their respective expertise. Generally, salary will be determined based on the qualifications, position and experience of each employee. We have established a regular assessment mechanism to assess the performance of our employees. The assessment results are used as the basis for determining salary increment, bonuses and promotions. As required by laws and regulations in China, we make contributions to mandatory social security funds such as pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and the housing provident fund for the benefit of our employees in China. For the six months ended 30 June 2019, we made contributions in an aggregate of approximately RMB19.5 million to the employee retirement scheme.

EVENTS AFTER THE REPORTING PERIOD

On 2 August 2019, Shenzhen Shoujia Holding Development Limited Company* (深圳首佳控股發展有限公司) ("**Shenzhen Shoujia**", an indirect wholly-owned subsidiary of the Company) entered into the equity transfer agreement with Shenzhen Shi Chengjin Holding Group Limited Company* (深圳市誠進控股集團有限公司) ("**Chengjin Holding**") and Dongguan Qingyuan Incubator Limited Company* (東莞市清園孵化器有限公司) ("**Qingyuan Incubator**"), pursuant to which Shenzhen Shoujia has conditionally agreed to sell, and Chengjin Holding has conditionally agreed to purchase, 100% equity interest and loans of Qingyuan Incubator for a total consideration of RMB513,000,000 payable in cash comprising (i) an equity consideration of RMB116,840,000; (ii) a loan consideration of RMB347,511,954.12; and (iii) a debt consideration of RMB48,648,045.88.

Upon completion of the disposal, Qingyuan Incubator will cease to be a subsidiary of the Company and the financial results of Qingyuan Incubator will no longer be consolidated into the financial statements of the Group. For details, please refer to the announcement of the Company dated 4 August 2019.

Save as disclosed above, from 30 June 2019 to the date of this interim report, there were no events after the Reporting Period which have material effect on the Group.

Corporate Governance

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. For the six months ended 30 June 2019, the Company has adopted and complied with all applicable code provisions (the "**Code Provisions**") under the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except the following deviation:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yi Xiaodi performs the roles of chairman and president (being chief executive officer) of the Company, which has deviated from the rules set out in the Code Provision A.2.1, where the two positions should be held by two different individuals. However, the Board considers that this arrangement will not impair the balance of power and authority between the Board and the management of the Company as a majority of the Directors of the Company are non-executive Directors and independent non-executive Directors and the Board meets regularly to consider major matters affecting the operations of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Each Director had been given a copy of the code of conduct regarding security transactions upon his/her appointment, and we issue two reminders each year thereafter, being 30 days prior to the Board meeting approving the interim results of the Company and 60 days prior to the Board meeting approving the annual results, reminding the Directors that they are not allowed to trade in the securities of the Company prior to the announcement of the results (the periods in which the Directors are prohibited from dealing in shares), and that all transactions must be conducted according to the Model Code. Having made specific enquiries by the Company with all Directors, all of the Directors confirmed that they have complied with the provisions of the Model Code during the six months ended 30 June 2019.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. At the time when this interim report was approved by the Board, the Audit Committee comprised three independent non-executive Directors, including Mr. Ng Fook Ai, Victor, Mr. Gu Yunchang and Mr. Wang Bo. Mr. Ng Fook Ai, Victor was at such time the chairman of the Audit Committee.

The primary duties of the Audit Committee are: (i) to deal with the relationship with the Company's external auditors; (ii) to review the Group's financial information; (iii) to supervise the Group's financial reporting system, risk management and internal control procedures; and (iv) to perform the Company's corporate governance functions.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters of the Group (including reviewing the interim results of the Group for the six months ended 30 June 2019).

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "**Remuneration Committee**") in compliance with the Listing Rules. At the time when this interim report was approved by the Board, the Remuneration Committee comprised an executive Director, Mr. Fan Xiaochong, and two independent non-executive Directors, Mr. Gu Yunchang and Mr. Wang Bo. Mr. Wang Bo was at such time the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include (but are not limited to): (i) making recommendations to the Directors in respect of the remuneration policies and structure of Directors and senior management of the Company and the formal and transparent procedures in the formulation of remuneration policies; (ii) either: (a) to determine, with delegated responsibility by the Board, the remuneration packages of individual executive Directors and senior management; or (b) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; (iii) to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (iv) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; (v) to review and approve the management's remuneration proposals with reference to the Board's corporate policies and objectives; and (vi) to consider and approve the granting of share options to eligible participants under the Share Option Scheme.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "**Nomination Committee**") in compliance with the Listing Rules. At the time when this interim report was approved by the Board, the Nomination Committee comprised one executive Director, Mr. Yi Xiaodi, and two independent non-executive Directors, Mr. Gu Yunchang and Mr. Wang Bo. Mr. Yi Xiaodi was at such time the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are (i) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to the Board on appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and (v) to review the policy on Board diversity (the "**Board Diversity Policy**") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosure of its review results in the annual report of the Company annually.

Disclosure of the Interests Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this interim report, the interests or short positions of Directors or Chief Executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to Section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(I) Interests in the Company

Name of Director	Capacities in which interests are held	Interests in Shares	Approximate percentage of issued share capital of the Company	Notes
Yi Xiaodi	Persons acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.85%	1, 2, 3
Fan Xiaochong	Persons acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.85%	1, 2, 4
Fan Xiaohua	Persons acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.85%	1, 2, 5

Notes:

(1) The letter "L" denotes the person's long positions in the Shares.

(2) 40% of the issued share capital of Joywise Holdings Limited ("**Joywise**") is held by Ming Fai International Limited ("**Ming Fai**") and 60% of the issued share capital of Joywise is held by Harvest Well Holdings Limited ("**Harvest Well**"). Both Ming Fai and Harvest Well are deemed under the SFO to be interested in the Shares held by Joywise. 72.4% of the issued share capital of each of Ming Fai and Harvest Well are held by Fantasy Races Limited. In light of the above, Fantasy Races Limited is deemed under the SFO to be interested in the Shares held by Joywise.

(3) Mr. Yi Xiaodi is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Yi Xiaodi, his family members and other persons who may join in from time to time (the "**Yi Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which Fantastic Magician Limited is interested in.

Mr. Yi Xiaodi is also one of the founders of a discretionary investment collective trust established by Mr. Yi Xiaodi, Mr. Fan Xiaochong, Ms. Fan Xiaohua, Mr. Jin Xiangfei, Ms. Liu Chaohui, Mr. Tian Feng, Mr. Li Mingqiang (the "**Individual Controlling Shareholders**"), the discretionary beneficiaries of which are the Individual Controlling Shareholders and other persons who may join in from time to time (the "**Sunshine Trust I**"). By virtue of the SFO, Mr. Yi Xiaodi is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Mr. Yi Xiaodi is one of the parties to each of the concert party agreement dated 12 August 2010 entered into among Mr. Yi Xiaodi, Mr. Fan Xiaochong, Ms. Fan Xiaohua and Mr. Liao Chimei (the "**2010 Agreement**") and the concert party agreement dated 1 August 2013 entered into among the Individual Controlling Shareholders (the "**2013 Agreement**"). By virtue of the SFO, Mr. Yi Xiaodi is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Mr. Yi Xiaodi is deemed under the SFO to be interested in the Shares held by Joywise.

Mr. Yi Xiaodi has the control of Delight Grandeur Limited (愉偉有限公司) ("**Delight Grandeur**") which holds 18,800,000 Shares, accounting for 0.73% of the issued share capital. By virtue of the SFO, Mr. Yi Xiaodi is deemed to be interested in the Shares held by Delight Grandeur.

(4) Mr. Fan Xiaochong is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Fan Xiaochong, his family members and other persons who may join in from time to time (the "**FXC Family Trust**"). By virtue of the SFO, he is deemed to be interested in the Shares which True Passion Limited is interested in.

Mr. Fan Xiaochong is also one of the founders of the Sunshine Trust I. By virtue of the SFO, he is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Mr. Fan Xiaochong is also one of the founders of a discretionary collective trust established by the Individual Controlling Shareholders, the discretionary beneficiaries of which are three persons and other persons who may join in from time to time (the "**Sunshine Trust II**"). By virtue of the SFO, he is deemed to be interested in the Shares which Floral Crystal Limited is interested in.

