sunac 融創中國

2020 ANNUAL REPORT 年度報告

融創中國控股有限公司
SUNAC CHINA HOLDINGS LIMITED

STOCK CODE 股份代號: 01918.HK

融創中國控股有限公司

SUNAC CHINA HOLDINGS LIMITED

Sunac China Holdings Limited (the "Company" and, together with its subsidiaries, the "Group") is a company listed on the Main Board of the Stock Exchange of Hong Kong Limited. With the brand philosophy of "passion for perfection", the Group is committed to providing complete solutions for Chinese families to enjoy a better life through high-quality products and services and integration of high-quality resources, thus contributing to the high quality development and progress of Chinese cities. With a focus on its core business of real estate, the Group adheres to its strategy of "property development +" and implements its strategic layout in six business segments, namely Sunac Real Estate, Sunac Services, Sunac Culture & Tourism, Sunac Culture, Sunac Conference & Exhibition, Sunac Medical & Health Care. Its business covers real estate development, property services, conferences and exhibitions, tourism and vacations, theme parks, commercial operations, hotel operations, medical services and health care, IP development and operation, film and television content production and distribution, etc.

融創中國控股有限公司(「本公司」),連同其附屬公司統稱為(「本集團」)是香港聯交所主板上市企業。本集團以「至臻•致遠」為品牌理念,致力於通過高品質的產品與服務,整合優質資源,為中國家庭提供美好生活的完整解決方案,推動中國城市的高質量發展與進步。本集團以地產為核心主業,堅持「地產+」戰略,佈局六大板塊:融創地產、融創服務、融創文旅、融創文化、融創會議會展、融創醫療康養,業務覆蓋地產開發、物業服務、會議會展、旅遊度假、主題樂園、商業運營、酒店運營、醫療康養、IP開發運營、影視內容製作發行等多領域。

In 2020, the Group upgraded its corporate positioning to the "Co-builder of a Better City" to fully participate in China's initiative of building better cities through taking advantage of the synergy effects of six business segments, driving the development of industries, creating better communities and taking initiative to participate in charity. The Group will maintain its stable and long-term development to facilitate the synchronized development of cities and industries through creating urban jobs and improving the happiness index of families, thus achieving the harmonious co-existence of people, industries and cities and building advanced and heart-warming cities for the future together.

二零二零年，本集團將企業定位升級為「美好城市共建者」，依託六大板塊協同效應，通過產業引擎的打造、美好社區的營造，以及積極踐行社會公益三大途徑，全面參與中國美好城市共建。本集團將用企業的穩健長遠發展，助力產業與城市的協同發展，拉動城市就業，提升家庭生活幸福指數，實現人、產、城的和諧共生，共建有高度、有溫度的美好城市，共迎美好未來。

SUNAC

CHINA

HOLDINGS

LIMITED

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Poon Chiu Kwok
Mr. Zhu Jia
Mr. Li Qin *(resigned with effect from 22 October 2020)*
Mr. Ma Lishan
Mr. Yuan Zhigang *(appointed with effect from 22 October 2020)*

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Gao Xi

AUTHORIZED REPRESENTATIVES

Mr. Wang Mengde
Mr. Gao Xi

AUDIT COMMITTEE

Mr. Poon Chiu Kwok *(Chairman)*
Mr. Zhu Jia
Mr. Li Qin *(resigned with effect from 22 October 2020)*
Mr. Ma Lishan
Mr. Yuan Zhigang *(appointed with effect from 22 October 2020)*

NOMINATION COMMITTEE

Mr. Sun Hongbin *(Chairman)*
Mr. Poon Chiu Kwok
Mr. Li Qin *(resigned with effect from 22 October 2020)*
Mr. Ma Lishan
Mr. Yuan Zhigang *(appointed with effect from 22 October 2020)*

REMUNERATION COMMITTEE

Mr. Zhu Jia *(Chairman)*
Mr. Sun Hongbin
Mr. Poon Chiu Kwok
Mr. Li Qin *(resigned with effect from 22 October 2020)*
Mr. Ma Lishan
Mr. Yuan Zhigang *(appointed with effect from 22 October 2020)*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

(established on 28 December 2020)

Mr. Wang Mengde (*Chairman)*
Mr. Poon Chiu Kwok
Mr. Zhu Jia
Mr. Ma Lishan
Mr. Yuan Zhigang

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

HEADQUARTERS AND PRINCIPAL PLACES OF BUSINESS IN THE PRC

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Postal code: 300381

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Camana Bay
Grand Cayman, KY1-9005
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
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P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG SHARE REGISTRAR

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

LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin

As to Cayman Islands law:
Conyers Dill & Pearman

As to PRC law:
Jincheng Tongda & Neal Law Firm

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

STOCK CODE

HKEx: 01918

COMPANY'S WEBSITE

www.sunac.com.cn

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China Construction Bank
Bank of China
Bank of Communications
China Merchants Bank
China CITIC Bank
China Minsheng Bank
Shanghai Pudong Development Bank
Industrial Bank
Everbright Bank
Bank of Shanghai
China Bohai Bank
HSBC
Hang Seng Bank Limited

FINANCIAL CALENDAR

2020 Annual Results Announcement	11 March 2021
Closure of Register of Members for Determining Rights to Attend 2021 Annual General Meeting	21 May 2021- 27 May 2021 (both days inclusive)
2021 Annual General Meeting	27 May 2021
Closure of Register of Members for Determining Entitlement to Final Dividend	13 August 2021- 18 August 2021 (both days inclusive)
Distribution of Final Dividend	on or about 27 August 2021

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

RMB billion

	2020	2019	2018	2017	2016
Revenue	**230.59**	169.32	124.75	65.87	35.34
Gross profit	**48.40**	41.41	31.14	13.63	4.85
Profit for the year	**39.55**	28.16	17.45	11.66	2.94
Profit attributable to owners of the Company	**35.64**	26.03	16.57	11.00	2.48
Basic earnings per share attributable to the owners of the Company (RMB)	**7.82**	5.99	3.79	2.76	0.71
Cash and cash equivalents (including restricted cash)	**132.65**	125.73	120.20	96.72	69.81
Dividend per share (RMB)	**1.650**	1.232	0.827	0.501	0.257
Dividends	**7.69**	5.73	3.65	2.20	0.99

CONSOLIDATED FINANCIAL POSITION

RMB billion

	2020	2019	2018	2017	2016
Total assets	**1,108.40**	960.65	716.66	623.10	293.18
Total liabilities	**930.57**	846.55	643.55	562.46	257.77
Total equity	**177.83**	114.10	73.11	60.64	35.41

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the business review of the Group for the year ended 31 December 2020 and outlook for 2021.

REVIEW OF 2020

In 2020, due to the outbreak of COVID-19, global people's health and economic activities faced unprecedented shocks. The Chinese government took a series of measures to actively fight the epidemic and maintain economic stability, achieving globally eye-catching results. In 2020, the gross domestic product of China exceeded RMB100 trillion for the first time, making it the only major economy with positive growth in the world.

In 2020, the government insisted on the regulatory objectives of "houses are built to be inhabited, not for speculation" and "stabilising land prices, housing prices and expectations" for the real estate industry, and introduced the long-term regulatory mechanism of new management and control regulations featured by "Three Red Lines and Four Camps" (the "New Management and Control Regulations"). We believe that the New Management and Control Regulations will help guide the long-term, stable and healthy development of the real estate industry. The real estate sales market started to recover quickly after the epidemic was under control in the second quarter. Although the differentiation of sales market among different cities intensified significantly, the overall sales maintained steady growth throughout the year and hit a record high. During the year, the land market maintained stable in general although those in core cities remained hot with fierce competition.

In 2020, relying on the high-quality land bank with an advantageous layout and leading product capabilities, the Group's overall sales maintained steady growth. The Group and its joint ventures and associates achieved contracted sales amount of approximately RMB575.26 billion, ranking the fourth in the industry. The Group also continued to consolidate its market-leading position in core cities, and ranked the top ten in terms of sales amount in 55 cities, of which it ranked the first in 12 cities (including Hangzhou, Chongqing, Wuhan, etc.). In addition, the Group's sales amount exceeded RMB10 billion in 20 cities including Hangzhou, Chongqing, Wuhan, Shanghai, Beijing, Guangzhou, Nanjing, Suzhou, Tianjin and Qingdao, etc., of which the sales amount in Hangzhou, Chongqing and Wuhan exceeded RMB30 billion.

In 2020, the Group's prudent decisions and diversified land acquisition capabilities supported its high-quality land replenishment in core cities and the stable growth of its total land bank. The Group increased the land bank by approximately 58.77 million sq.m. and saleable resources by approximately RMB726.1 billion. As of the end of 2020, the land bank of the Group and its joint ventures and associates amounted to approximately 258 million sq.m. and the expected saleable resources of land bank amounted to approximately RMB3.1 trillion, approximately 78% of which are located in tier-1&2 cities, with the average land cost of approximately RMB4,270 per sq.m.. The Group's core high-quality land bank will strongly support the achievement of future sales targets, the maintenance of adequate liquidity and the steady decline in the gearing ratio.

In 2020, the Group's revenue and profit recorded substantial growth, and the capital structure was significantly optimised. During the year, the Group's revenue was approximately RMB230.59 billion, representing a year-on-year increase of approximately 36.2%; gross profit was approximately RMB48.40 billion, representing a year-on-year increase of approximately 16.9%; profit attributable to owners of the Company was approximately RMB35.64 billion, representing a year-on-year increase of approximately 36.9%; the core net profit was approximately RMB30.26 billion, representing a year-on-year increase of approximately 11.8%. Besides a stable increase in performance, the capital structure of the Group was also significantly optimised. As of the end of 2020, the total equity of the Group reached approximately RMB177.83 billion, representing a significant increase of approximately 55.9% from the end of 2019; the carrying amount of cash reached approximately RMB132.65 billion while the total borrowings recorded a decline, and as a result, all asset and liability indicators improved greatly, and capital structure optimised significantly.

Since the second half of 2019, based on its own foundation and development stage, the Group has proactively implemented a more balanced and stable development strategy of de-leveraging and optimising capital structure, which is highly consistent with the New Management and Control Regulations as promulgated by the central bank in the second half of 2020. With the support of proper strategy, sufficient high-quality land bank and advantageous layout, the Company quickly realised optimisation of capital structure through strict control of the pace and quality of land acquisition, acceleration of sales, strict control of debt scale, optimisation of debt structure, acceleration of completion and settlement, rapid realisation of the financial investment targets (Jinke shares) and other arrangements. As of the end of 2020, the Company's net gearing ratio fell to approximately 96.0%, representing a significant drop of approximately 76.3 percentage points from the end of 2019; the non-restricted cash to current borrowings ratio reached approximately 1.08, representing a substantial increase of approximately 0.51 as compared with the end of 2019; the liabilities to assets ratio after excluding receipts in advance fell to approximately 78.3%, representing a decrease of 5.6 percentage points from the end of 2019. The Company's indicators concerned by the New Management and Control Regulations as promulgated by the central bank improved greatly and exceeded expectations, and thus the Company rapidly improved to a "Yellow Camp" enterprise.

On 19 November 2020, the Group successfully spun-off its subsidiary Sunac Services Holdings Limited ("Sunac Services", stock code: 01516.HK) which was separately listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The listing of Sunac Services would help the Group's property management business to accelerate the establishment of competitive advantages as a leading enterprise. In 2020, Sunac Services recorded excellent operating performance and high quality development and its revenue was approximately RMB4.62 billion, representing a substantial year-on-year increase of 63.5%; profit attributable to owners of Sunac Services reached approximately RMB0.62 billion after excluding the effect of one-off listing expenses, representing a substantial year-on-year increase of approximately 129.8%. Benefiting from the strong support of the parent company and the growing expansion capabilities of Sunac Services, as of the end of 2020, the gross floor area under management of Sunac Services reached approximately 135 million sq.m., representing a year-on-year increase of approximately 155.1%, and the contracted gross floor area reached approximately 264 million sq.m., representing a year-on-year increase of 67.2%.

In 2020, the influence of Sunac Culture & Tourism continued to expand as more and more new projects were put into operation successfully, and supported by the promotion of the Company's "City Co-building" strategy, Sunac Culture & Tourism has launched a number of quality projects in core cities, including Shenzhen Ice and Snow Complex, Hangzhou Bay Future Theme Sunac Resort, etc.. It currently has established presence in 39 cities across China, building an advantage in layout quickly. In 2020, Sunac Culture & Tourism continued to make innovation in its operating strategy, and the operations have quickly restored after the epidemic was under control. In 2020, Sunac Culture & Tourism's revenue reached approximately RMB3.88 billion, representing a year-on-year increase of 36%, and management profit amounted to approximately RMB0.627 billion, representing a significant year-on-year increase of 311%. In addition, during the year, Sunac Culture & Tourism started to provide light-asset management services covering the acquisition, planning and strategies research, investment consultation, construction, operation, and management of culture and tourism projects with its full-industry chain service capabilities covering all business segments and product lines of culture and tourism and focusing on three professional service systems of product design, construction and operation.