Mr. Fan Xiaochong is one of the parties to each of the 2010 Agreement and the 2013 Agreement. By virtue of the SFO, Mr. Fan Xiaochong is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Mr. Fan Xiaochong is deemed to be interested in the Shares held by Joywise under the SFO.

(5) Ms. Fan Xiaohua is the founder of a discretionary family trust, the discretionary beneficiaries of which are Ms. Fan Xiaohua, her family members and other persons who may join in from time to time (the "**FXH Family Trust**"). By virtue of the SFO, she is deemed to be interested in the Shares which Glorious Glory Limited is interested in.

Ms. Fan Xiaohua is also one of the founders of the Sunshine Trust I. By virtue of the SFO, she is deemed to be interested in the Shares which Fantasy Races Limited is interested in.

Ms. Fan Xiaohua is one of the parties to each of the 2010 Agreement and the 2013 Agreement. By virtue of the SFO, she is deemed to be interested in the Shares which the other parties to each of those agreements are interested in.

In light of the above and the other notes, Ms. Fan Xiaohua is deemed to be interested in the Shares held by Joywise under the SFO.

Disclosure of the Interests Information (Continued)

(II) Interests in associated corporations

Name of Director	Capacities in which interests are held	Name of associated corporation	Interests in Shares	Percentage of shareholding	Notes
Yi Xiaodi	Persons acting in concert Founder of discretionary trusts	Harvest Well	50,000	100%	1
Fan Xiaochong	Persons acting in concert Founder of discretionary trusts	Harvest Well	50,000	100%	2
Fan Xiaohua	Persons acting in concert Founder of discretionary trusts	Harvest Well	50,000	100%	3
Yi Xiaodi	Persons acting in concert Interest of a controlled corporation Founder of discretionary trusts	Joywise	50,000	100%	4
Fan Xiaochong	Persons acting in concert Interest of a controlled corporation Founder of discretionary trusts	Joywise	50,000	100%	5
Fan Xiaohua	Persons acting in concert Interest of a controlled corporation Founder of discretionary trusts	Joywise	50,000	100%	6
Yi Xiaodi	Persons acting in concert Founder of discretionary trusts	Ming Fai	50,000	100%	1
Fan Xiaochong	Persons acting in concert Founder of discretionary trusts	Ming Fai	50,000	100%	2
Fan Xiaohua	Persons acting in concert Founder of discretionary trusts	Ming Fai	50,000	100%	3
Yi Xiaodi	Beneficial owner Person acting in concert	Delight Grandeur	50,000	100%	1
Fan Xiaochong	Beneficial owner Person acting in concert	Delight Grandeur	50,000	100%	2
Fan Xiaohua	Beneficial owner Person acting in concert	Delight Grandeur	50,000	100%	3

Notes:

(1) Please refer to Note (3) in the sub-section above headed "(I) Interest in the Company".

(2) Please refer to Note (4) in the sub-section above headed "(I) Interest in the Company".

(3) Please refer to Note (5) in the sub-section above headed "(I) Interest in the Company".

(4) Please refer to Notes (2) and (3) in the sub-section above headed "(I) Interest in the Company".

(5) Please refer to Notes (2) and (4) in the sub-section above headed "(I) Interest in the Company".

(6) Please refer to Notes (2) and (5) in the sub-section above headed "(I) Interest in the Company".

Save as disclosed above, as at the date of this interim report, none of the Directors or chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the six months ended 30 June 2019 and up to the date of this interim report, were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this interim report, to the best of the knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacities in which interests are held	Interests in Shares	Approximate percentage of shareholding	Notes
Joywise	Beneficial owner	1,693,273,906 (L)	66.11%	1、2
Ming Fai	Interest of a controlled corporation	1,693,273,906 (L)	66.11%	1、3
Harvest Well	Interest of a controlled corporation	1,693,273,906 (L)	66.11%	1、4
Fantasy Races Limited	Interest of a controlled corporation	1,693,273,906 (L)	66.11%	1、5
Jin Xiangfei	Persons acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.85%	1、6
Liu Chaohui	Persons acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.85%	1、7
Tian Feng	Persons acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.85%	1、8
Li Mingqiang	Persons acting in concert Interest of a controlled corporation Founder of a discretionary trust	1,712,073,906 (L)	66.85%	1、9
Cititrust Private Trust (Cayman) Limited	Trustee Interest of a controlled corporation	1,693,273,906 (L)	66.11%	1、10

Name of shareholder	Capacities in which interests are held	Interests in Shares	Approximate percentage of shareholding	Notes
Beyond Steady Limited	Beneficial owner	235,055,000 (L)	9.18%	1、11
		235,055,000 (S)	9.18%	
	Person having a security interest in shares	891,335,000 (L)	34.80%	
Huarong International Financial Holdings Limited	Interest of a controlled corporation	1,126,390,000 (L)	43.98%	1、11
		235,055,000 (S)	9.18%	
China Huarong Asset Management Co., Ltd.	Interest of a controlled corporation	1,126,390,000 (L)	43.98%	1、11
		235,055,000 (S)	9.18%	
CITIC Securities Company Limited	Interest of a controlled corporation	95,974,400 (L)	3.75%	1、12
		155,958,400 (S)	6.09%	
Central New Ventures Limited	Beneficial owner	310,263,000 (L)	12.11%	1、13
Shanghai Libo Investment Center (LP)	Interest of a controlled corporation	310,263,000 (L)	12.11%	1、13
Beijing Fudingxin Investment Management Co., Ltd	Interest of a controlled corporation	310,263,000 (L)	12.11%	1、13
FDH Private Equity Investment Fund Management (Tianjin) Co., Ltd.	Interest of a controlled corporation	310,263,000 (L)	12.11%	1、13
Wang Zhiqiang	Beneficial owner Interest of spouse Interest of a controlled corporation	130,312,559 (L)	5.09%	1、14
Ma Li	Beneficial owner Interest of spouse	130,312,559 (L)	5.09%	1、15

Notes:

(1) The letter "L" denotes the person's long position in the Shares. The Letter "S" denotes the person's short position in the Shares.

(2) Joywise holds 66.11% of the issued share capital of the Company, including 9.18% of derivative interests.

(3) 40% of the issued share capital of Joywise is held by Ming Fai. Ming Fai is deemed under the SFO to be interested in the Shares held by Joywise.

(4) 60% of the issued share capital of Joywise is held by Harvest Well. Harvest Well is deemed to be interested in the Shares held by Joywise under the SFO.

(5) 72.4% of the issued share capital of each of Ming Fai and Harvest Well are held by Fantasy Races Limited. In light of the above and notes 2 and 3, Fantasy Races Limited is deemed to be interested in the Shares held by Joywise under the SFO.

(6) Mr. Jin Xiangfei is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Jin Xiangfei, his family members and other persons who may join in from time to time (the "**Jin Family Trust**"). By virtue of the SFO, Mr. Jin Xiangfei is deemed to be interested in the Shares which Creative Goal Limited is interested in.

Mr. Jin Xiangfei is one of the parties to the 2013 Agreement. By virtue of the SFO, Mr. Jin Xiangfei is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Jin Xiangfei is deemed to be interested in the Shares held by Joywise under the SFO.

(7) Ms. Liu Chaohui is the founder of a discretionary family trust, the discretionary beneficiaries of which are Ms. Liu Chaohui, her family members and other persons who may join in from time to time (the "**Liu Family Trust**"). By virtue of the SFO, Ms. Liu Chaohui is deemed to be interested in the Shares which Butterfly Fairy Limited is interested in.

Ms. Liu Chaohui is one of the parties to the 2013 Agreement. By virtue of the SFO, Ms. Liu Chaohui is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Ms. Liu Chaohui is deemed under the SFO to be interested in the Shares held by Joywise.

(8) Mr. Tian Feng is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Tian Feng, his family members and other persons who may join in from time to time (the "**Tian Family Trust**"). By virtue of the SFO, Mr. Tian Feng is deemed to be interested in the Shares which Happy Sunshine Limited is interested in.

Mr. Tian Feng is one of the parties to the 2013 Agreement. By virtue of the SFO, Mr. Tian Feng is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Tian Feng is deemed to be interested in the Shares held by Joywise under the SFO.

(9) Mr. Li Mingqiang is the founder of a discretionary family trust, the discretionary beneficiaries of which are Mr. Li Mingqiang, his family members and other persons who may join in from time to time (the "**Li Family Trust**"). By virtue of the SFO, Mr. Li Mingqiang is deemed to be interested in the Shares which Ultimate Triumph Investments Limited is interested in.

Mr. Li Mingqiang is one of the parties to the 2013 Agreement. By virtue of the SFO, Mr. Li Mingqiang is deemed to be interested in the Shares which the other parties to that agreement are interested in. Out of the other parties, three of them, namely, Mr. Yi Xiaodi, Mr. Fan Xiaochong and Ms. Fan Xiaohua, are deemed to be interested in the Shares which Mr. Liao Chimei is interested in by virtue of the 2010 Agreement.

In light of the above and the other notes, Mr. Li Mingqiang is deemed to be interested in the Shares held by Joywise under the SFO.

(10) Cititrust Private Trust (Cayman) Limited (the "**Trustee**") is the trustee under the Yi Family Trust, the FXC Family Trust, the FXH Family Trust, the Jin Family Trust, the Tian Family Trust, the Liu Family Trust, the Li Family Trust, the Sunshine Trust I and the Sunshine Trust II. For details of these trusts, see "**History, Reorganization and Group Structure – Establishment of Offshore Trusts**" from page 121 to page 122 of the prospectus (the "Prospectus").

In light of the above and notes 2 and 3, the Trustee is deemed to be interested in the Shares held by Joywise under the SFO.

(11) 100% of the equity interests of Beyond Steady Limited are indirectly held by Huarong International Financial Holdings Limited and China Huarong Asset Management Co., Ltd. Therefore, Huarong International Financial Holdings Limited and China Huarong Asset Management Co., Ltd. are deemed to be interested in the Shares held by Beyond Steady Limited under the SFO.

(12) 100% of the equity interests of CSI Capital Management Limited are indirectly held by CITIC Securities Company Limited. Therefore, CITIC Securities Company Limited is deemed to be interested in the Shares held by CSI Capital Management Limited under the SFO.

(13) 60% of the equity interest of Central New Ventures Limited is held by Shanghai Libo Investment Center (LP). Beijing Fudingxin Investment and Management Co., Ltd., wholly owned by FDH Private Equity Investment Fund Management (Tianjin) Co., Ltd., is the general partner of Shanghai Libo Investment Center (LP). Therefore, Shanghai Libo Investment Center (LP), Beijing Fudingxin Investment and Management Co., Ltd. and FDH Private Equity Investment Fund Management (Tianjin) Co., Ltd. are deemed to be interested in the Shares held by Central New Ventures Limited under the SFO.

(14) Mr. Wang Zhiqiang is interested in 130,312,559 shares of the Company, comprising 110,047,559 shares held by himself, 14,468,000 shares held through Zhongran Investments Company Limited, and 5,797,000 shares held by his spouse Ms. Ma Li which are deemed to be interested in by him.

(15) Ms. Ma Li is interested in 130,312,559 shares of the Company, comprising 5,797,000 shares held by herself, and 124,515,559 shares held by her spouse Mr. Wang Zhiqiang which are deemed to be interested in by her.

Save as disclosed above, as at the date of this interim report, the Directors were not aware of any persons (who were not Directors or Chief Executives of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

During the Reporting Period, there is no other information in respect of the Directors and the Chief Financial Officer required to be disclosed under Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019.

USE OF NET PROCEEDS FROM ISSUE OF CONVERTIBLE BONDS

The Company issued 6.50% convertible bonds in principal amount of US$200,000,000 due 2021 on 11 August 2016 ("**2016 Convertible Bonds**"). The 2016 Convertible Bonds are listed on the Stock Exchange (debt code: 5696). The net proceeds from issue of 2016 Convertible Bonds were US$197.6 million which was intended to be used for refinancing of existing indebtedness and general corporate purposes. As at 30 June 2019, all proceeds have been utilised by the Company, among which, approximately 97.1%, i.e. US$191.8 million, has been utilised for the repayment of the principal and interest on loans and borrowings; and approximately 2.9%, i.e. US$5.8 million, has been utilised for general working capital.

The conversion price, originally at HK$3.69, shall be adjusted to HK$3.66 pursuant to condition 6(C) (vi) of the terms and conditions as a result of the issue of 235,055,000 new subscription shares to the subscriber at a price of HK$3.10 per subscription share on 28 December 2017 pursuant to the subscription agreement.

As at 30 June 2019, unpaid principal amount for 2016 Convertible Bonds was US$199,000,000. As calculated based on the conversion price of 2016 Convertible Bonds at HK$3.66 per share, a maximum of 421,733,196 Shares will be allotted and issued if the conversion rights attached to outstanding 2016 Convertible Bonds are fully exercised, representing approximately 16.47% of the then issued share capital of the Company on 30 June 2019 and approximately 13.39% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding 2016 Convertible Bonds and 2018 convertible bonds. The Directors of the Company have confirmed that the number of shares to be issued are within the scope of authorization to the Directors approved by shareholders at the annual general meeting of the Company held on 21 June 2019.

The Company also issued 4.8% convertible bonds in the principal amount of HK$750,000,000 due 2023 on 17 September 2018, ("**2018 Convertible Bonds**"). The net proceeds from issue of 2018 Convertible Bonds were HK$735.0 million which was intended to be used for refinancing of existing indebtedness and general corporate purposes. As at 30 June 2019, all the proceeds raised have been utilised by the Company, among which, approximately 99.6%, i.e. HK$731.9 million, has been utilised for the repayment of the principal and interest on loans and borrowings; and approximately 0.4%, i.e. HK$3.1 million, has been utilised for general working capital.

As at 30 June 2019, unpaid principal amount for 2018 Convertible Bonds was HK$750,000,000. As calculated based on the conversion price of 2018 Convertible Bonds at HK$4.5 per share, a maximum of 166,666,666 Shares will be allotted and issued if the conversion rights attached to outstanding 2018 Convertible Bonds are fully exercised, representing approximately 6.51% of the then issued share capital of the Company on 30 June 2019 and approximately 5.29% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding 2016 Convertible Bonds and 2018 Convertible Bonds. The Directors of the Company have confirmed that the number of shares to be issued are within the scope of authorization to the Directors approved by shareholders at the annual general meeting of the Company held on 21 June 2019.

Set out below is the dilution effect on equity interest of the substantial shareholders of the Company:

Substantial shareholders	**30 June 2019**		**Upon conversion of the 2016 Convertible Bonds in full at the conversion price of HK$3.66 per share**		**Upon conversion of the 2018 Convertible Bonds in full at the conversion price of HK$4.5 per share**	
	Number of shares	*Approximate percentage of issued shares*	*Number of shares*	*Approximate percentage of issued shares*	*Number of shares*	*Approximate percentage of issued shares*
Joywise Holdings Limited	1,693,273,906	66.11%	1,458,218,906	48.88%	1,458,218,906	53.46%
Beyond Steady Limited	235,055,000	9.18%	235,055,000	7.88%	235,055,000	8.62%
Central New Ventures Limited	310,263,000	12.11%	214,335,000	10.40%	214,335,000	11.37%

On 30 June 2019, the Group recorded net assets of RMB10,118.9 million, net current assets of RMB17,271.5 million and cash and cash equivalents of RMB3,499.0 million. So far as the Company is concerned, based on the financial positions of the Group, it is expected that the Company is able to meet its redemption obligations under the issued 2016 Convertible Bonds and 2018 Convertible Bonds whose conversion rights are not yet exercised.