In 2020, Sunac Culture continued to improve its business layout and adopted a super IP long chain operation model. Sunac Culture continuously carried out in-depth layout and high-quality content project production centering on five aspects, i.e. live-action movies, live-action drama series, animated movies, animated drama series, and short videos, and deployed seven animation studios to stably output leading content projects. Moreover, on the basis of enriching its own and cooperative IP, Sunac Culture improved the IP commercialised operation platform in the context of new consumption and new scenarios on an ongoing basis.

In 2020, the Group upgraded its corporate positioning to a "Co-builder of a Better City", and proactively assumed social responsibilities while helping Chinese families have better lives. In 2020, after the outbreak of the epidemic, the Group took the lead in donating RMB110 million, and vigorously fulfilled its social responsibilities through various measures such as exemption of rent for shops in cultural and tourism cities and establishment of the "Sunac Public Health Development Fund of Sun Yat-Sen University"; meanwhile, during the year, the Group continued to carry out public welfare activities in areas of rural revitalisation, education support and architectural heritage conservation to persistently promote the sustainable development of society and the Company. In addition, the Group established an environmental, social and governance (the "ESG") committee on 28 December 2020 to further improve the ESG governance structure and manage the ESG issues in a systematic way.

OUTLOOK FOR 2021

In 2021, with the popularisation of COVID-19 vaccine, it is believed that the COVID-19 pandemic will reach a turning point and be effectively controlled around the world and the global economy will resume growth. With restoring market confidence and recovering economy, it is expected that the significant loosening in global liquidity will not be maintained and may even be tightened in the second half of the year. The regulation policies for domestic real estate market expect no change and will continue with the regulatory targets of "houses are built to be inhabited, not for speculation" and "stabilising land prices, housing prices and expectations". With the recovery of economy and the improvement in the purchasing power of residents, the real estate market is expected to maintain stable sales, and the land market will tend to be rational as a result of the long-term mechanism such as the New Management and Control Regulations featured by "Three Red Lines and Four Camps" and the requirements of new regulations for centralised supply in the land market, which is beneficial for the long-term and healthy development of the industry.

In 2021, the Group will have sufficient resources available for sale. It is expected that the resources available for sale during the year will exceed RMB900 billion, over 78% of which are located in tier-1&2 cities. Such sufficient and high-quality resources available for sale will provide strong support for the Group's achievement of annual sales target.

In 2021, the Group will continue to assess market opportunities on the premise of ensuring continuous optimisation of its capital structure, and ride on its diversified land acquisition capabilities to acquire quality land prudently. The Group will continue on the strategy of "City Co-building", giving play to industrial cooperation ability and brand advantages to implement more quality industrial cooperation projects. The Group will also closely monitor the introduction of centralised land supply policy and its impact, and capture opportunities in the open market prudently.

In 2021, the Group will continue to drive product innovation and maintain industry-leading product capabilities. Focusing on the impact of the rejuvenation of its main customer and rapid technological advancement on lifestyle, the Group will accelerate product innovation based on its high-end boutique positioning, upgrade the functions of house type, community and service to create a youthful product brand of "I am I", so as to maintain continuous leadership of product competitiveness.

CHAIRMAN'S STATEMENT

In 2021, the Group will promote the digitalisation and online construction of its business to support business innovation and improve its operational efficiency. The Group will build an online platform for centralised procurement to integrate the quality suppliers in the industry, with an aim to achieve the digital transformation of its procurement business and support the improvement in project efficiency and quality. The Group will explore a digital construction system based on "BIM + Automation + Prefabrication" to realise the online end-to-end process of property development, thus offering customers higher quality of product delivery while reducing costs and achieving more efficient and fine management. The Group will establish an industry-leading online marketing platform with a center on improving customer service experience and operating efficiency to integrate online and offline operations and drive the transformation of marketing business. The Group will set up a customer-centric and smart customer service platform to cover the whole life cycle of service contact of customers, enhance customer experience with advanced service innovation, continue to lead in the service standards in the industry, integrate customer data from housing purchasing to moving in, explore the demand of customers, improve service brand and the premiums on products and achieve data empowerment.

The Group has completed its layout in the "property development +" business which has vast growth potentials and will continue to promote the rapid development of the "property development +" business, so as to establish competitive advantages and provide growth drivers for the long-term development of the Group. Sunac Services will establish its strengths of long-term development mode mainly based on market expansion, and focusing on middle and high-end customers, continue to enhance the advantages of offline high-quality services, and accelerate the application of technology and digitalisation. Sunac Services will build an "online + offline" integrated life service sharing platform, endeavouring to become a "preferred brand and value contributor" of property owners, employees, partners and government. Insisting on customer-centered development philosophy, Sunac Culture & Tourism will continue to improve its ability of innovating products and expand light-asset management services. It will take the Winter Olympics as an opportunity to enhance layout of the ice and snow business and industrial cooperation, while enhancing the construction of member club platform and digital services to build an entertainment interconnecting consumption platform. Sunac Culture will continue to expand its core business layout and craft outstanding works to enhance its commercialisation ability under new consumption and scenarios, thus establishing efficient and collaborative organisational capabilities and firmly carrying out the super IP long-chain operation model.

In 2021, the Group will promote the upgrading of its organisational capabilities to empower higher quality development. The Group will upgrade its organisational structure so as to make it more fit for the current development stage of the Company, drive seven property regional groups and three business groups to have independent and complete competitiveness, and enhance the comprehensive abilities of city companies constantly. The Group will provide support to the development of regional groups and business groups through delegating administrative authority and the Group headquarters will play a more important role in development strategy, business integration, innovation guidance, technology empowerment, risk control and culture guard in the future. The Group aims to cultivate regional groups and business groups that have competitive strategies, independent business thinking capacities, self-developed comprehensive competitiveness and the awareness and mechanism for risk management and city companies that have strong comprehensive strength, as well as executive teams with thinking and innovation capacities, sound basic capacity systems, self-operation abilities and competitive advantages.

In the future, the Group will continue to take property development as its core business, maintain the balanced and high-quality development of its core business of property development and accelerate the improvement in the competitive advantages of "property development +" business, so as to rapidly develop itself into a large enterprise group that has comprehensive competitive advantages and vast growth potentials.

Sunac China Holdings Limited
SUN Hongbin
Chairman of the Board

11 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

1 REVENUE

For the year ended 31 December 2020, most of the Group's revenue came from sales of residential and commercial properties business, with a small proportion of revenue from cultural and tourism city construction and operation, property management and other businesses.

As at 31 December 2020, the Group's real estate development business achieved its national layout in tier-1 cities, tier-2 cities and strong tier-3 cities in China, which are divided into 7 major regions for management, namely the Beijing region (including Beijing, Ji'nan and Qingdao, etc.), North China region (including Tianjin, Zhengzhou and Xi'an, etc.), Shanghai region (including Shanghai, Nanjing and Suzhou, etc.), Southwestern China region (including Chongqing, Chengdu and Kunming, etc.), Southeastern China region (including Hangzhou, Xiamen and Hefei, etc.), Central China region (including Wuhan, Changsha and Nanchang, etc.) and South China region (including Guangzhou, Shenzhen and Sanya, etc.).

Total revenue of the Group for the year ended 31 December 2020 amounted to RMB230.59 billion, representing an increase of 36.2% compared with the total revenue of RMB169.32 billion for the year ended 31 December 2019.

For the year ended 31 December 2020, the total revenue of the Group and its joint ventures and associates was RMB381.01 billion, representing an increase of RMB87.32 billion (approximately 29.7%) as compared with the total revenue of RMB293.69 billion for the year ended 31 December 2019, of which RMB271.98 billion was attributable to owners of the Company, representing an increase of RMB48.09 billion (approximately 21.5%) as compared to RMB223.89 billion for the year ended 31 December 2019.

The following table sets forth certain details of the revenue:

	Year ended 31 December			
	2020		2019	
	RMB billion	**%**	RMB billion	%
Revenue from sales of properties	**218.88**	**94.9%**	159.47	94.2%
Cultural and tourism city construction and operation income	**3.88**	**1.7%**	2.85	1.7%
Property management income	**3.34**	**1.5%**	1.82	1.1%
Revenue from other business	**4.49**	**1.9%**	5.18	3.0%
Total	**230.59**	**100.0%**	169.32	100.0%
Total gross floor area delivered during the year (in million sq.m.)	**18.186**		12.001	

For the year ended 31 December 2020, revenue from sales of properties increased by RMB59.41 billion (approximately 37.3%) as compared with that for the year ended 31 December 2019. Total area of delivered properties increased by 6.185 million square meters ("sq.m.") (approximately 51.5%) as compared with that for the year ended 31 December 2019, mainly due to continuous increase in business scale of the Group's sales of properties, of which the delivered areas of property projects sold in various areas for the year ended 31 December 2020 increased significantly as compared with that for the year ended 31 December 2019.

2 COST OF SALES

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

For the year ended 31 December 2020, the Group's cost of sales was RMB182.18 billion, representing an increase of RMB54.27 billion (approximately 42.4%) as compared to the cost of sales of RMB127.91 billion for the year ended 31 December 2019. Increase in cost of sales was mainly due to increase in area of delivered properties.

3 GROSS PROFIT

For the year ended 31 December 2020, the Group's gross profit was RMB48.40 billion, which was RMB6.99 billion (approximately 16.9%) higher than the gross profit of RMB41.41 billion for the year ended 31 December 2019. Increase in gross profit was mainly due to increased sales revenue of the Group.

For the year ended 31 December 2020, the Group's gross profit margin was 21.0%, representing a decrease as compared to 24.5% for the year ended 31 December 2019.

For the year ended 31 December 2020, the adjustments of revaluation surplus related to gains from business combination for the properties acquired led to the reduction of the Group's gross profit in the amount of RMB12.79 billion. The Group's adjusted gross profit* would have been RMB61.19 billion and adjusted gross profit margin* would have been 26.5% for the year ended 31 December 2020 without taking into account such impact.

For the year ended 31 December 2020, total gross profit of the Group and its joint ventures and associates was RMB73.49 billion, with a gross profit margin of 19.3%, of which RMB56.50 billion was gross profit attributable to owners of the Company. For the year ended 31 December 2019, total gross profit of the Group and its joint ventures and associates was RMB73.79 billion, with a gross profit margin of 25.1%, of which RMB56.92 billion was gross profit attributable to owners of the Company.

4 SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

The Group's selling and marketing costs increased by 30.3% from RMB6.17 billion for the year ended 31 December 2019 to RMB8.04 billion for the year ended 31 December 2020. The Group's administrative expenses increased by 2.2% from RMB8.29 billion for the year ended 31 December 2019 to RMB8.47 billion for the year ended 31 December 2020. The increase in sales and marketing costs and administrative expenses was mainly due to the increase in staff costs, advertising and marketing costs as a result of the continuous expansion of business scale and the increase in the number of property projects of the Group.

* a non-GAAP financial measure

5 OTHER INCOME AND GAINS

The Group's other income and gains increased by RMB5.60 billion from RMB14.19 billion for the year ended 31 December 2019 to RMB19.79 billion for the year ended 31 December 2020, mainly attributable to the significant increase in the fair value of the common shares of KE Holdings Inc., a company listed on the New York Stock Exchange, held by the Group and a gain before tax from the disposal of the shares of Jinke Property Group Co., Ltd. held by the Group. During the year ended 31 December 2020, the Group's other income and gains mainly included the gain on changes in fair value of financial assets of RMB9.66 billion, income on capital use fee received by the Group from joint ventures and associates of RMB4.48 billion, and gain from disposal of joint ventures and associates of RMB2.58 billion.

6 OPERATING PROFIT

Concluding from the above analysis, the Group's operating profit increased by RMB11.21 billion from RMB38.03 billion for the year ended 31 December 2019 to RMB49.24 billion for the year ended 31 December 2020, mainly due to the following reasons:

(i) gross profit increased by RMB6.99 billion;

(ii) selling and marketing costs and administrative expenses increased by RMB2.05 billion; and

(iii) other income and gains increased by RMB5.60 billion, other expenses and losses increased by RMB0.98 billion and net impairment losses on financial and contract assets decreased by RMB1.65 billion.

7 FINANCE INCOME AND EXPENSES

The Group's finance income increased by RMB4.27 billion from RMB1.18 billion for the year ended 31 December 2019 to RMB5.45 billion for the year ended 31 December 2020, and finance expenses decreased by RMB3.65 billion from RMB4.81 billion for the year ended 31 December 2019 to RMB1.16 billion for the year ended 31 December 2020 at the same time, mainly due to the following reasons:

(i) due to the change in trend of foreign exchange rates fluctuations, the exchange gain or loss of the Group changed from a loss of RMB0.88 billion for the year ended 31 December 2019 to a gain of RMB4.16 billion for the year ended 31 December 2020; and

(ii) the Group proactively optimised its debt structure and boosted the decline of its financing costs. For the year ended 31 December 2020, the weighted average costs of the new interest-bearing liabilities of the Group recorded a significant decline of 2.1 percentage points as compared with the year ended 31 December 2019. Although the average total borrowings of the Group increased as compared to the year ended 31 December 2019 resulting in an increase in the total interest costs of the Group, the continuous expansion of business scale, and the increase in the number of property projects under construction of the Group led to an increase in the proportion of capitalised interest to the total interest cost, and as a result, the interest expenses decreased by RMB2.77 billion to RMB1.16 billion for the year ended 31 December 2020 from RMB3.93 billion for the year ended 31 December 2019.