Based on the implied internal rate of returns of 2016 Convertible Bonds, the Company's share prices at future dates at which it would be equally financially advantageous for the bonds holders to convert 2016 Convertible Bonds or have them redeemed were as follows:

Date	**Share price** *(HK$)*
31 December 2018	4.05 per share
11 August 2019 (on which the Company will redeem the whole or part of bonds held by any bonds holders at their option at 106.67% of the principal amount and interest accrued as of such date)	3.90 per share

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Issue of US$200.0 million 11.5% Senior Notes Due 2021

On 28 June 2019, the Company, the offshore subsidiaries providing guarantees for the notes and the initial purchasers comprising Haitong International Securities Company Limited ("**Haitong International**"), CCB International Capital Limited ("**CCB International**"), TFI Securities and Futures Limited ("**TF International**") and CM Securities (Hongkong) Company Limited ("**CM Financial**") entered into the subscription agreement in relation to the issue of US$200.0 million 11.5% senior notes due 5 July 2021. Haitong International and CCB International were the joint global coordinators, joint lead managers and joint bookrunners in connection with the issue of the notes. TF International and CM Financial were the joint lead managers and joint bookrunners in connection with the issue of the notes. The estimated gross proceeds of the notes, after deducting issue discounts in connection with the offering, amounted to approximately US$196.6 million, which was intended to be used to repay certain of its existing indebtedness and for general corporate purposes. The notes were listed on The Singapore Exchange Securities Trading Limited on 6 July 2019. For details, please refer to the announcement of the Company dated 28 June 2019.

Repurchase of Shares

During the Reporting period, the Company repurchased a total of 50,927,000 ordinary shares at share prices ranging from HK$1.36 to HK$1.79 per share. All of the repurchased shares were cancelled on 27 March 2019, and the issued share capital of the Company was correspondingly reduced. The expenses in an aggregate amount of HK$84.56 million incurred by the Company for such repurchased shares cancelled during the Reporting Period have been included in retained earnings.

The repurchases of shares by the Company during the Reporting Period were effected by the Directors pursuant to the mandate granted by shareholders at the previous annual general meeting of the Company, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Save as disclosed above, during the Reporting Period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

SHARE OPTION SCHEME

The Company had adopted a Post-IPO share option scheme ("**Share Option Scheme**") on 17 February 2014. The Share Option Scheme is a share incentive scheme and is established to enable the Company to grant share options to the eligible participants as incentives or rewards for the contribution they had or may have made to the Group. The eligible participants for the Share Option Scheme includes any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors (including independent non-executive directors) of the Company or any of its subsidiaries; any advisers, consultants, suppliers, customers, distributors and agents to the Company or any of its subsidiaries; and such other persons who in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries. The Share Option Scheme has been effective since the date on which the Company was listed on the Stock Exchange. No share options have been granted under the Share Option Scheme since the Company adopted the Share Option Scheme.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules for the six months ended 30 June 2019.

Review Report on the Interim Financial Information

Review report
to the Board of Directors of Sunshine 100 China Holdings Ltd
(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 50 to 88, which comprises the consolidated statement of financial position of Sunshine 100 China Holdings Ltd as of 30 June 2019 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting.*

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 August 2019

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	***RMB'000***	*RMB'000*
Revenue	3	**3,594,646**	3,704,103
Cost of sales		**(2,783,651)**	(3,029,410)
Gross profit		**810,995**	674,693
Valuation gains on investment properties	9	**341,857**	554,002
Other income	4	**445,773**	8,667
Selling expenses		**(223,455)**	(277,498)
Administrative expenses		**(262,377)**	(260,013)
Other operating expenses		**(58,655)**	(16,564)
Profit from operations		**1,054,138**	683,287
Financial income	5(a)	**363,931**	291,408
Financial costs	5(a)	**(341,467)**	(280,334)
Share of profits less losses of associates		**26,221**	2,553
Profit before taxation	5	**1,102,823**	696,914
Income tax	6	**(309,712)**	(249,888)
Profit for the period		**793,111**	447,026
Other comprehensive income for the period (after tax and reclassification adjustments):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**135**	(10,818)
Total comprehensive income for the period		**793,246**	436,208

The notes on pages 58 to 88 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 17.

Consolidated Statement of Comprehensive Income (Continued)

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	***RMB'000***	*RMB'000*
Profit attributable to:			
Equity shareholders of the Company		**329,806**	311,356
Non-controlling interests		**463,305**	135,670
Profit for the period		**793,111**	447,026
Total comprehensive income attributable to:			
Equity shareholders of the Company		**329,941**	300,538
Non-controlling interests		**463,305**	135,670
Total comprehensive income for the period		**793,246**	436,208
Earnings per share *(RMB)*	7		
Basic		**0.13**	0.12
Diluted		**0.05**	0.08

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

The notes on pages 58 to 88 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2019 – unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2019** **RMB'000**	At 31 December 2018 *(Note)* *RMB'000*
Non-current assets			
Property and equipment	8	**659,344**	697,864
Investment properties	9	**11,234,110**	11,707,246
Restricted deposits		**214,073**	130,054
Investments in associates		**1,362,049**	905,007
Trade and other receivables	12	**532,203**	576,506
Deferred tax assets		**1,376,074**	1,400,667
Other non-current financial assets		**109,777**	103,777
Total non-current assets		**15,487,630**	15,521,121
Current assets			
Properties under development and completed properties held for sale	10	**27,938,739**	32,464,688
Land development for sale	11	**907,182**	866,431
Contract costs		**212,698**	246,555
Trade and other receivables	12	**8,735,672**	7,674,633
Restricted deposits		**2,069,587**	1,975,407
Cash and cash equivalents	13	**3,498,971**	2,588,630
Trading securities		**71,217**	114,663
Total current assets		**43,434,066**	45,931,007
Current liabilities			
Loans and borrowings	14	**8,304,550**	10,419,807
Trade and other payables	15	**6,262,944**	7,207,298
Contract liabilities	16	**10,187,342**	9,094,428
Contract retention payables		**163,690**	173,482
Current tax liabilities		**1,223,786**	1,093,894
Lease liabilities		**20,291**	–
Total current liabilities		**26,162,603**	27,988,909
Net current assets		**17,271,463**	17,942,098
Total assets less current liabilities		**32,759,093**	33,463,219

The notes on pages 58 to 88 form part of this interim financial report.

Consolidated Statement of Financial Position (Continued)

at 30 June 2019 – unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2019** *RMB'000*	At 31 December 2018 *(Note)* *RMB'000*
Non-current liabilities			
Loans and borrowings	14	**18,031,720**	19,275,499
Contract retention payables		**106,255**	170,166
Trade and other payables	15	**623,230**	469,535
Deferred tax liabilities		**3,815,324**	3,939,724
Lease liabilities		**63,695**	–
Total non-current liabilities		**22,640,224**	23,854,924
NET ASSETS		**10,118,869**	9,608,295
CAPITAL AND RESERVES	17		
Share capital		**20,268**	20,704
Reserves		**7,711,793**	7,454,138
Total equity attributable to equity shareholders of the Company		**7,732,061**	7,474,842
Non-controlling interests		**2,386,808**	2,133,453
TOTAL EQUITY		**10,118,869**	9,608,295

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

Approved and authorised for issue by the board of directors on 27 August 2019.

YI Xiaodi)
)
) Directors
)
FAN Xiaochong)

The notes on pages 58 to 88 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Exchange reserve *RMB'000*	General reserve fund *RMB'000*	Property revaluation reserve *RMB'000*	Retained profits *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2018	20,700	3,419,358	(3,776)	707,302	13,036	3,454,903	7,611,523	1,769,996	9,381,519
Changes in equity for the six months ended 30 June 2018:									
Profit for the period	–	–	–	–	–	311,356	311,356	135,670	447,026
Other comprehensive income	–	–	(10,818)	–	–	–	(10,818)	–	(10,818)
Total comprehensive income	–	–	(10,818)	–	–	311,356	300,538	135,670	436,208
Capital contribution from non-controlling interests	–	–	–	–	–	(90,080)	(90,080)	83,080	(7,000)
Liquidation of a subsidiary	–	–	–	–	–	–	–	(34)	(34)
Balance at 30 June 2018 and 1 July 2018	20,700	3,419,358	(14,594)	707,302	13,036	3,676,179	7,821,981	1,988,712	9,810,693
Changes in equity for the six months ended 31 December 2018:									
(Loss)/profit for the period	–	–	–	–	–	(341,310)	(341,310)	137,057	(204,253)
Other comprehensive income	–	–	(7,199)	–	–	–	(7,199)	–	(7,199)
Total comprehensive income	–	–	(7,199)	–	–	(341,310)	(348,509)	137,057	(211,452)
Conversion of convertible bonds	4	1,366	–	–	–	–	1,370	–	1,370
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	7,684	7,684
Transfer to general reserve fund	–	–	–	30,564	–	(30,564)	–	–	–
Balance at 31 December 2018 *(Note)*	20,704	3,420,724	(21,793)	737,866	13,036	3,304,305	7,474,842	2,133,453	9,608,295

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

The notes on pages 58 to 88 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	General reserve fund RMB'000	Property revaluation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	**20,704**	**3,420,724**	**(21,793)**	**737,866**	**13,036**	**3,304,305**	**7,474,842**	**2,133,453**	**9,608,295**
Changes in equity for the six months ended 30 June 2019:									
Profit for the period	–	–	–	–	–	329,806	329,806	463,305	793,111
Other comprehensive income	–	–	135	–	–	–	135	–	135
Total comprehensive income	–	–	135	–	–	329,806	329,941	463,305	793,246
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	2,290	2,290
Distribution to non-controlling interests	–	–	–	–	–	–	–	(120,200)	(120,200)
Purchase and cancellation of own shares *(Note 17(b))*	(436)	(72,286)	–	–	–	–	(72,722)	–	(72,722)
Disposal of a subsidiary *(Note 21(c))*	–	–	–	–	–	–	–	(92,040)	(92,040)
Balance at 30 June 2019	**20,268**	**3,348,438**	**(21,658)**	**737,866**	**13,036**	**3,634,111**	**7,732,061**	**2,386,808**	**10,118,869**

The notes on pages 58 to 88 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	***RMB'000***	*RMB'000*
Operating activities			
Cash generated from operations		**1,141,517**	1,008,136
Income tax paid		**(229,227)**	(324,447)
Net cash generated from operating activities		**912,290**	683,689
Investing activities			
Proceeds from disposal of subsidiaries	21	**2,372,801**	–
Acquisition of subsidiaries, net of cash acquired		**–**	(10,000)
Repayment of loans provided to third parties		**2,559,645**	1,434,477
Loans provided to third parties		**(2,250,861)**	(2,523,103)
Loans provided to non-controlling interests		**(853,448)**	–
Proceeds from disposal of investment properties		**35,203**	22,605
Acquisition of investment properties		**(28,431)**	(188,151)
Other cash flows generated from investing activities		**78,831**	39,416
Net cash generated from/(used in) investing activities		**1,913,740**	(1,224,756)

The notes on pages 58 to 88 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement (Continued)

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June **2019** **RMB'000**	2018 *(Note)* RMB'000
Financing activities			
Proceeds from loans and borrowings		**4,994,906**	3,133,428
Repayment of loans and borrowings		**(5,387,634)**	(3,618,338)
Proceeds from issuance of senior notes		**–**	1,076,567
Interest paid		**(1,300,857)**	(1,375,999)
(Increase)/decrease in restricted deposits		**(14,196)**	94,519
Purchase and cancellation of own shares		**(72,722)**	–
Distribution to non-controlling interests		**(120,200)**	(34)
Capital element of lease rentals paid		**(8,986)**	–
Interest element of lease rentals paid		**(3,655)**	–
Other cash flows used in financing activities		**(4,639)**	(10,844)
Net cash used in financing activities		**(1,917,983)**	(700,701)
Net increase/(decrease) in cash and cash equivalent		**908,047**	(1,241,768)
Cash and cash equivalents at 1 January	13	**2,588,630**	4,654,189
Effect of foreign exchange rate changes		**2,294**	(619)
Cash and cash equivalents at 30 June	13	**3,498,971**	3,411,802

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

The notes on pages 58 to 88 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Sunshine 100 China Holdings Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting,* issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 27 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity,* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included on page 49.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS 16, *Leases,* and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, Leases

IFRS 16 replaces IAS 17, Leases, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease,* SIC 15, *Operating leases – incentives,* and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease.* It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property and equipment as disclosed in Note 19(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, Leases (Continued)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting (Continued)

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, Leases (Continued)

(a) Changes in the accounting policies (Continued)

(iii) Leasehold investment property

Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of IFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply IAS 40, *Investment properties,* to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(iv) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (a)(iii) above, the Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a material impact on the Group's financial statements in this regard.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Classification of interest in buildings held for own use

In accordance with IAS 16, *Property, plant and equipment,* the Group chooses to apply either the cost model as its accounting policy for items of property and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that the right to use other properties leased under tenancy agreements are carried at depreciated cost.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, Leases (Continued)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies (Continued)

(ii) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 8.54%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, Leases (Continued)

(c) Transitional impact (Continued)

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and presents lease liabilities separately in the statement of financial position.

The Group recognised right-of-use assets of RMB88,376,000 (RMB22,788,000 was recognised in investment properties and RMB65,588,000 was recognised in property and equipment) and the lease liabilities of RMB88,376,000 as at 1 January 2019.

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RMB82,780,000 right-of-use assets (RNB29,025,000 was recognised in investment properties and RMB53,755,000 was recognised in property and equipment) and RMB83,986,000 lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised RMB13,933,000 depreciation charges and RMB3,655,000 interest costs from these leases.

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	**20,291**	**27,296**	15,916	23,199
After 1 year but within 5 years	**40,795**	**53,684**	50,528	65,758
After 5 years	**22,900**	**34,857**	21,932	33,040
	63,695	**88,541**	72,460	98,798
	83,986	**115,837**	88,376	121,997
Less: total future interest expenses		**31,851**		33,621
Present value of lease liabilities		**83,986**		88,376

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16, Leases (Continued)

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17.

IFRS 16 has no material impact on financial result, segment results and cash flows of the Group.

3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses based on its products and services, which are divided into property development that comprises mixed-use business complexes projects and multi-functional residential communities, investment properties, property management and hotel operation and light-asset operation. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following five reportable segments:

(a) The mixed-use business complexes segment that develops and sells business complex products;

(b) The multi-functional residential communities segment that develops and sells residential properties and develops land;

(c) Investment properties segment that leases offices and commercial premises;

(d) The property management and hotel operation segment that provides property management service and hotel accommodation services; and

(e) The light-asset operation segment that provides property selling agency and brand-use services.

No operating segments have been aggregated to form the above reportable segments.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Disaggregation of revenue

The principal activities of the Group are property and land development, property investment, property management and hotel operation, and light-asset operation. Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sale of properties	**3,296,153**	3,391,702
Property management and hotel operation income	**211,680**	219,099
Light-asset operation income	**15,658**	21,626
	3,523,491	3,632,427
Revenue from other sources		
Rental income from investment properties	**71,155**	71,676
	3,594,646	3,704,103
Disaggregated by timing of revenue recognition		
Point in time	**2,629,058**	3,274,860
Over time	**965,588**	429,243
	3,594,646	3,704,103

The Group's operations are substantially located in the PRC. Therefore no geographical segment reporting is presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 3(b).

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

For the six months ended 30 June	Mixed-use business complexes		Multi-functional residential communities		Investment properties		Property management and hotel operation		Light-asset operation		Total	
	2019	2018 *(Note)*	**2019**	2018 *(Note)*	**2019**	2018 *(Note)*	**2019**	2018 *(Note)*	**2019**	2018 *(Note)*	**2019**	2018 *(Note)*
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition												
Point in time	**271,427**	802,640	**2,341,973**	2,450,594	**-**	-	**-**	-	**15,658**	21,626	**2,629,058**	3,274,860
Over time	**177,564**	96,645	**505,189**	41,823	**71,155**	71,676	**211,680**	219,099	**-**	-	**965,588**	429,243
Revenue from external customers	**448,991**	899,285	**2,847,162**	2,492,417	**71,155**	71,676	**211,680**	219,099	**15,658**	21,626	**3,594,646**	3,704,103
Inter-segment revenue	**-**	-	**-**	-	**-**	-	**49,204**	32,031	**-**	-	**49,204**	32,031
Reportable segment revenue	**448,991**	899,285	**2,847,162**	2,492,417	**71,155**	71,676	**260,884**	251,130	**15,658**	21,626	**3,643,850**	3,736,134
Reportable segment gross profit/(loss)	**95,225**	(115,117)	**652,989**	664,727	**71,155**	71,676	**(10,846)**	44,065	**14,647**	17,583	**823,170**	682,934
Reportable segment (loss)/profit	**(448,263)**	(221,781)	**1,010,375**	50,497	**237,264**	460,690	**(69,489)**	(6,403)	**8,871**	14,161	**738,758**	297,164
As at 30 June/31 December												
Loans and borrowings	**1,035,000**	4,571,818	**17,029,400**	16,453,862	**203,500**	-	**494,091**	581,440	**-**	-	**18,761,991**	21,607,120
Reportable segment assets	**6,813,851**	11,692,208	**38,681,665**	38,992,879	**11,082,614**	11,930,806	**1,242,664**	1,238,111	**115,123**	107,395	**57,935,917**	63,961,399
Reportable segment liabilities	**6,931,894**	11,628,000	**38,023,318**	38,458,643	**765,545**	534,896	**1,000,352**	1,017,670	**74,062**	55,804	**46,795,171**	51,695,013