The Group's weighted average interest rate was 8.28% for the year ended 31 December 2020 (2019: 8.56%).

8 SHARE OF POST-TAX PROFITS OF ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD, NET

Share of post-tax profits of associates and joint ventures accounted for using the equity method, net decreased by 50.9% to RMB4.00 billion for the year ended 31 December 2020 from RMB8.15 billion for the year ended 31 December 2019, mainly due to the decrease in gross profit margin of sales of properties of the Group's joint ventures and associates as compared with the year ended 31 December 2019.

9 PROFITS

Profits of the Group attributable to owners of the Company increased significantly by 36.9% from RMB26.03 billion for the year ended 31 December 2019 to RMB35.64 billion for the year ended 31 December 2020. After excluding the impact of certain items such as gains from business combination and its effect on fair value adjustments, gain or loss on changes in fair value of financial assets, derivative financial instruments and investment properties, exchange gain or loss and charitable donations, profit attributable to owners of the Company (the "core net profit"*) increased by 11.8% from RMB27.07 billion for the year ended 31 December 2019 to RMB30.26 billion for the year ended 31 December 2020.

The table below sets out profits attributable to the owners of the Company, the holders of perpetual capital securities and other non-controlling interests for the stated periods:

	For the year ended 31 December	
	2020	2019
	RMB billion	RMB billion
Profits during the year	**39.55**	28.16
Attributable to:		
Owners of the Company	**35.64**	26.03
Holders of perpetual capital securities	**0.21**	0.32
Other non-controlling interests	**3.70**	1.81
	39.55	28.16

* a non-GAAP financial measure

10 CASH STATUS

The Group operates in a capital-intensive industry and the Group's liquidity requirements relate to meeting its working capital requirements, funding the development of its new property projects and servicing its debt. The funding sources of the Group mainly include proceeds from the pre-sale and sale of properties, and to a lesser extent, capital contributions from shareholders, share issuances and loans.

The Group's cash balances (including restricted cash) increased to RMB132.65 billion as at 31 December 2020 from RMB125.73 billion as at 31 December 2019, of which non-restricted cash increased significantly to RMB98.71 billion as at 31 December 2020 from RMB77.94 billion as at 31 December 2019.

Increase in non-restricted cash was mainly due to:

(i) RMB73.71 billion of net cash inflow from operating activities;

(ii) RMB17.23 billion of net cash outflow used in investing activities; and

(iii) RMB35.38 billion of net cash outflow used in financing activities.

Currently, the Group has sufficient operating capital and is sufficient to resist risks besides supporting business growth in the foreseeable future.

11 BORROWINGS AND SECURITIES

For the year ended 31 December 2020, the Group assessed the market continuously, controlled the pace of its land acquisition and supported its operation and development with releasing operating cash flows. As a result, its total borrowings were well managed, decreasing from RMB322.27 billion as at 31 December 2019 to RMB303.44 billion as at 31 December 2020.

As at 31 December 2020, RMB274.34 billion (as at 31 December 2019: RMB296.78 billion) of the Group's total borrowings were secured or jointly secured by the Group's restricted cash, properties under development, completed properties held for sale, etc. (total amount was RMB215.46 billion (as at 31 December 2019: RMB267.12 billion)) and equities of certain of the Group's subsidiaries (including those legally transferred as collateral).

12 NON-RESTRICTED CASH TO CURRENT BORROWINGS RATIO AND GEARING RATIO

Non-restricted cash to current borrowings ratio is calculated by dividing cash and cash equivalents by current borrowings. As at 31 December 2020, the Group's non-restricted cash to current borrowings ratio was 1.08, representing a significant increase of 0.51 as compared to that as at 31 December 2019.

Net gearing ratio is calculated by dividing total borrowings (including current and long-term borrowings) minus cash balances (including restricted cash) by total equity. As at 31 December 2020, the Group's net gearing ratio was 96.0%, representing a significant decrease of 76.3 percentage points as compared to that as at 31 December 2019.

Liabilities to assets ratio after excluding receipts in advance is calculated by dividing total liabilities minus receipts in advance (including contract liabilities and relevant value-added tax) by total assets minus receipts in advance (including contract liabilities and relevant value-added tax). As at 31 December 2020, the Group's liabilities to assets ratio after excluding receipts in advance was 78.3%, representing a decrease of 5.6 percentage points as compared to that as at 31 December 2019.

Net debt to total assets ratio is calculated by dividing the net debt by total assets. As at 31 December 2020, the Group's net debt to total assets ratio was 15.5%, representing a significant decrease as compared to 20.5% as at 31 December 2019.

Net debt to total capital ratio is calculated by dividing the net debt by total capital. Total capital is calculated by adding total equity and net debt. As at 31 December 2020, the Group's net debt to total capital ratio was 49.1%, representing a significant decrease as compared to 63.3% as at 31 December 2019.

13 INTEREST RATE RISK

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

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

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

	As at 31 December 2020 RMB billion	As at 31 December 2019 RMB billion
Floating interests		
Less than 12 months	**15.53**	23.58
1-5 years	**41.49**	36.62
Over 5 years	**10.98**	12.94
Subtotal	**68.00**	73.14
Fixed interests		
Less than 12 months	**76.08**	112.16
1-5 years	**155.13**	136.23
Over 5 years	**4.23**	0.74
Subtotal	**235.44**	249.13
Total	**303.44**	322.27

As at 31 December 2020, the Group has implemented certain interest rate swap arrangements to hedge its exposure to interest rate risk. The Group will continue to pay attention to interest rate swaps, consider refinancing and adjusting the financing structure and monitor its interest rate exposure on a monthly basis.

14 FOREIGN EXCHANGE RISKS

As most of the Group's operating entities are located in China, the Group operates its business mainly in RMB. Given that some of the Group's bank deposits, financial assets at fair value through profit or loss, derivative financial instruments, bank loans and senior notes are denominated in US dollars or Hong Kong dollars, the Group is exposed to foreign exchange risks. For the year ended 31 December 2020, the Group recorded an exchange gain in the amount of RMB4.16 billion due to fluctuations in foreign exchange rates. However, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. The Group managed its exposure to fluctuations in foreign exchange rates through the implementation of certain foreign exchange swap arrangements, and will continue to closely monitor fluctuations in foreign exchange rates and actively take corresponding measures to minimise foreign exchange risks.

15 CONTINGENT LIABILITIES

The Group provides guarantees to banks for the mortgage loans of certain property purchasers to ensure that the purchasers perform their obligations of mortgage loan repayment. The amount of such guarantees was RMB139.14 billion as at 31 December 2020 as compared with RMB120.50 billion as at 31 December 2019. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchasers which will generally occur within an average period of six months after the properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties. The period of guarantee provided by the Group starts from the date when the mortgage is granted.

BUSINESS HIGHLIGHTS

SUMMARY OF PROPERTIES AND LAND BANK

As at 31 December 2020, the Group and its joint ventures and associates were engaged in a total of 808 property development projects, with a total site area of approximately 156 million sq.m., an estimated total GFA of approximately 389 million sq.m. and an estimated saleable GFA of approximately 340 million sq.m.. The Group and its joint ventures and associates had a total land bank of approximately 258 million sq.m. and attributable land bank of approximately 161 million sq.m.. The breakdown of properties and land bank by cities was as follows:

City	Total site area ('000 sq.m.)	Estimated aggregate GFA ('000 sq.m.)	Estimated saleable GFA ('000 sq.m.)	Total land bank ('000 sq.m.)	Attributable land bank ('000 sq.m.)
Chongqing	13,739.1	37,868.4	35,786.1	20,351.5	13,047.7
Qingdao	10,184.6	19,246.9	18,120.3	13,418.0	9,971.7
Wuhan	6,188.0	22,786.9	18,803.0	18,205.4	9,262.1
Meishan	7,233.8	15,004.9	13,283.1	14,017.2	7,225.8
Tianjin	8,295.9	19,404.8	17,278.8	9,379.9	6,826.3
Xi'an	3,981.1	15,596.0	12,986.3	12,243.0	6,782.4
Kunming	4,851.2	15,201.9	13,597.4	11,080.2	6,752.6
Chengdu	6,980.7	14,557.1	12,719.5	7,822.1	5,762.3
Ji'nan	4,488.0	11,827.2	11,434.2	8,332.0	5,724.6
Zhengzhou	4,210.9	10,315.4	8,175.3	8,051.3	5,019.5
Hangzhou	4,181.8	12,492.7	9,655.9	7,298.7	3,469.8
Harbin	3,057.1	7,671.1	6,972.9	4,487.7	2,942.6
Xishuangbanna	4,976.3	5,647.5	4,980.5	3,553.5	2,810.4
Guiyang	1,265.4	4,869.9	4,584.2	4,283.3	2,770.2
Wenzhou	1,009.7	3,535.7	2,859.6	3,535.7	2,525.5
Jiangmen	914.4	3,261.7	2,763.1	2,563.0	2,357.2
Taiyuan	1,311.9	6,320.8	4,336.1	4,283.0	2,322.2
Shanghai	3,496.7	6,779.6	5,909.3	3,648.5	2,139.5
Qingyuan	949.0	2,766.9	2,585.2	2,361.0	2,107.1
Changsha	1,360.4	5,028.0	3,913.6	2,724.3	2,106.7
Guangzhou	1,358.1	5,528.1	5,263.5	3,504.9	2,077.4
Wuxi	5,978.4	12,078.0	10,927.3	3,241.9	2,057.9
Dalian	985.6	2,656.8	2,474.0	2,077.1	1,990.0
Hainan Province	4,056.8	5,184.6	4,284.2	3,448.7	1,967.9
Shijiazhuang	1,154.3	4,235.4	3,841.9	3,174.4	1,778.8
Hefei	2,428.0	6,420.6	5,873.3	1,913.8	1,767.9
Guilin	2,767.7	2,490.0	2,367.0	1,720.5	1,601.2
Shenyang	1,892.3	5,042.0	4,002.4	2,998.1	1,562.5
Dali	2,276.9	3,328.0	2,693.8	2,592.6	1,543.9
Jiaxing	816.0	1,869.7	1,675.0	1,463.9	1,444.6

BUSINESS HIGHLIGHTS

City	Total site area ('000 sq.m.)	Estimated aggregate GFA ('000 sq.m.)	Estimated saleable GFA ('000 sq.m.)	Total land bank ('000 sq.m.)	Attributable land bank ('000 sq.m.)
Fuzhou	785.6	2,429.4	2,206.7	2,104.2	1,414.6
Ningbo	1,300.2	3,743.8	2,907.0	2,959.5	1,338.8
Yinchuan	631.4	2,342.7	2,230.2	1,604.3	1,331.5
Changchun	712.9	1,936.2	1,419.4	1,497.6	1,290.2
Xianning	1,119.7	2,253.9	1,156.6	1,761.3	1,232.9
Nanning	701.6	3,286.9	3,038.7	1,996.1	1,205.2
Shaoxing	1,237.1	2,948.5	2,345.7	2,241.4	1,185.8
Zhaotong	1,037.6	1,732.1	1,610.6	1,438.3	1,161.5
Xuzhou	1,001.8	2,764.6	2,456.6	2,142.8	1,071.0
Yantai	1,276.6	2,806.8	2,546.3	1,841.3	1,068.9
Beijing	1,566.3	4,077.3	3,295.1	1,498.0	1,068.3
Suzhou	2,334.6	5,203.1	4,321.0	2,497.8	1,035.9
Nanchang	3,321.0	4,946.1	3,874.4	1,085.6	1,003.3
Changzhou	1,462.3	2,505.3	2,178.1	1,414.7	965.9
Tangshan	533.2	1,574.6	1,237.7	1,349.3	934.0
Langfang	719.4	2,164.9	1,736.3	1,751.3	911.6
Huizhou	399.8	1,482.0	1,346.6	928.2	895.3
Zhaoqing	399.7	1,369.2	1,286.3	1,051.7	878.0
Shenzhen	424.1	1,808.7	1,542.4	1,794.0	842.6
Nantong	967.6	1,942.2	1,668.5	1,225.6	774.0
Zhuhai	393.9	977.5	727.8	792.1	668.7
Foshan	423.3	2,434.8	2,264.3	1,095.1	665.4
Ezhou	355.5	1,338.0	1,020.7	1,128.2	620.5
Daqing	414.8	1,114.6	988.0	607.4	607.4
Yueyang	340.2	1,120.6	843.0	916.7	570.6
Taizhou	942.9	1,861.1	1,713.7	1,150.3	562.5
Huzhou	821.4	1,724.4	1,407.2	1,082.5	544.5
Nanjing	966.8	2,183.1	1,894.6	1,345.5	513.0
Others	13,063.6	33,825.4	30,102.6	27,644.3	14,944.9
Total	**156,045.0**	**388,914.4**	**339,512.9**	**257,720.3**	**161,025.1**

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. SUN Hongbin, aged 58, is the Group's founder, the Chairman of the board (the "Board") of directors (the "Directors") of the Company, an executive Director, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Sun Hongbin commenced his real estate business in 1994 and has accumulated about 30 years of ample experience in the real estate industry in the PRC over the years. Mr. Sun Hongbin obtained a master's degree in engineering from Tsinghua University in 1985 and completed an advanced management program at Harvard Business School in the United States in 2000. Mr. Sun Hongbin is the father of Mr. Sun Kevin Zheyi, an executive Director and vice president of the Group and president of the Sunac Culture Group.