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Reportable segment profit	**738,758**	297,164
Elimination of intra-group loss	**7,644**	8,079
Unallocated head office and corporate income	**46,709**	141,783
Consolidated profit for the period	**793,111**	447,026

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

4 OTHER INCOME

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Disposal of subsidiaries	21	**432,142**	–
Others		**13,631**	8,667
		445,773	8,667

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Financial income and financial costs

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Financial income		
Interest income on financial assets not at fair value through profit or loss	**(150,812)**	(178,851)
Net change in fair value of the derivative components of convertible bonds *(Note 14(a))*	**(213,119)**	(112,557)
	(363,931)	(291,408)
Financial costs		
Total interest expense on loans and borrowings	**1,379,116**	1,371,586
Less: Interest expense capitalised into land development for sale, properties under development and investment properties under construction	**(1,131,103)**	(1,154,821)
	248,013	216,765
Net foreign exchange loss	**20,331**	50,897
Net change in fair value of financial assets at fair value through profit or loss	**42,165**	9,405
Interest element of lease rentals paid	**3,655**	–
Bank charges and others	**27,303**	3,267
	341,467	280,334

5 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Depreciation		
– owned property and equipment	**8,950**	21,153
– right-of-use assets	**13,933**	–
Impairment loss of trade and other receivables	**–**	1,590
Write-down of properties under development and completed properties held for sale *(Note 10)*	**–**	30,534

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

6 INCOME TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current tax		
– PRC Corporate Income Tax	**201,206**	113,298
– Land Appreciation Tax	**147,711**	93,936
Over-provision of PRC Corporate Income Tax in respect of prior years	**(24,006)**	–
Deferred taxation	**(15,199)**	42,654
	309,712	249,888

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Island (the "BVI"), the Company and its subsidiaries incorporated in the Cayman Islands and the BVI, are not subject to any income tax.

In accordance with the Corporate Income Tax Law of the PRC, the income tax rate applicable to the Company's subsidiaries in the PRC is 25%.

In accordance with the Land Appreciation Tax Law of the PRC, Land Appreciation Tax is levied at the properties developed by the Group for sale in the PRC. Land Appreciation Tax is charged on the appreciated amount at progressive rates ranged from 30% to 60%, except for certain projects which are charged on the contract revenue of properties sold or pre-sold at different rates ranged from 5% to 7% based on types of properties.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB329,806,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB311,356,000) and the weighted average of RMB2,567,440,000 ordinary shares (six months ended 30 June 2018: 2,611,737,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

For the six months ended 30 June 2019, the calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB160,370,000 (six months ended 30 June 2018: RMB230,185,000) and the weighted average number of ordinary shares of 3,155,840,000 (six months ended 30 June 2018: 3,033,907,000 shares).

8 PROPERTY AND EQUIPMENT

(a) Right-of-use assets

As disclosed in Note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. Further details on the net book value of the group's right-of-use assets by class of underlying asset are set out in Note 2.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of buildings, and therefore recognised the additions to right-of-use assets of RMB2,100,000.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, the Group incurred capital expenditure of property and equipment with a cost of RMB1,706,000 (six months ended 30 June 2018: RMB7,471,000). Items of property and equipment with a net book value of RMB5,954,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB2,237,000), resulting in a loss on disposal of RMB745,000 (six months ended 30 June 2018: RMB316,000).

9 INVESTMENT PROPERTIES

The valuations of investment properties carried at fair value were updated at 30 June 2019 by CHFT Advisory And Appraisal Ltd ("CHFT"), the Group's independent valuer, using the same valuation techniques as were used when carrying out the valuations as 31 December 2018. As a result of the update, a net gain of RMB341,857,000 (six months ended 30 June 2018: RMB554,002,000), and deferred tax thereon of RMB85,464,000 (six months ended 30 June 2018: RMB137,329,000), has been recognised in profit or loss for the period in respect of investment properties.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of buildings, and therefore recognised the additions to right-of-use assets of RMB6,237,000.

10 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

During the six months ended 30 June 2019, no write-down of properties under development and completed properties held for sale had been incurred (a write-down of properties under development and completed properties held for sale for the six months ended 30 June 2018: RMB30,534,000 due to a decrease in the estimated net realisable value of certain properties as a result of decreased price in certain properties).

11 LAND DEVELOPMENT FOR SALE

Land development for sale mainly represents the cost of land development for the Group's land development projects. Though the Group does not have ownership title or land use rights to the land, the Group is given the right to carry out preparation works in respect of land infrastructure in those projects. When the land plots are sold by the local governments, the Group is entitled to receive from the local authorities a proportion of the proceeds from land sales.

Land development for sale is expected to be realised in the normal operating cycle, which is longer than twelve months.

In accordance with the accounting policy of the Group, revenue in relation to land development for sale is recognised depending on the timing of sales of related land plots by the government to third parties.

12 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivables (which are included in trade and other receivables), based on the revenue recognition date and net of allowance for doubtful debts, is as follows:

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 6 months		**217,499**	130,814
6 months to 1 year		**105,277**	22,227
Over 1 year	(i)	**647,948**	799,561
Trade receivables and bills receivables, net of allowance for doubtful debts of RMB Nil		**970,724**	952,602
Loans provided to third parties, net of loss allowance	(ii)	**2,809,642**	3,029,336
Loans provided to non-controlling interests of subsidiaries, net of loss allowance		**1,805,266**	951,818
Loans provided to associates		**709,328**	648,417
Consideration receivables		**139,921**	–
Amounts due from related parties	(iii)	**94,011**	138,059
Other receivables, net of loss allowance		**352,169**	354,885
Financial assets measured at amortised cost, net of loss allowance		**6,881,061**	6,075,117
Deposits and prepayments		**2,386,814**	2,176,022
		9,267,875	8,251,139
Less: non-current portion		**532,203**	576,506
		8,735,672	7,674,633

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) Receivables that were past due but not impaired mainly included revenue from land development for sale of RMB581,089,000 as at 30 June 2019 and 31 December 2018 from the Government of Chenghua District. Based on a series of agreements entered into by the Group and the Government of Chenghua District, the Group is entitled to receive RMB581,089,000 and the Government of Chenghua District issued a notice to confirm this amount on 2 July 2013. Considering the long ageing of the receivables, in February 2015, the Group sued and asked for the repayment of RMB581,089,000 as well as a management fee of RMB15,000,000. The first trial went to court on 17 June 2015 and the judge asked the Group and the Government of Chenghua District to further negotiate so as to reach a settlement. The court has accepted and approved an application for withdrawal of the trial by the Group on 26 July 2018. As of the date of this report, the Group is still negotiating with the Government of Chenghua District.

As at 30 June 2019, the directors of the Group were of the opinion that no provision on the receivables of RMB581,089,000 due from the Government of Chenghua District was required, as the Group has consulted its legal adviser and understood that if the parties could not reach an agreement on the settlement agreement, the Group may reinstate the trial and there is no indication that the Government of Chenghua District will not, or will have financial difficulties to fulfil its obligation to settle the balance.

Accordingly, the management believes that no impairment allowance is necessary in respect of these balances and the balances are still considered fully recoverable.

The remaining receivables that were past due but not impaired mainly represented receivables in relation to sale of properties from a number of independent customers that have a good relationship with the Group. The Group holds the title of the property units as collateral over the balance of trade receivables of RMB135,181,000 (2018: RMB178,424,000). The Group generally would not release the property ownership certificates to the buyers before the buyers finally settle the selling price and management considers that the credit risk arising from these trade receivables is significantly mitigated by related property units held as collateral, with reference to the estimated market value of those property units.