Mr. WANG Mengde ("Mr. Wang"), aged 50, is an executive Director, the Chief Executive Officer of the Group and the chairman of the Environmental, Social and Governance Committee. Mr. Wang is also the chairman of the board of directors and a non-executive director of Sunac Services. Mr. Wang has about 20 years of experience in the real estate industry in the PRC. He joined the Group in 2006 and acted as the chief financial officer and the vice president of the Group. He has been the executive president and chief executive officer of the Group since 2011 and September 2015, respectively. Mr. Wang has served as the chairman of the board of directors and a non-executive director of Sunac Services since 4 August 2020. Prior to joining the Group, Mr. Wang was the general manager of Sunco China Holdings Limited ("Sunco China") in East China region from 2003 to 2005, and the chief operating officer and chief financial officer of Sunco China, a company engaged in the business of property development in the PRC from 2005 to 2006. Mr. Wang graduated from Nankai University with a bachelor's degree in auditing in 1997.

Mr. JING Hong ("Mr. Jing"), aged 59, is an executive Director and the executive president of the Group and the president of the Beijing regional branch of the Group. Mr. Jing has extensive experience in real estate development. He joined the Group in January 2007. Since then, he has been the general manager of Beijing Sunac Hengji Real Estate Co., Ltd. and has been responsible for overall business operations. Prior to joining the Group, from October 2002 to 2006, Mr. Jing served as a vice president of Sunco China. Mr. Jing graduated from the Beijing Jiaotong University (previously known as Northern Jiaotong University) in 1984 with a bachelor's degree in engineering.

Mr. CHI Xun ("Mr. Chi"), aged 48, is an executive Director and the executive president of the Group and the president of the North China regional branch of the Group, with over 20 years of experience in real estate industry in the PRC. He joined the Group in 2004 and held the position of deputy general manager of Tianjin Sunac Zhidi Co., Ltd. ("Tianjin Sunac Zhidi") from 2004 to 2005. Since 2005, he has been the general manager of Tianjin Sunac Zhidi. Prior to joining the Group, Mr. Chi worked at various property companies where he was primarily responsible for project development, design and sales. Mr. Chi graduated from Harbin Institute of Technology in 1997 with a bachelor's degree in architecture.

Mr. TIAN Qiang ("Mr. Tian"), aged 44, is an executive Director and the executive president of the Group and the president of the Shanghai regional branch of the Group. Mr. Tian joined the Group in 2007 and acted as a deputy general manager of Tianjin Xiangchi Investment Co., Ltd.. In 2007, he held the position of a general manager of Wuxi Sunac Real Estate Co. Ltd.. He has been the general manager of the Shanghai regional branch of the Group since 2012, and has been the executive president of the Group since 2015. Prior to joining the Group, Mr. Tian was a sales manager, deputy general sales manager and general manager between 2002 and 2007 at Sunco China. Mr. Tian graduated from the Tianjin Chengjian University (天津城建大學) (formerly known as Tianjin Urban Construction Institute (天津城市建設學院)) in 1999 with a bachelor's degree in engineering specializing in construction project management.

Mr. SHANG Yu ("Mr. Shang"), aged 42, is an executive Director and the executive president of the Group and the president of the Southwest regional branch of the Group. Mr. Shang has nearly 20 years of experience in the real estate industry in the PRC. He joined the Group in 2003 and was the deputy general manager of Tianjin Sunac Ao Cheng Investment Co., Ltd. and Chongqing Olympic Garden Real Estate Co., Ltd. ("Chongqing Olympic Garden Real Estate") from 2003 to 2004. Since 2006, he has become the general manager of Chongqing Olympic Garden Real Estate. Mr. Shang graduated from Tianjin Chengjian University (天津城建大學) (formerly known as Tianjin Urban Construction Institute (天津城市建設學院)) with a bachelor's degree in property development and management in 2001 and then obtained a master's degree in business administration from the China Europe International Business School in 2008.

Mr. HUANG Shuping ("Mr. Huang"), aged 40, is an executive Director and the executive president of the Group and the president of the South China regional branch of the Group. He joined the Group in 2007 and acted successively as a supervisor and the general manager of the capital operations centre, the deputy general manager of the finance management department and the assistant to chief executive officer. He served as the vice president of the Group from 2011 to 2015, and the chief financial officer and company secretary of the Group from 2012 to 2015. He has been the executive president of the Group since 2015. Prior to joining the Group, Mr. Huang was an assistant to the president of Sunco China with responsibilities in capital management from 2005 to 2007. Mr. Huang graduated from Xiamen University with a bachelor's degree in economics in 2003 and received a master's degree from the University of Liverpool in finance in 2004.

Mr. SUN Kevin Zheyi, aged 31, is an executive Director and the vice president of the Group and president of the Sunac Culture Group. Mr. Sun Kevin Zheyi joined the Group in 2014 and served various roles relating to capital market, land acquisition and project operation in the Group's headquarters and different regional branches. Prior to joining the Group, Mr. Sun Kevin Zheyi worked in Snow Lake Capital L.P. (雪湖資本有限合夥) and Charm Communications Inc. (昌榮傳播股份有限公司). Mr. Sun Kevin Zheyi graduated from Boston College in 2011 with a dual Bachelor's degree in business management and history. Mr. Sun Kevin Zheyi is the son of Mr. Sun Hongbin who is the Chairman of the Board and an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. POON Chiu Kwok ("Mr. Poon"), aged 58, is an independent non-executive Director. He is also the chairman of the Audit Committee and a member of the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Company. Mr. Poon has years of experience in listed companies finance, governance and management. He currently serves as an executive director, vice president and company secretary of Huabao International Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 336) and an independent non-executive director of Yuanda China Holdings Limited (stock code: 2789), Changan Minsheng APLL Logistics Co., Ltd. (stock code: 1292), AUX International Holdings Limited (stock code: 2080), Sany Heavy Equipment International Holdings Company Limited (stock code: 631), Greentown Service Group Co. Ltd. (stock code: 2869), Jinchuan Group International Resources Co. Ltd (stock code: 2362), Honghua Group Limited (stock code: 196) and Yanzhou Coal Mining Company Limited (stock code: 1171) respectively, the shares of each of which are listed on the Main Board of the Stock Exchange. He served as a non-executive director of Chong Kin Group Holdings Limited from January 2018 to June 2018, whose shares are listed on the Main Board of the Stock Exchange (stock code: 1609) and an independent non-executive director of Tus International Limited from September 2015 to July 2020, whose shares are listed on the Main Board of the Stock Exchange (stock code: 872). He also served as an independent non-executive director of Tonly Electronics Holdings Limited, whose shares were listed on the Main Board of the Stock Exchange before 8 March 2021. Mr. Poon is a Fellow member of CPA Australia Ltd., the Chartered Governance Institute (formally known as the Institute of Chartered Secretaries and Administrators) in London, United Kingdom, The Hong Kong Institute of Chartered Secretaries and a member of its Technical Consultation Panel, Mainland China Focus Group and Audit Committee. He is also a Fellow member and Associate Instructor of Hong Kong Securities and Investment Institute. He obtained a master's degree in international accounting, a post-graduate diploma in laws, a bachelor's degree in laws and a bachelor's degree in business studies. Mr. Poon has been an independent non-executive Director since June 2011.

Mr. ZHU Jia ("Mr. Zhu"), aged 58, is an independent non-executive Director. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Environmental, Social and Governance Committee of the Company. Mr. Zhu is currently a managing director of Bain Capital Private Equity (Asia), LLC ("Bain Capital"). Mr. Zhu has solid and extensive experience in a broad range of cross border mergers and acquisitions as well as international financing transactions involving PRC companies. Before joining Bain Capital in 2006, he was the chief executive officer of the PRC business of Morgan Stanley Asia Limited. Mr. Zhu is currently an independent non-executive director of Greatview Aseptic Packaging Company Limited (stock code: 468), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Zhu is also a director of Rise Education Cayman Ltd and Chindata Group listed on Nasdaq. Mr. Zhu served as a non-executive director of SinoMedia Holding Limited (stock code: 623) from November 2006 to May 2013, GOME Electrical Appliances Holding Limited (currently known as GOME Retail) (stock code: 493) from August 2009 to January 2015 and Clear Media Limited (stock code: 100) from August 2011 to June 2020 , the shares of each of which are listed on the Main Board of the Stock Exchange. Mr. Zhu holds a juris doctor degree from Cornell Law School in the United States, an MA degree from Nanjing University, and a BA degree from Zhengzhou University in China. Mr. Zhu is a trustee of Cornell University and Nanjing University. Mr. Zhu has been a non-executive Director since 30 September 2009 and has been re-designated as an independent non-executive Director since 24 November 2016.

Mr. MA Lishan ("Mr. Ma"), aged 69, is an independent non-executive Director. He is also a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Company. Mr. Ma graduated from Beijing Foreign Studies University in 1975. Mr. Ma has extensive experience in corporate operation and management of modern large enterprises and listed companies. Mr. Ma has served various positions such as chairman, executive director and general manager in certain large-scale joint ventures under COFCO (Group) Limited. From January 1996, Mr. Ma served as executive director of China Foods Limited (中國食品有限公司) (stock code: 506). From May 1997 to June 2003, Mr. Ma served as executive director and general manager of China Foods Limited. In 2000, Mr. Ma served as the vice president of COFCO (Group) Limited. Mr. Ma was the deputy chairman of Top Glory International Holdings Limited (鵬利國際集團有限公司) (controlling shareholder of COFCO PROPERTY (GROUP) CO., LTD.) from June 2003 to July 2005. Mr. Ma was executive director of Sino Resources Limited from 7 June 2008 to 16 January 2009, whose shares are listed on the Main Board of Stock Exchange (stock code: 223). From September 2010 to August 2012, he was also the executive director, managing director and chairman of Hao Tian Development Group Limited (formerly known as Hao Tian Resources Group Limited), whose shares are listed on the Main Board of the Stock Exchange (stock code: 474). From May 2008 to present, Mr. Ma is an independent non-executive director of Silver Base Group Holdings Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 886). From March 2016 to present, he is an independent non-executive director of SRE Group Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 1207). From June 2016 to present, Mr. Ma is an independent non-executive director of DIT Group Limited (築友智造科技集團有限公司) (formerly known as China Minsheng DIT Group Limited (中民築友科技集團有限公司)) whose shares are listed on the Main Board of the Stock Exchange (stock code: 726). From August 2016 to present, Mr. Ma is an independent non-executive director of Huarong International Financial Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 993). Mr. Ma has been an independent non-executive Director since August 2009.

Mr. YUAN Zhigang ("Mr. Yuan"), aged 63, is an independent non-executive Director. He is also a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Company. Mr. Yuan graduated from École des Hautes Études en Sciences Sociales (EHESS) in France in 1993 with a Doctorate degree in Economics. Mr. Yuan currently works as a professor at School of Economics of Fudan University, and is a specially engaged professor of "Changjiang Scholars" launched by the Ministry of Education. He has been long serving as an expert member of the decision-making advisory committees of Shanghai, Fujian, Guangxi and some other local governments. Mr. Yuan has in-depth study and a significant influence over hotspot macroeconomic research on issues covering macroeconomic operation, financial system reform, internationalization of Renminbi and real estate of China. Mr. Yuan currently serves as an independent director in JIC Trust Co., Ltd., an independent director in Shanghai Pudong Development Bank Co., Ltd., whose shares are listed on the main board of the Shanghai Stock Exchange (stock code: 600000), and an external supervisor in Bank of Shanghai Co., Ltd. ("Bank of Shanghai"), whose shares are listed on the main board of the Shanghai Stock Exchange (stock code: 601229). From 2004 to 2015, he served as the Dean of School of Economics of Fudan University; from May 2010 to April 2017, he served as an independent director in Bank of Shanghai; from April 2011 to April 2017, he served as an independent director in Ningbo Fuda Co., Ltd., whose shares are listed on the main board of the Shanghai Stock Exchange (stock code: 600724), and from January 2012 to October 2018, he served as an independent non-executive director in Bank of Communications Schroder Fund Management Co., Ltd. Mr. Yuan has been an independent non-executive Director since 22 October 2020.

SENIOR MANAGEMENT

Mr. WANG Peng ("Mr. Wang"), aged 40, is the executive president of the Group and the president of the Southeast regional branch of the Group. Mr. Wang joined the Group in 2004, and served as the legal manager of the Group from 2004 to 2008 and the general manager of Tianjin Sunac Business Management Company (天津融創商業管理公司) and Tianjin Sunac Property Management Co. Ltd. (天津融創物業管理有限公司) from 2009 to 2011. He also acted as the project general manager of Tianjin Sunac Zhidi in 2012. He has been the general manager of the Hangzhou Company of the Group since 2013. He has been the vice president of the Group from 2015 to 2016, and has been the executive president of the Group since 2016. Mr. Wang graduated from Tianjin Polytechnic University in 2003 with a bachelor's degree in law.

Ms. MA Zhixia ("Ms. Ma"), aged 48, is the executive president and the chief operation officer of the Group and responsible for the overall management of the business operations of the Group. Ms. Ma joined the Group in 2003, and acted as the general manager of Tianjin Sunac Zhidi from 2003 to 2005 and the vice president of the Group from 2005 to 2015. She has been the executive president and the chief operation officer of the Group since 2015. Prior to joining the Group, Ms. Ma joined Sunco China in 1998, and acted as the deputy general manager of Tianjin Sunco Construction Company Limited (天津順馳建設有限公司), a subsidiary of Sunco China, from 2000 to 2003. Ms. Ma graduated from Nankai University with a bachelor's degree in economics in 1995.

Ms. CAO Hongling ("Ms. Cao"), aged 46, is the executive president of the Group. She is also an executive director and the chief executive officer of Sunac Services. Ms. Cao possesses more than 20 years of experience in financial management. Since joining the Group in 2007, she has successively served as the general manager of the financial management centre, the general manager of the costing, tendering and procurement centre and the general manager of the financing management centre of the Group, and has also successively supervised the affairs of the information management department and internal audit department of the Group. She served as the chief financial officer of the Group from 2015 to 2019. She has served as a director of Sunac Services since January 2019, and was re-designated as an executive director and the chief executive officer of Sunac Services on 4 August 2020. Prior to joining the Group, Ms. Cao was a manager of the accounting department of Sunco Real Estate, a subsidiary of Sunco China since 2002 and was appointed as the manager of the financial management department of Sunco China in 2006. Ms. Cao graduated from the Tianjin University of Finance & Economics in 1998 with a bachelor's degree in accounting. Ms. Cao is a member of The Chinese Institute of Certified Public Accountants.

Ms. XUE Wen ("Ms. Xue"), aged 49, is the executive president of the Group and primarily responsible for human resources, administration and legal affairs of the Group. Ms. Xue joined the Group in 2004, and has been the general manager of the Legal Affairs Department, the Human Resources Department and the Administration and Management Department of the Company. Prior to joining the Group, Ms. Xue served successively as a practicing lawyer at China Hualian Law Firm (中國華聯律師事務所) and Ruining Law Firm (瑞寧律師事務所). Ms. Xue graduated from China University of Political science and Law in 1996 with a bachelor's degree in international economic law. Ms. Xue is a member of China Association of registered lawyers.

Mr. LU Peng ("Mr. Lu"), aged 45, is the executive president of the Group and the president of the Sunac Culture & Tourism Group fully responsible for its management. Mr. Lu joined the Group in 2003, and served successively as the deputy general manager of Sunac Zhidi with responsibilities in research and development, the general manager of Chongqing Olympic Garden Real Estate, the general manager of APEV Project (重慶亞太商谷項目), Horizon Capital Project in Tianjin (天津海河大觀項目) and TEDA Project in Tianjin (天津泰達項目). Mr. Lu graduated from the School of Materials of Tianjin University in 1999, majoring in welding technology and equipment.

Mr. WANG Yingjia ("Mr. Wang"), aged 50, is the executive president of the Group and the president of the Central China regional branch of the Group. Mr. Wang joined the Group since 2004. Since 2012, he has served as a director and general manager of the development department of the Group. He has been the president of Central China regional branch since 2015. He has served successively as vice president and executive president of the Group since 2016. Mr. Wang has accumulated years of experience in real estate industry in the PRC. Mr. Wang graduated from Nankai University in 2004 with a master's degree in management.

Mr. SHI Yu ("Mr. Shi"), aged 44, is the senior vice president of the Group and mainly responsible for the Group's product development and research, quality management and customer relationship management. Mr. Shi joined the Group in 2016. Prior to joining the Group, Mr. Shi worked in the Vanke Group for more than 13 years, with extensive experience in project design and construction management. Mr. Shi graduated from Tianjin University in 2003 with a master's degree in power system and automation.

Mr. GAO Xi ("Mr. Gao"), aged 40, is the chief financial officer, vice president of the Group and company secretary. Mr. Gao is also a non-executive director of Sunac Services. Mr. Gao joined the Group in December 2007. Since then, Mr. Gao has held different positions in the capital operations centre, financial management centre and financing management department of the Group. Mr. Gao had acted successively as the manager, director and general manager of the capital management department of the Group since 2011, has been the company secretary since 2015, has been the chief financial officer of the Group since 2019, and has been a non-executive director of Sunac Services since 4 August 2020. Currently, Mr. Gao is mainly responsible for investor relations, financing, strategic investment, listing compliance and corporate governance related matters. Mr. Gao graduated from Shanxi University of Finance & Economics (山西財經大學) in the PRC in July 2008 with a master's degree in quantitative economics.

CHANGES IN INFORMATION OF DIRECTORS

Since 3 June 2020, Mr. Zhu Jia has ceased to be a non-executive director of Clear Media Limited (stock code: 00100.HK).

Since 17 July 2020, Mr. Poon Chiu Kwok has ceased to be an independent non-executive director of TUS International Limited (stock code: 00872.HK).

Since 4 August 2020, Mr. Wang Mengde has been appointed as the chairman of the board of directors and a non-executive director of Sunac Services.

Since 22 October 2020, Mr. Li Qin has resigned as an independent non-executive Director, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company, while Mr. Yuan Zhigang has been appointed as an independent non-executive Director, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Please refer to the announcement of the Company dated 22 October 2020 for details.

Since 28 December 2020, Mr. Wang Mengde has been appointed as the chairman of the Environmental, Social and Governance Committee of the Company; Mr. Poon Chiu Kwok, Mr. Zhu Jia, Mr. Ma Lishan and Mr. Yuan Zhigang have been appointed as a member of the Environmental, Social and Governance Committee of the Company. Please refer to the announcement of the Company dated 28 December 2020 for details.

Save as disclosed in this report, there is no change in Directors' information that is required to be disclosed in accordance with Rule 13.51(B)(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the publication of the interim report for the period ended 30 June 2020 by the Company.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealings in the securities of the Company. Following specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2020 in relation to their securities dealings, if any.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance and had, throughout the year ended 31 December 2020, complied with all applicable Code Provisions under the Corporate Governance Code except the following:

Under Code E.1.2 of the Corporate Governance Code, the chairman of the board should attend the annual general meeting. Mr. Sun Hongbin, the Chairman of the Board, was not able to attend the annual general meeting on 28 May 2020 due to other business engagements. Mr. Wang Mengde, an executive Director and the Chief Executive Officer of the Company, attended and chaired the annual general meeting of the Company and was delegated to make himself available to answer questions if raised at the meeting.

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

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

TRAININGS OF THE DIRECTORS

To ensure each Director's better understanding in respect of the Company's conduct and business activities to perform their responsibilities as a Director, the Company will arrange appropriate training, including arranging and funding suitable training and professional development programme for the Directors. For newly appointed Directors, the Company shall also arrange for suitable induction training, so as to ensure that they have an appropriate understanding of the business and operations of the Group and that they are fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements upon commencement of their directorship in the Company. During the year under review, all the Directors, together with the relevant senior management of the Company, have attended suitable induction and/or regular trainings arranged by the Company.

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

For the year ended 31 December 2020, trainings received by each Director are summarized as follows:

Name of Director	Reading materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements	Attending conference(s) relevant to the business of the Group/Listing Rules and Takeovers Code/ Directors' duties
Mr. Sun Hongbin *(Chairman)*	√	√
Mr. Wang Mengde *(Chief Executive Officer)*	√	√
Mr. Jing Hong	√	√
Mr. Chi Xun	√	√
Mr. Tian Qiang	√	√
Mr. Shang Yu	√	√
Mr. Huang Shuping	√	√
Mr. Sun Kevin Zheyi	√	√
Mr. Poon Chiu Kwok	√	√
Mr. Zhu Jia	√	√
Mr. Li Qin *(resigned with effect from 22 October 2020)*	√	√
Mr. Ma Lishan	√	√
Mr. Yuan Zhigang *(appointed with effect from 22 October 2020)*	√	√

THE BOARD

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

BOARD COMPOSITION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Poon Chiu Kwok
Mr. Zhu Jia
Mr. Li Qin *(resigned with effect from 22 October 2020)*
Mr. Ma Lishan
Mr. Yuan Zhigang *(appointed with effect from 22 October 2020)*

The Directors' respective biographical information is set out on pages 19 to 22 of this report. The Board members have extensive experience in corporate finance and management both in the Mainland China and Hong Kong, which enables the Group to conduct good corporate governance and meet standards, thereby bringing long-term benefits to the shareholders of the Company. Mr. Sun Kevin Zheyi is the son of Mr. Sun Hongbin who is the Chairman of the Board and an executive Director. Save for the above, there is no relationship (including financial, business, family or other material relationship) among any other members of the Board.

During the year ended 31 December 2020, the Board had complied with Rule 3.10 and Rule 3.10A of the Listing Rules relating to the appointment of (i) at least three independent non-executive Directors; (ii) independent non-executive Directors representing one-third of the Board; and (iii) at least one independent non-executive Director possessing appropriate qualification, or accounting or related financial management expertise. Mr. Poon Chiu Kwok, an independent non-executive Director, possesses accounting and related financial management expertise. The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

BOARD MEETINGS AND ANNUAL GENERAL MEETING

During the year ended 31 December 2020, the Board convened four regular meetings to discuss corporate strategies, business plans and other significant issues of the Group, and the Company convened an annual general meeting. Details of the attendance at the Board meetings and the annual general meeting convened are set out as follows:

	Attendance/Number of meetings required to be attended	
Name of Director	Annual General Meeting	Board Meeting
Executive Directors		
Mr. Sun Hongbin *(Chairman)*	0/1	4/4
Mr. Wang Mengde *(Chief Executive Officer)*	1/1	4/4
Mr. Jing Hong	0/1	4/4
Mr. Chi Xun	0/1	4/4
Mr. Tian Qiang	0/1	4/4
Mr. Shang Yu	0/1	4/4
Mr. Huang Shuping	0/1	4/4
Mr. Sun Kevin Zheyi	0/1	4/4
Independent Non-executive Directors		
Mr. Poon Chiu Kwok	1/1[1]	4/4
Mr. Zhu Jia	1/1[1]	4/4
Mr. Li Qin *(resigned with effect from 22 October 2020)*	0/1	2/3
Mr. Ma Lishan	1/1[1]	4/4
Mr. Yuan Zhigang *(appointed with effect from 22 October 2020)*	0/0	1/1

Note 1: Due to the impact of the COVID-19 epidemic, Mr. Poon Chiu Kwok, Mr. Zhu Jia and Mr. Ma Lishan attended the annual general meeting via telephone.

BOARD COMMITTEES

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

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review the completeness of the policies and procedures on internal control and the effectiveness of the risk management and internal control systems of the Company, and to review the financial statements of the Group. The Audit Committee also performs the corporate governance function as stipulated in Code Provision D.3.1 of the Corporate Governance Code. The terms of reference of the Audit Committee were adopted by the Board on 27 November 2009 and amended on 29 March 2012 and 24 August 2015 respectively, and are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn).

The Audit Committee currently consists of four independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Zhu Jia, Mr. Ma Lishan and Mr. Yuan Zhigang. Mr. Poon Chiu Kwok acts as the chairman of the Audit Committee.

During the year ended 31 December 2020, the Audit Committee convened three meetings in total, and the individual attendance of each member during the year is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Poon Chiu Kwok *(Chairman)*	3/3
Mr. Zhu Jia	3/3
Mr. Li Qin *(resigned with effect from 22 October 2020)*	2/3
Mr. Ma Lishan	3/3
Mr. Yuan Zhigang *(appointed with effect from 22 October 2020)*	0/0

The Audit Committee has reviewed the remuneration of the Company's auditor for the year ended 31 December 2020 and has recommended to the Board the re-appointment of PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December 2021, subject to approval by the shareholders of the Company at the forthcoming annual general meeting, which is expected to be held on 27 May 2021.

The work performed by the Audit Committee during 2020 mainly included the following:

(i) reviewed the annual consolidated financial statements and the interim condensed consolidated financial statements of the Group for the year ended 31 December 2019 and the six months ended 30 June 2020, respectively;

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

(iii) reviewed the 2020 cash flow and monitored the Group's overall financial condition;

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

(v) reviewed the adoption of the relevant accounting principles generally accepted and made recommendations to the Board on the adoption of accounting policies;

(vi) met with external auditors in the absence of executive Directors and senior management to discuss matters in relation to the audit; and

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

NOMINATION COMMITTEE

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

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

The Nomination Committee held two meetings during the year ended 31 December 2020, and the individual attendance of each member during the year is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Sun Hongbin *(Chairman)*	2/2
Mr. Poon Chiu Kwok	2/2
Mr. Li Qin *(resigned with effect from 22 October 2020)*	2/2
Mr. Ma Lishan	2/2
Mr. Yuan Zhigang *(appointed with effect from 22 October 2020)*	0/0

The work performed by the Nomination Committee during 2020 mainly included the following:

(i) reviewed the structure, size and composition of the Board;

(ii) assessed the independence of the independent non-executive Directors;

(iii) reviewed the nomination policy of the Company and made recommendations to the Board on the appointment and re-appointment of Directors;

(iv) assessed and recommended to the Board the appointment of Mr. Yuan Zhigang as an independent non-executive Director; and

(v) reviewed and assessed the implementation of the Board Diversity Policy during 2020.