For trade receivables without collateral, which primarily represent receivable for rental income and project management, the Group measure loss allowances at an amount equal to lifetime expected credit losses ("ECLs"), which is calculated using a provision matrix. At 30 June 2019 and 31 December 2018, the Group's exposure to credit risk and ECLs for these trade receivables are insignificant.

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) Loans provided to third parties, net of loss allowance

The balance mainly represented loans provided to third parties which were interest bearing at a weighted interest rate of 12% (six months ended 30 June 2018: 10%) per annum. Pursuant to the Group's accounting policy, management measures loss allowance for loans provided to third parties on an individual basis at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk of the loan balance since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

During the six months ended 30 June 2019, no loss allowance had been recognised. During the year ended 31 December 2018, a total loss allowance of RMB902 million was recognised on the loans provided to third parties, which was primarily related to loans provided to a number of companies indirectly owned by an individual (the "Individual") or guaranteed by the Individual, with an outstanding balance totalled RMB1,002 million as at 31 December 2018. Management determined that the credit risks of such balances of RMB1,002 million related to the Individual increased significantly, and, therefore, a loss allowance based on lifetime ECLs totalled RMB852 million has been recognised thereon. Management's estimation on the loss allowance has considered the value of the legal titles of land and properties obtained by the Group as collaterals and other forms of guarantees provided by the debtors and the Individual as credit enhancements.

In connection with a loan with principal of RMB120 million included in the loans provide to third parties, subsequent to the reporting date, the Group filed a lawsuit on 31 January 2019 before the No.3 Intermediate People's Court of Beijing Municipality against a guarantor to recover the principal together with accrued interest plus penalty.

As the Group with the counterparty intend to reach an out-of-court settlement on the case, the Group has applied for the withdrawal of the case to the No. 3 Intermediate People's Court of Beijing Municipality, completed all procedures in relation to the withdrawal by 18 July 2019 and received the civil ruling issued by the No. 3 Intermediate People's Court of Beijing Municipality approving the withdrawal. The Group believe the withdrawal of the lawsuit will not have any material adverse impact on the Company's production and operation, financial position or solvency.

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(iii) Amounts due from related parties

	Note	**At 30 June 2019** ***RMB'000***	At 31 December 2018 *RMB'000*
Amounts due from			
– Entities under control of Ms. Fan Xiaohua	(i)	**72,166**	117,500
– Members of key management personnel	(ii)	**21,845**	20,559
		94,011	138,059

Notes:

(i) The balance amounting to RMB72,166,000 as at 30 June 2019 (2018:RMB117,500,000) represented loans provided to the entities under control of Ms. Fan Xiaohua, bearing an interest rate at 12% per annum and will be matured on 12 December 2019.

(ii) The balance amounting to RMB21,845,000 as at 30 June 2019 (2018:RMB20,559,000) represented amounts provided to a key management personnel of the Group, Mr. Chen Meng, which were interest-free, unsecured and had no fixed terms of repayment.

13 CASH AND CASH EQUIVALENTS

	At 30 June 2019 ***RMB'000***	At 31 December 2018 *RMB'000*
Cash on hand	**616**	672
Cash at bank	**3,498,355**	2,587,958
	3,498,971	2,588,630

14 LOANS AND BORROWINGS

	Note	**At 30 June 2019 RMB'000**	At 31 December 2018 RMB'000
Loans and borrowings at amortised cost			
– Long-term		**12,333,393**	14,097,177
– Short-term		**2,249,820**	3,737,114
– 2017 Senior Notes		**1,608,477**	1,594,054
– 2018 Senior Notes		**1,715,421**	1,703,654
– Corporate bonds		**6,437,054**	6,437,140
		24,344,165	27,569,139
Convertible bonds	(a)	**1,992,105**	2,126,167
		26,336,270	29,695,306

(a) Convertible bonds

As the convertible bonds do not contain an equity component, the derivative component of the convertible bonds is measured at fair value and the liability component is carried at amortised cost. As at 30 June 2019, the carrying amounts of liability and derivative components of the convertible bonds were RMB1,647,230,000 and RMB344,875,000 respectively. No conversion or redemption of the convertible bonds has occurred during the six months ended 30 June 2019.

	Derivative component RMB'000	**Liabilities component RMB'000**	**Total RMB'000**
At 1 January 2019	**555,886**	**1,570,281**	**2,126,167**
Fair value adjustment credited to profit or loss *(Note 5(a))*	**(213,119)**	**–**	**(213,119)**
Accrued interest	**–**	**136,514**	**136,514**
Interest paid	**–**	**(58,962)**	**(58,962)**
Foreign exchange loss	**2,108**	**(603)**	**1,505**
At 30 June 2019	**344,875**	**1,647,230**	**1,992,105**

14 LOANS AND BORROWINGS (CONTINUED)

(b) The Group's long-term loans and borrowings comprise:

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Loans and borrowings at amortised cost:		
– Bank loans – secured	**3,175,802**	3,679,700
– Loans from other financial institutions – secured	**9,157,591**	10,416,057
– Loans from third parties – unsecured	**–**	1,420
– 2017 Senior Notes	**1,608,477**	1,594,054
– 2018 Senior Notes	**1,715,421**	1,703,654
– Corporate bonds	**6,437,054**	6,437,140
	22,094,345	23,832,025
Convertible bonds	**1,992,105**	2,126,167
	24,086,450	25,958,192
Less: Current portion of long-term loans and borrowings:		
– Bank loans	**1,850,767**	1,602,700
– Loans from other financial institutions	**2,705,038**	3,583,890
– Corporate bonds	**1,498,925**	1,496,103
	6,054,730	6,682,693
	18,031,720	19,275,499

14 LOANS AND BORROWINGS (CONTINUED)

(c) The Group's short-term loans and borrowings comprise:

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Loans and borrowings at amortised cost:		
Bank loans		
– secured	**1,043,500**	1,169,899
Loans from other financial institutions		
– secured	**893,320**	2,070,397
Loans from related parties		
– unsecured	**–**	2,818
Loans from third parties		
– secured	**10,000**	181,000
– unsecured	**303,000**	313,000
	2,249,820	3,737,114
Current portion of long-term loans and borrowings	**6,054,730**	6,682,693
	8,304,550	10,419,807

15 TRADE AND OTHER PAYABLES

As of the end of reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on invoice date, is as follows:

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year		**3,187,831**	3,959,015
1 year to 2 years		**506,411**	223,679
2 years to 5 years		**261,199**	137,781
Trade payables		**3,955,441**	4,320,475
Advances received from third parties		**307,724**	473,589
Consideration payables		**157,000**	157,000
Amounts due to related parties	(i)	**103,527**	111,956
Other payables		**1,487,245**	1,350,791
Financial liabilities measured at amortised cost		**6,010,937**	6,413,811
Other taxes payable		**875,237**	1,263,022
		6,886,174	7,676,833
Less: Non-current portion of trade payables		**623,230**	469,535
		6,262,944	7,207,298

15 TRADE AND OTHER PAYABLES (CONTINUED)

(i) Amounts due to related parties

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Amounts due to		
– Entities under control of Ms. Fan Xiaohua	**10,793**	849
– Associates	**92,734**	111,107
	103,527	111,956

The balances as at 30 June 2019 and 31 December 2018 were interest-free, unsecured and had no fixed terms of repayment.

16 CONTRACT LIABILITIES

Contract liabilities represented proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy.

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Company did not declare any dividends for the six months ended 30 June 2019 and 2018.

(b) Purchase of own shares

During the interim period, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased	**Highest price paid per share** *HKD*	**Lowest price paid per share** *HKD*	**Aggregated price paid** *RMB'000*
January 2019	**46,188,000**	**1.79**	**1.36**	**66,203**
February 2019	**4,739,000**	**1.73**	**1.51**	**6,519**
				72,722

The total amount paid on the repurchased shares of Hong Kong dollar 84,558,000, which was equivalent to RMB72,722,000 was paid out of share capital and share premium.