NOMINATION POLICY

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

Selection Criteria

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

(i) reputation for integrity;

(ii) accomplishment, experience and reputation in the real estate industry, property service industry, cultural and tourism industry, culture industry, conferences and exhibitions industry, medical services and health care industry and other related industries;

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

(iv) diversity in all aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, technology, knowledge and industrial and regional experience;

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

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

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

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

Nomination Procedure

The secretary of the Nomination Committee shall organize a meeting, and invite candidates nominated by the Board members (if any) to attend the meeting and propose them to the Nomination Committee for consideration. The Nomination Committee may also nominate candidates for its consideration.

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

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

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

BOARD DIVERSITY POLICY

The Nomination Committee reviewed and recommended to the Board the adoption of a policy concerning diversity of the Board ("Board Diversity Policy") and the Board, in the Board meeting held on 25 August 2015, adopted such policy to assess the Board composition. In reviewing the composition of the Board, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity. Based on the Nomination Committee's review for the year ended 31 December 2020, the Nomination Committee considered that these measurable objectives have been satisfactorily implemented and that there was sufficient diversity in the Board for the Company's corporate governance and business development needs.

REMUNERATION COMMITTEE

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

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

The Remuneration Committee held two meetings during the year ended 31 December 2020, and the individual attendance of each member during the year is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Zhu Jia *(Chairman)*	2/2
Mr. Sun Hongbin	2/2
Mr. Poon Chiu Kwok	2/2
Mr. Li Qin *(resigned with effect from 22 October 2020)*	2/2
Mr. Ma Lishan	2/2
Mr. Yuan Zhigang *(appointed with effect from 22 October 2020)*	0/0

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration of individual Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

The major work performed by the Remuneration Committee in 2020 mainly included (among others) reviewing and making recommendation to the Board regarding the remuneration package and structure for the Directors and senior management for the year ended 31 December 2020, the remuneration policy in 2021, and the terms of service contracts for the Directors and the senior management.

ESG COMMITTEE

The primary duties of the ESG Committee are to support and assist the Board in the management of environmental, social and governance matters. The terms of reference of the ESG Committee were adopted by the Board on 28 December 2020, the details of which are set out on pages 73 to 124 of the "Environmental, Social and Governance Report".

The ESG Committee currently comprises one executive Director, namely Mr. Wang Mengde, and four independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Zhu Jia, Mr. Ma Lishan and Mr. Yuan Zhigang. Mr. Wang Mengde acts as the chairman of the ESG Committee.

ANNUAL REMUNERATION PAYABLE TO THE MEMBERS OF SENIOR MANAGEMENT

The annual remuneration[1] of the members of the senior management by band for the year ended 31 December 2020 is as follows:

Remuneration Bands (RMB)	Number of Individuals
3,000,001-8,000,000	3
8,000,001-13,000,000	4
13,000,001-18,000,000	1

Note 1: The annual remuneration referred to in this section includes salary, discretionary bonuses, employer's contribution to retirement benefit scheme and other benefits.

AUDITOR'S REMUNERATION

During the year ended 31 December 2020, the remunerations paid or payable to the auditor of the Group, PricewaterhouseCoopers, in respect of its statutory audit services and non-audit services are RMB22.0 million and RMB2.0 million, respectively. The non-audit services provided were mainly related to issuance of bonds of the Group.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2020 which give a true and fair view of the state of affairs of the Group and of the operating results and cash flow for the year. The Directors consider that the financial statements have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates, reasonable information and prudent judgment of the Board and the management. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

The statements of the auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group are set out in the section headed "Independent Auditor's Report" on pages 125 to 130 of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

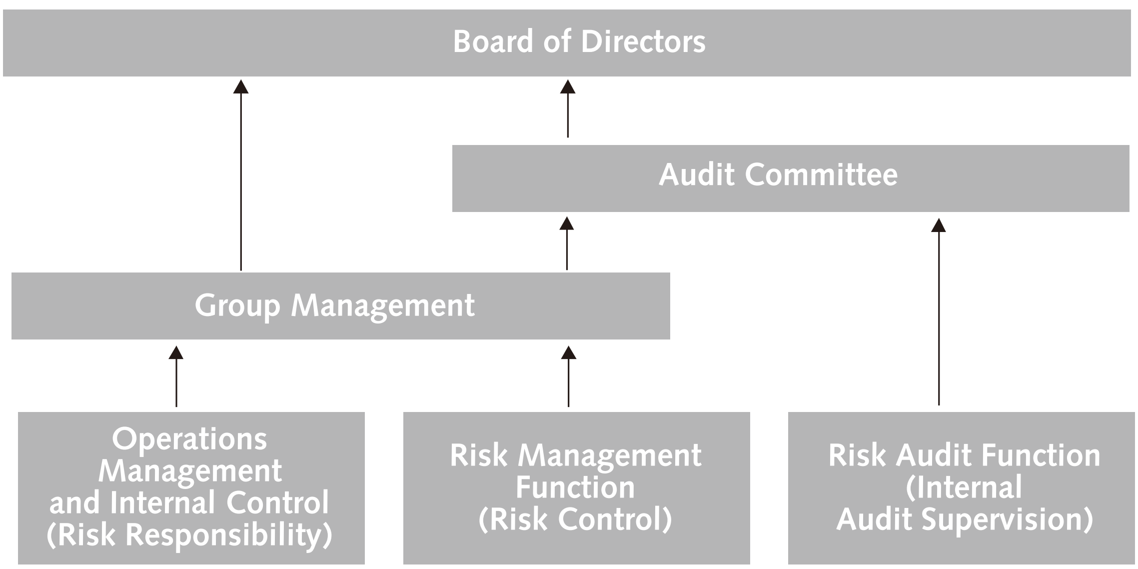
RISK MANAGEMENT AND INTERNAL CONTROL RESPONSIBILITY

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

RISK MANAGEMENT STRUCTURE OF THE COMPANY

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

The risk management structure of the Company is as follows:



Since 2020, the Company has vertically managed the internal audit and control of its subsidiaries, and further strengthened the independent development and management of internal audit and control through the adjustment of the management mechanism.

RISK MANAGEMENT PROCEDURE

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

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

RISK MANAGEMENT AND INTERNAL CONTROL REVIEW

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

The annual review in respect of the year ended 31 December 2020 has considered, among others (i) whether the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions were adequate; (ii) the scope and quality of the management's ongoing monitoring of risks, the internal control systems and the work of its internal audit function; (iii) whether the risk management and internal control systems, including the extent and frequency of monitoring results to the Board of Directors or the Audit Committee (as the case may be) were sound and effective; and (iv) whether the Group's rules and major business processes could meet the requirements on operations and management and the needs for the rapid development of the Company. The Board also conducted a comprehensive evaluation on the timeliness, effectiveness and normativity of the procedures for handling and releasing inside information of the Company, as well as the effectiveness of the Company's processes for financial reporting and Listing Rule compliance. The results of the annual review were basically satisfactory.

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

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

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

INFORMATION DISCLOSURE

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

COMMUNICATION WITH SHAREHOLDERS

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

With reference to the aforesaid, the AGM held on 28 May 2020 was chaired by Mr. Wang Mengde (executive Director and the Chief Executive Officer of the Company), and attended by, among others, Mr. Gao Xi (the chief financial officer, vice president of the Group and the company secretary) in person, and Mr. Poon Chiu Kwok (an independent non-executive Director who is also the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee), Mr. Zhu Jia (an independent non-executive Director who is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee), Mr. Ma Lishan (an independent non-executive Director who is also a member of the Audit Committee, the Nomination Committee and the Remuneration Committee) and representatives of the external auditor of the Company via telephone.

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

SHAREHOLDERS' RIGHT

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

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

PROCEDURES FOR PUTTING FORWARD RESOLUTIONS AT GENERAL MEETINGS

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

Sunac China Holdings Limited
Building 4, One Central
No.8, Dongzhimen North Street
Dongcheng District
Beijing
PRC
Email: ir@sunac.com.cn

COMPANY SECRETARY

Mr. Gao Xi is the chief financial officer, vice president of the Group and the company secretary of the Company. In compliance with Rule 3.29 of the Listing Rules, Mr. Gao Xi has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2020.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2020.

INVESTOR RELATIONS REPORT

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

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

In 2020, the Company's offline communication with investors was limited to a certain extent due to the impact of the COVID-19 pandemic. However, the Company was still able to maintain close communication with investors through online telephone and video conferencing. During the year ended 31 December 2020, the Company's investor relations team proactively organized and participated in a series of activities such as online investor communication sessions and non-deal road shows arranged by various securities firms. During the year ended 31 December 2020, the investor relations team organized over 750 meetings with investors and analysts.

In the future, the Company's investor relations team will dedicate itself to improving a highly-efficient communication mechanism between the Company and the capital market, and keeping long-term and effective communications with more investors, which will enable the capital market to have deeper understanding of the Company, and enable the Company to understand the expectations of the capital market towards the operations of the Company in a timely manner so as to create long-term value for shareholders.

Below are the highlights of some investor relations activities during the year ended 31 December 2020:

No.	Month	Activities	Location	Securities Firms
1	January	Morgan Stanley China Cyclical Industry Corporate Day	Hong Kong	Morgan Stanley
2	January	Barclays 2020 Asia Credit Corporate Day	Hong Kong	Barclays
3	January	UBS Greater China Conference 2020	Shanghai	UBS
4	April	Guosen Securities 2020 Spring Strategy Online Conference	Online	Guosen Securities
5	May	Hua Chuang Securities 2020 Interim Strategy Conference	Online	Hua Chuang Securities
6	May	Haitong Securities 2020 Spring Forum of Listed Company	Online	Haitong Securities
7	May	BAML APAC Financial and REIT Equity and Credit Conference	Online	BAML
8	May	TF Securities Corporate Day	Online	TF Securities
9	May	J.P. Morgan VIRTUAL Property Day	Online	J.P. Morgan
10	May	CLSA Online Strategy Conference	Online	CLSA
11	May	China Securities 2020 Spring Forum of Listed Company	Online	China Securities

No.	Month	Activities	Location	Securities Firms
12	May	CICC 2H 2020 Investment Forum	Online	CICC
13	May	Orient Securities 2020 Strategy Conference	Online	Orient Securities
14	June	Nomura Investment Forum Asia 2020	Online	Nomura
15	June	Shenwan Hongyuan Securities Summer Strategy Conference	Online	Shenwan Hongyuan Securities
16	June	CIMB China Real Estate and Property Management Industry Strategy Conference	Online	CIMB
17	June	Industrial Securities 2020 Interim Strategy Conference	Online	Industrial Securities
18	June	UOB Online Conference	Online	UOB
19	June	UBS Virtual HK/China Property Conference 2020	Online	UBS
20	June	6th Morgan Stanley China Summit	Online	Morgan Stanley
21	June	CITIC Securities Real Estate Online Conference	Online	CITIC Securities
22	June	Haitong International Securities Real Estate Online Conference	Online	Haitong International Securities
23	June	Credit Suisse 2020 Property Virtual Corporate Day	Online	Credit Suisse
24	June	Nomura's Greater China (Virtual) Corporate Day 2020	Online	Nomura
25	June	Everbright Securities 2020 Interim Strategy Conference	Online	Everbright Securities
26	June	Citi Asia Pacific Property conference	Online	Citi
27	June	TF Securities 2020 Interim Strategy Conference	Online	TF Securities
28	July	China Securities Online Strategy Conference	Online	China Securities
29	July	BNP Paribas Investor Conference	Online	BNP
30	July	DBS China Property Conference	Online	DBS
31	July	Guoyuan Securities Online Investment Forum	Online	Guoyuan Securities
32	July	Haitong Securities Interim Strategy Conference	Online	Haitong Securities
33	July	Citi's Asia Pacific Property Conference 2020	Online	Citi
34	July	Guosen Securities 2020 Interim Strategy Conference	Online	Guosen Securities
35	September	Hua Chuang Securities 2020 Autumn Investment Strategy Conference	Online	Hua Chuang Securities
36	September	TF Securities Investment Strategy Conference	Beijing	TF Securities

No.	Month	Activities	Location	Securities Firms
37	September	CLSA Online Investment Forum	Online	CLSA
38	September	China Securities Capital Market Autumn Conference 2020	Shanghai	China Securities
39	September	Changjiang Securities 2020 Autumn Strategy Conference	Shanghai	Changjiang Securities
40	September	Jefferies Asia Forum	Online	Jefferies
41	September	Guosheng Securities 2020 Conference of Listed Company	Shanghai	Guosheng Securities
42	September	J.P. Morgan Emerging Markets Credit Conference	Online	J.P. Morgan
43	October	BAML 2020 Asian Credit Conference	Online	BAML
44	October	J.P. Morgan Asia Credit Conference 2020	Online	J.P. Morgan
45	October	Sinolink Securities 2020 Private Equity Conference	Suzhou	Sinolink Securities
46	October	Nomura High Yield Corporate Day	Online	Nomura
47	November	11th Credit Suisse China Investment Conference	Online	Credit Suisse
48	November	15th Citi China Investor Conference	Online	Citi
49	November	Goldman Sachs 2020 China Investment Forum	Online	Goldman Sachs
50	November	BAML 2020 China Conference	Online	BAML
51	November	Industrial Securities Capital Market Conference 2021	Shanghai	Industrial Securities
52	November	CITIC Securities Capital Market Annual Conference 2021	Shenzhen	CITIC Securities
53	November	19th Morgan Stanley Asia Pacific Summit	Online	Morgan Stanley
54	November	Founder Securities Capital Market Annual Conference 2021	Online	Founder Securities
55	November	Guosen Securities 2021 Strategy Conference	Shenzhen	Guosen Securities
56	December	UBS Global Real Estate CEO Summit	Online	UBS
57	December	Guotai Junan Securities 2021 Strategy Conference	Sanya	Guotai Junan
58	December	Barclays ESG EM Corporate Day	Online	Barclays
59	December	Haitong Securities 2021 Investment Strategy Conference	Online	Haitong Securities
60	December	GF Securities 2021 Investment Strategy Conference	Online	GF Securities
61	December	Haitong Securities Economic Outlook Conference 2021	Beijing	Haitong Securities
62	December	TF Securities Investment Strategy Conference 2021	Online	TF Securities

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

An analysis of the Group's revenue and operating results for the year by principal activities is set out in note 6 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of comprehensive income of the Group on page 133.

LAND BANK

For the year ended 31 December 2020, the Group increased the land bank and the attributable land bank by 58.77 million sq.m. and 32.67 million sq.m., respectively, with all projects located at tier 1 & 2 cities and strong tier 3 cities in the PRC. A reasonable increase in land bank of the Group has laid a solid foundation for the Group's future development. Details of the Group's land bank are set out in in the section headed "Business Highlights" of this report.

MATERIAL ACQUISITIONS AND DISPOSALS

The following sets forth the material disposals of subsidiaries, joint ventures and associates undertaken by the Group during the year ended 31 December 2020:

DISPOSALS OF CERTAIN SHARES ("JINKE SHARES") OF 金科地產集團股份有限公司 (JINKE PROPERTY GROUP CO., LTD.) ("JINKE PROPERTY")

(i) DISPOSAL AGREEMENT OF JINKE SHARES

On 13 April 2020, 天津聚金物業管理有限公司 (Tianjin Jujin Property Management Ltd.) ("Jujin Property"), an indirect wholly-owned subsidiary of the Company, and 廣東弘敏企業管理諮詢有限公司 (Guangdong Hongmin Enterprise Management Consulting Co., Ltd.) ("Guangdong Hongmin") entered into an agreement, pursuant to which Jujin Property agreed to sell and Guangdong Hongmin agreed to acquire a total of 587,368,740 Jinke Shares, representing approximately 11.00% of the total issued share capital of Jinke Property, at a sale price of RMB8.0 per share and the consideration was approximately RMB4.699 billion.

(ii) JINKE SHARES SOLD ON THE OPEN MARKET

On 6 May 2020 and 7 May 2020, 天津潤鼎物業管理有限公司 (Tianjin Runding Property Management Ltd.) and 天津潤澤物業管理有限公司 (Tianjin Runze Property Management Ltd.), indirect wholly-owned subsidiaries of the Company, sold on the open market by way of block trades a total of 266,985,692 Jinke Shares at RMB8.0 per share, representing approximately 5.00% of the total issued share capital of Jinke Property, for an aggregate consideration of approximately RMB2.136 billion. Details are set out in the Company's announcement dated 7 May 2020.

For the year ended 31 December 2020, the Group has disposed of an aggregate of 1,360,498,572 Jinke Shares, representing approximately 25.48% of the total issued share capital of Jinke Property as at 31 December 2020, for a total consideration of approximately RMB10.973 billion.

The Group has not undertaken any material acquisitions of subsidiaries, joint ventures or associates during the year ended 31 December 2020.

CONTRACTUAL ARRANGEMENTS

INTRODUCTION

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

On 11 July 2019, the Group acquired a 75.67% equity interest in 北京夢之城文化有限公司 (Beijing Dream Castle Culture Co., Ltd.) ("Dream Castle", and the "Target Company II") through a contractual arrangement. On 13 April 2020, the Group made additional capital contribution to Dream Castle through a contractual arrangement, upon which the shareholding of the Company increased to 78.85% (the "Target Shares II").

On 13 January 2020, the Company acquired a 72% equity interest (the "Target Shares III") in 上海倍視文化傳媒有限公司 (Shanghai Beishi Culture and Media Co., Ltd) ("Shanghai Beishi" and the "Target Company III") through a contractual arrangement.

On 6 August 2020, the Company acquired a 35% equity interest (the "Target Shares IV") in 上海萌揚文化有限公司 (Shanghai Mengyang Culture Co., Ltd) ("Shanghai Mengyang" and the "Target Company IV") through a contractual arrangement.

On 10 December 2020, the Company and 上海佳家文化傳播有限公司 (Shanghai Jiajia Cultural Communication Co., Ltd.) established 上海荳創影視文化傳媒有限公司 (Shanghai Douchuang Film and Television Culture and Media Co., Ltd.) ("Shanghai Douchuang" and the "Target Company V"), a joint venture company in which the Group holds a 55% equity interest (the "Target Shares V"), through a contractual arrangement.

On 22 October 2020, the Company and 四川科幻世界雜誌社有限公司 (Sichuan Science Fiction World Magazine Co., Ltd.) established 融創科幻影業(成都)有限公司 (Sunac Science Fiction Pictures (Chengdu) Co., Ltd.) ("Sunac Pictures", and the "Target Company VI"), a joint venture company in which the Group holds a 60% equity interest (the "Target Shares VI"), through a contractual arrangement.

As at January 2017, Mr. Wang Peng ("Mr. Wang") who is the senior management of the Company, and Mr. Zheng Pu ("Mr. Zheng", together with Mr. Wang, the "Registered Shareholders"), established:

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

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

In April 2019, Tianjin Yingrui established 融創未來文化娛樂 (北京) 有限公司 (Sunac Future Cultural Entertainment (Beijing) Co., Ltd.) ("Future Cultural"), a limited liability company established in China, also a wholly-owned subsidiary of Tianjin Yingrui.

In December 2019, Tianjin Yingrui established 深圳融創文化集團有限公司 (Shenzhen Sunac Culture Group Co., Ltd.) ("Shenzhen Sunac Culture"), a limited liability company established in China, also a wholly-owned subsidiary of Tianjin Yingrui.

On 28 February 2020, Future Cultural established 北京臻視未來傳媒有限公司 (Beijing Zhenshi Future Media Co, Ltd.) ("Zhenshi Future" and the "Target Company VII"), a company established in the PRC with limited liability which is engaged in MCN and short videos; Future Cultural holds 100% equity interests in Zhenshi Future (the "Target Shares VII").

On 28 February 2020, Future Cultural established 融創未來影視文化傳媒(北京)有限公司 (Sunac Future Films and Televisions Media (Beijing) Co, Ltd.) ("Sunac Films and Televisions" and the"Target Company VIII", and together with the Target Company I to Target Company VII, the "Target Companies"), a company established in the PRC with limited liability which is engaged in films and televisions investment, production and distribution; Future Cultural holds 100% equity interests in Sunac Films and Televisions (the "Target Shares VIII", and together with the Target Shares I to Target Shares VII, the "Target Shares").

In March 2020, Tianjin Yingrui established 天津潤通企業管理有限公司 (Tianjin Runtong Enterprise Management Co., Ltd.) ("Tianjin Runtong"), a limited liability company established in China, also a wholly-owned subsidiary of Tianjin Yingrui.

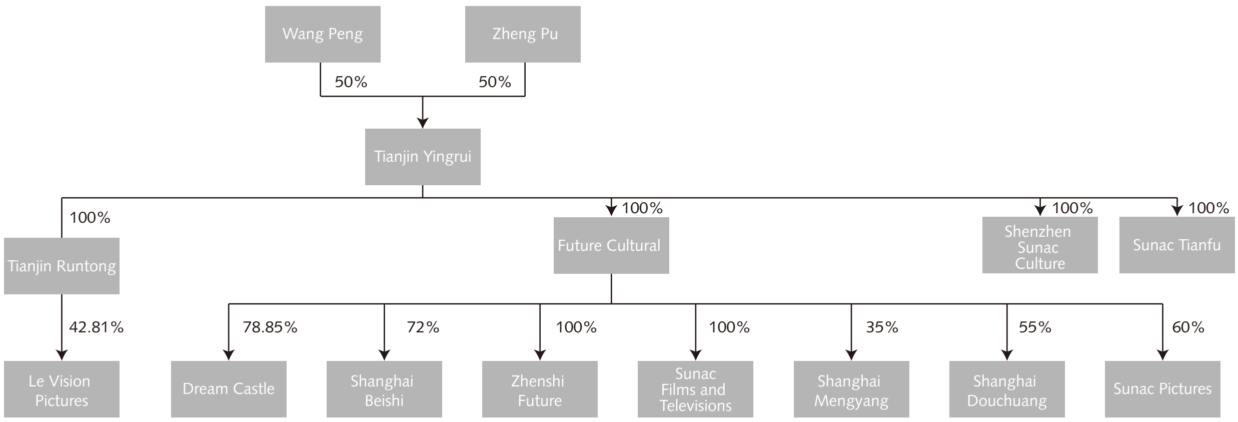
In May 2020, the Group transferred its 100% equity interests in Tianjin Jiarui to 致新雲網企業管理(天津)有限公司 (Zhixinyun Internet Enterprise Management (Tianjin) Co., Ltd.) ("Zhixinyun Internet") though a contractual arrangement, through which all the equity interests in Leshi Internet and Lerong Zhixin held by Tianjin Jiarui were transferred out of the Group indirectly.

In May 2020, Tianjin Runtong acquired a 42.81% equity interest in Le Vision Pictures though a contractual arrangement.

In June 2020, Tianjin Yingrui established 融創天賦文化發展有限公司 (Sunac Tianfu Cultural Development Co., Ltd.) ("Sunac Tianfu"), a limited liability company established in China, also a wholly-owned subsidiary of Tianjin Yingrui.

Future Cultural, Shenzhen Sunac Culture, Sunac Tianfu and Tianjin Runtong are collectively referred to as the "Target Holding Companies" and the Company's investments in the Target Companies are collectively referred to as the "Investments".

As at 31 December 2020, the key shareholding structure of the Contractual Arrangements was as follows:



According to the applicable laws and regulations of the PRC, there are restrictions on foreign investment in certain businesses in the existing business and the future business of Le Vision Pictures, Dream Castle, Shanghai Beishi, Shanghai Mengyang, Shanghai Douchuang, Sunac Pictures, Zhenshi Future and Sunac Films and Televisions. For those areas where foreign investment is prohibited according to the "Foreign Investment Guidance Catalogue" (《外商投資指導目錄》), foreign investors or their foreign-invested enterprises established in the PRC shall not invest. As such, the Investment has been implemented by the Group through the Contractual Arrangements.

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

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

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

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

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

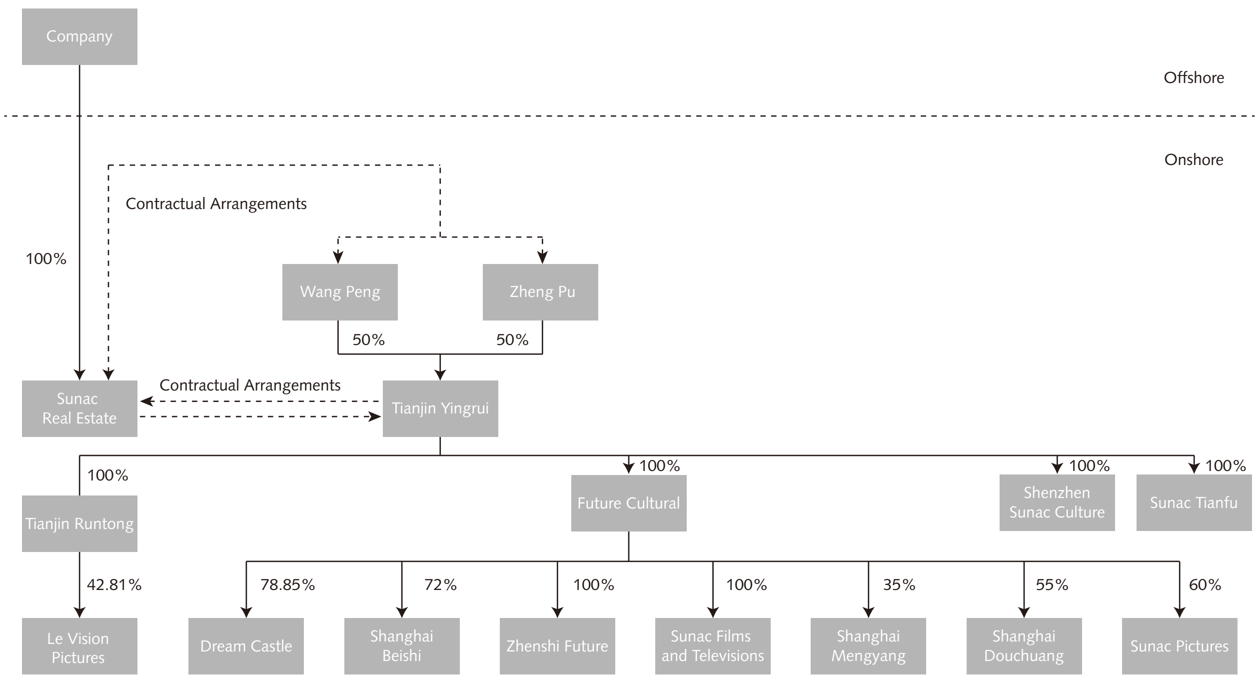
(v) the equity pledge agreements (the "Equity Pledge Agreements") between Sunac Real Estate and the Registered Shareholders; and

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

Note: As the Group has transferred its 100% equity interests in Tianjin Jiarui to Zhixinyun Internet in May 2020, the exclusive technology consulting and services agreement, the entrustment agreement, the exclusive option agreement and the equity pledge agreement between Tianjin Jiarui and Sunac Real Estate have been terminated accordingly. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Zhixinyun Internet and its ultimate beneficial owners are independent of the Company and the Company's connected persons (as defined in the Listing Rules).