17 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development and construction of real estate properties, and continue to provide returns for equity shareholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio, which was unchanged during the year, as defined by the Group, being the total of loans and borrowings plus total of lease liabilities, divided by the total assets. As at 30 June 2019, the gearing ratio of the Group was 44.84% (2018: 48.32%).

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognizes right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused no significant increase in the Group's total debt.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair valued hierarchy

The following table presents the fair value of financial instruments measured at the balance sheet dates on a recurring loan, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement.* The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

- Level 3 valuations: Fair value measured using significant unobservable inputs.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair valued hierarchy (Continued)

The Group has a team headed by the finance manager who is responsible for performing valuations for the trading securities and engaging external valuers to perform valuations for convertible bonds at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the external valuers at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

	Fair value at 30 June 2019	Fair value measurements as at 30 June 2019 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Trading securities	**71,217**	**71,217**	**–**	**–**
Financial liabilities:				
Derivative component of convertible bonds *(Note 14(a))*	**344,875**	**–**	**–**	**344,875**

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair valued hierarchy (Continued)

	Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial assets:				
Trading securities	114,663	114,663	–	–
Financial liabilities:				
Derivative component of convertible bonds *(Note 14(a))*	555,886	–	–	555,886

During the periods ended 30 June 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Range**	**Weighted average**
Derivative component of convertible bonds issued in 2016	Binomial Tree model	Expected volatility	79.9% – 80.9% (2018: 37.00% – 38.00%)	80.4% (2018: 37.50%)
Derivative component of convertible bonds issued in 2018	Binomial Tree model	Expected volatility	48.2% – 49.2%	48.7%

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The fair value of derivative component of convertible bonds is determined by Binomial Tree model and the significant unobservable input used in fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 June 2019, for the USD200,000,000 convertible bond, it is measured that all other variables held constant, and increase/decrease in the expected volatility by 0.5% would have increased/decreased the Group's profit by RMB4,000/RMB4,000 (2018: decreased/increased the Group's profit by RMB10,366,000/RMB1,368,000), and for the HKD750,000,000 convertible bond, it is measured that all other variables held constant, and increase/decrease in the expected volatility by 0.5% would have increased/decreased the Group's profit by RMB331,000/RMB332,000.

The movements during the periods in the balance of these Level 3 fair value measurements are as followings:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Derivative component of convertible bonds		
At 1 January	**555,886**	411,677
Fair value adjustment credited in profit or loss	**(213,119)**	(112,557)
Foreign exchange loss	**2,108**	3,059
At 30 June	**344,875**	302,179
Total gains for the period included in profit or loss for convertible bonds held at the end of the reporting period	**213,119**	112,557

The gains arising from the remeasurement of the conversion option embedded in the convertible bonds are presented in "Financial income" in the consolidated statement of comprehensive income.

(b) Fair values of financial instruments assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 30 June 2019 and 31 December 2018.

19 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

As at 30 June 2019 and 31 December 2018, the Group has the following commitments in respect of properties under development, land development for sale and investment properties under construction not provided for in the financial statements:

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Contracted for	**6,874,293**	4,686,190
Approved but not contracted for	**10,110,282**	10,012,736
	16,984,575	14,698,926

(b) Operating lease commitments

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	RMB'000
Within 1 year	23,199
After 1 year but within 5 years	65,758
After 5 years	33,040
	121,997

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2.

19 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Guarantees

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of property units. The Group has given guarantees on mortgage loans provided to the buyers by these banks. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within two years after the property units are delivered to the buyers. The total amounts of mortgages outstanding which are guaranteed by the Group, were RMB7,253,136,000 as at 30 June 2019 (2018: RMB7,266,593,000).

(d) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties of term between one to five years against certain defects as stipulated in the relevant PRC laws and regulations, and these warranties are covered by back-to-back warranties provided by the relevant contractors of the projects.

(e) Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the normal course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the directors believe that any resulting liabilities will not have a material adverse impact on the financial position, liquidity, or operating results of the Group.

20 MATERIAL RELATED PARTY TRANSACTIONS

The principal transactions which were carried out in the ordinary course of business are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Repayment of loans provided to		
– Associates	**9,255**	–
– Entities under control of Ms. Fan Xiaohua	**45,334**	–
Loans provided to		
– Associates	**40,950**	5,703
– Members of key management personnel	**1,286**	–
Advances from		
– Entities under control of Ms. Fan Xiaohua	**9,944**	1,000
Repayment of advances to		
– Associates	**18,373**	3,849
Interest expenses charged to associates	**29,217**	1,047

21 DISPOSAL OF SUBSIDIARIES

(a) Disposal of Eminent Star Group Limited ("Eminent Star")

During the six months ended 30 June 2019, the Group entered into an equity and loan acquisition agreement with Victor Select Limited, a third party, to dispose the 55% equity interest of Eminent Star held by the Group, at a total consideration of RMB4,661 million which was comprised of an equity consideration of RMB4,397 million and a loan consideration of RMB264 million. Eminent Star was engaged in development of part of Qingyuan project. The disposal will be completed in four stages, and the first stage had been completed as at 30 June 2019.

(b) Disposal of Chongqing Sunshine 100 Real Estate Development Co., Ltd. ("Chongqing Sunshine 100")

During the six months ended 30 June 2019, the Group entered into an equity and loan acquisition agreement with Sunac South-West Real Estate Development (Group) Co., Ltd., a third party, to dispose the 70% equity interest of Chongqing Sunshine 100 held by the Group, at a total consideration of RMB1,334 million which was comprised of an equity consideration of RMB370 million and a loan consideration of RMB964 million. Chongqing Sunshine 100 was engaged in development of Chongqing Sunshine100 project.

(c) Disposal of Sunshine 100 Resort Development Company Limited. ("Resort Development")

During the six months ended 30 June 2019, the Group entered into an equity and loan acquisition agreement with Crest Honour International Limited., a third party, to dispose the 51% equity interest of Resort Development held by the Group, at a total consideration of US dollar ("USD") 8.418 million which was comprised of an equity consideration of USD4.083 million and a loan consideration of USD4.335 million. Resort Development was engaged in development of Sunmode Limited project on Saipan Island.

21 DISPOSAL OF SUBSIDIARIES (CONTINUED)

(d) The disposals above had the following effects on the Group's assets and liabilities on the disposal dates:

	Eminent Star RMB'000	Chongqing Sunshine 100 RMB'000	Resort Development RMB'000	Total RMB'000
Property and equipment	(86)	(1,264)	**–**	**(1,350)**
Investment properties	–	(700,226)	**(270,668)**	**(970,894)**
Deferred tax assets	–	(64,130)	**–**	**(64,130)**
Properties under development and completed properties held for sale	(180,822)	(4,358,010)	**–**	**(4,538,832)**
Trade and other receivables	(7,368)	(666,043)	**–**	**(673,411)**
Cash and cash equivalents	(387)	(25,443)	**(1,330)**	**(27,160)**
Trade and other payables	143,778	2,187,798	**59,081**	**2,390,657**
Loans and borrowings	–	2,999,000	**–**	**2,999,000**
Deferred tax liabilities	–	113,100	**25,080**	**138,180**
Net assets and liabilities	(44,885)	(515,218)	**(187,837)**	**(747,940)**
Equity consideration	1,048,902	370,000	**27,229**	**1,446,131**
Consideration cost	(5,874)	(12,155)	**–**	**(18,029)**
Waived interest charged to the subsidiary	–	(498,221)	**–**	**(498,221)**
Gain/(loss) on disposal of subsidiaries	998,143	(497,023)	**(68,568)**	**432,552**
Consideration received, satisfied in cash	1,100,000	1,300,000	**–**	**2,400,000**
Cash and cash equivalents disposed of	(387)	(25,443)	**(1,330)**	**(27,160)**
	1,099,613	1,274,557	**(1,330)**	**2,372,840**

The undisclosed disposal of subsidiaries have had an immaterial effect on the Group's financial information.

22 SUBSEQUENT EVENT

On 2 August 2019, he Group entered into an equity transfer agreement with Shenzhen Shi Chengjin Holding Group Limited Company to dispose of 100% equity interest and loans of the Dongguan Qingyuan Incubator Limited Company which is engaged in the development of a project located in Dongguan, at a total consideration of RMB513,000,000.

23 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Future details of the changes in accounting policies are disclosed in Noted 2.