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

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



(i) EXCLUSIVE TECHNOLOGY CONSULTING AND SERVICES AGREEMENT

Sunac Real Estate and Tianjin Yingrui entered into the Exclusive Technology Consulting and Services Agreement, pursuant to which Tianjin Yingrui agrees to engage Sunac Real Estate as its exclusive consulting and service provider. Accordingly, Sunac Real Estate shall provide advice and recommendations to Tianjin Yingrui in respect of, among others, (1) consulting services on the management and operations of Tianjin Yingrui; (2) consulting services on market research and marketing strategies; (3) technical consulting services on processor maintenance and internet platform operating strategies; (4) services on research and development of software products and system maintenance; (5) leasing of computers and other operating equipment to Tianjin Yingrui; (6) services on brand promotion and management; (7) authorising Tianjin Yingrui to use all of Sunac Real Estate's intellectual property on a non-exclusive basis during the course of its business; and (8) provision of human resources support and relevant technical personnel.

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

The Exclusive Technology Consulting and Services Agreement is for an initial term of ten years commencing from the date of the agreement, upon the expiry of which the term of the agreement will be extended automatically for another ten years, unless Sunac Real State informs Tianjin Yingrui 90 days prior to the expiry date that it will not extend the term. Furthermore, the agreement may be terminated (1) by Sunac Real Estate by giving a 30 days' prior notice of termination; or (2) upon the acquisition of the entire equity interests in, and/or all assets of, Tianjin Yingrui by Sunac Real Estate pursuant to the Exclusive Option Agreements. Tianjin Yingrui is not contractually entitled to terminate the Exclusive Technology Consulting and Services Agreement.

(ii) ENTRUSTMENT AGREEMENTS

Sunac Real Estate, Tianjin Yingrui and the Registered Shareholders entered into the Entrustment Agreements, pursuant to which the Registered Shareholders agree to enter into powers of attorney to irrevocably authorise the Chinese citizens designated by Sunac Real Estate (who shall be the directors and their successors of the direct or indirect shareholders of Sunac Real Estate (except the Registered Shareholders themselves) and who shall not be associates (as defined in the Listing Rules) of the Registered Shareholders) (the "Designated Persons") to exercise all of their rights and powers as shareholders of Tianjin Yingrui. The Designated Persons will act on the Registered Shareholders' behalf on all matters pertaining to Tianjin Yingrui and, to the extent permissible under applicable PRC laws, exercise all of their respective rights as a shareholder thereof, including (1) rights to attend shareholders' meeting; (2) rights to exercise voting rights in a shareholders' meeting on shareholder matters including but not limited to appointment or removal of directors, supervisors and senior management of Tianjin Yingrui and winding up of Tianjin Yingrui; (3) rights to sign minutes or resolutions of shareholders' meetings or other legal documents; (4) rights to instruct directors or the legal representative of Tianjin Yingrui to act in accordance with all their instructions; (5) rights to file documents with relevant governmental authorities or regulatory bodies; (6) rights to decide any transfer or otherwise disposal of the equity interest of the Registered Shareholders in Tianjin Yingrui; and (7) such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of association of Tianjin Yingrui.

The Entrustment Agreements are for an indefinite term commencing from the date of the agreements until they are terminated (1) by Sunac Real Estate by giving a 30 days' prior notice of termination; or (2) upon the acquisition of the entire equity interests in, and/or all assets of, Tianjin Yingrui by Sunac Real Estate pursuant to the Exclusive Option Agreements. The Registered Shareholders and Tianjin Yingrui are not contractually entitled to terminate the Entrustment Agreements.

(iii) EXCLUSIVE OPTION AGREEMENTS

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

The Exclusive Option Agreements are for an indefinite term commencing from the date of the agreements, until they are terminated (1) by Sunac Real Estate by giving a 30 days' prior notice of termination; or (2) upon the acquisition of the entire equity interests or all assets of, Tianjin Yingrui by Sunac Real Estate or the person designated by it pursuant to the Exclusive Option Agreements. Tianjin Yingrui and the Registered Shareholders are not contractually entitled to terminate the Exclusive Option Agreements.

(iv) LOAN AGREEMENTS

Sunac Real Estate entered into the Loan Agreements with each of the Registered Shareholders respectively pursuant to which Sunac Real Estate shall provide a non-interest-bearing loan of RMB5,000,000 to each of the Registered Shareholders for the purposes of capital injection into Tianjin Yingrui. Subject to the terms of the Loan Agreements, the loan shall be for a term of five years commencing from the date of the agreement, upon the expiry of which the term of the agreement will be extended automatically for another five years. During the term of the Loan Agreements, Sunac Real Estate may demand immediate repayment upon the occurrence of certain events set out in the Loan Agreements including the resignation or removal of the Registered Shareholders from office in Sunac Real Estate or its affiliates, the death of the Registered Shareholders, the commission of criminal offences by the Registered Shareholders and the exercise of Sunac Real Estate's right under the Exclusive Option Agreements. When the loan is due, the Registered Shareholders may only repay the loan either by (1) transferring its interest in Tianjin Yingrui to Sunac Real Estate or the person as designated by Sunac Real Estate in accordance with Sunac Real Estate's requirements and to the extent permitted by PRC laws and regulations, or (2) upon the exercise of Sunac Real Estate's right under the Exclusive Option Agreements to acquire the assets of Tianjin Yingrui, using the dividends or other distributions obtained by the Registered Shareholders from Tianjin Yingrui.

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

(v) EQUITY PLEDGE AGREEMENTS

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

The Equity Pledge Agreements are for an indefinite term commencing on the date of the agreement until (1) all the relevant obligations under the Contractual Arrangements have been fulfilled; (2) all the relevant debts under the Contractual Arrangements have been settled; or (3) they are terminated by Sunac Real Estate by giving a 30 days' prior notice of termination. The Registered Shareholders and Tianjin Yingrui (as the case may be) are not contractually entitled to terminate the Equity Pledge Agreements.

(vi) CONFIRMATION LETTERS FROM THE SPOUSE OF EACH REGISTERED SHAREHOLDER

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

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

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

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

MATERIAL CHANGE

For the year ended 31 December 2020, the Group acquired a 72% equity interest in Shanghai Beishi and a 35% equity interest in Shanghai Mengyang, and established Shanghai Douchuang, a joint venture company, with 上海佳家文化傳播有限公司 (Shanghai Jiajia Cultural Communication Co., Ltd.), and Sunac Pictures, a joint venture company, with 四川科幻世界雜誌社有限公司 (Sichuan Science Fiction World Magazine Co., Ltd.) through Future Cultural in Contractual Arrangements. It is expected that the addition of the above-mentioned companies to the Contractual Arrangements would increase economic benefits in the Target Shares flowing to the Group under the Contractual Arrangements in the future.

For the year ended 31 December 2020, the Group transferred its 100% equity interests in Tianjin Jiarui to Zhixinyun Internet though a contractual arrangement, through which all the equity interests in Leshi Internet and Lerong Zhixin held by Tianjin Jiarui were transferred out of the Group indirectly. The exclusive technology consulting and services agreement, the entrustment agreement, the exclusive option agreement and the equity pledge agreement between Tianjin Jiarui and Sunac Real Estate have been terminated accordingly.

Apart from the above, there are no other new material Contractual Arrangements entered into or renewed during the year ended 31 December 2020. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2020.

BUSINESS ACTIVITIES OF TIANJIN YINGRUI AND THE TARGET HOLDING COMPANIES AND THEIR SIGNIFICANCE TO THE GROUP

Tianjin Yingrui and the Target Holding Companies were the contracting entities (the "Contracting Entities") established in the PRC for the purpose of the Contractual Arrangements and were owned as to 50% by Mr. Wang and 50% by Mr. Zheng. As at 31 December 2020 and up to the latest practicable date prior to the printing of this report, the Contracting Entities were principally engaged in holding equity interests in the Target Companies. Except that Le Vision Pictures, Dream Castle, Shanghai Beishi, Zhenshi Future, Sunac Films and Televisions, Shanghai Douchuang and Sunac Pictures are indirect subsidiaries of the Company, the investment in Shanghai Mengyang are accounted for using the equity method and the results of operation and assets and liabilities of Shanghai Mengyang are not consolidated into the consolidated financial statements of the Group. Meanwhile, the Contracting Entities are accounted for as subsidiaries of the Company and their results of operation and assets and liabilities are consolidated in the consolidated financial statements of the Group.

The table below sets out the revenue and loss for the year of the Contracting Entities for the year ended 31 December 2020 and the total assets and total liabilities of the Contracting Entities as at 31 December 2020:

	For the year ended 31 December 2020 RMB million	**Approximate percentage of contribution to the Group %**
Revenue	213	0.1
Loss for the year	41	-0.1

	As at 31 December 2020 RMB million	**Approximate percentage of contribution to the Group %**
Total assets	1,982	0.2
Total liabilities	3,197	0.3

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

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

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

In respect of Le Vision Pictures, Dream Castle, Shanghai Beishi, Shanghai Mengyang, Shanghai Douchuang, Sunac Pictures, Zhenshi Future and Sunac Films and Televisions, among the current principal businesses operated by them, the film distribution, television broadcast program production and operation business, film production, and engagement in internet culture activities belong to prohibited categories of the industries for foreign investments in the "Foreign Investment Guidance Catalogue"(《外商投資指導目錄》).

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

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

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

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

(i) requiring the nullification of the Contractual Arrangements;

(ii) levying fines and/or confiscating the proceeds generated from the operations under the Contractual Arrangements;

(iii) revocating the business licenses or operating licenses of the Target Holding Companies, Tianjin Yingrui, the Target Companies and/or Sunac Real Estate;

(iv) discontinuing or placing restrictions or onerous conditions on the business operations of the Target Companies, Tianjin Yingrui and/or the Target Holding Companies and/or Sunac Real Estate;

(v) imposing conditions or requirements which the relevant Target Companies and/or Tianjin Yingrui and/or the Target Holding Companies may not be able to comply with or satisfy;

(vi) requiring the relevant Target Companies and/or Tianjin Yingrui and/or the Target Holding Companies to undergo a costly and disruptive restructuring; and

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

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

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

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

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

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

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

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

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

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

MITIGATION ACTIONS TAKEN BY THE COMPANY

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 7 to the consolidated financial statements.

BORROWINGS

Details of borrowings of the Group during the year ended 31 December 2020 are set out in note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2020 are set out in Note 23 to the consolidated financial statements.

FINANCIAL SUMMARY

A financial summary of the Group for the year ended 31 December 2020 is set out on page 4 of this annual report.

DIVIDEND POLICY AND FINAL DIVIDEND

DIVIDEND POLICY

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

(i) industry environment and internal and external factors that may affect the business and finance of the Company;

(ii) financial position, operating results and future development prospect and plan of the Company;

(iii) statutory, regulatory and contractual restrictions;

(iv) interests of the shareholders; and

(v) other factors the Board deem applicable and relevant.

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

FINAL DIVIDEND

The Board proposed to declare a final dividend of RMB1.650 per share, being approximately RMB7.69 billion in aggregate, for the year ended 31 December 2020, where the number of shares on which such dividend was calculated was the total number of shares issued as at 31 December 2020, subject to approval of the shareholders at the forthcoming AGM. The proposed final dividend is expected to be paid on or around Friday, 27 August 2021 to those shareholders whose names appear on the register of members of the Company on Wednesday, 18 August 2021. The proposed final dividend will be paid in Hong Kong dollars in such amount to be calculated by reference to the central parity rate published by the People's Bank of China for the conversion of RMB to Hong Kong dollars on 27 May 2021.

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of the shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 21 May 2021 to Thursday, 27 May 2021 (both days inclusive), during which period no transfer of shares of the Company (the "Shares") will be registered. In order to qualify for attending and voting at the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 20 May 2021.

For the purpose of determining the shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Friday, 13 August 2021 to Wednesday, 18 August 2021 (both days inclusive), during which period no transfer of Shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted on at the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 12 August 2021.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, revenue attributable to the largest customer of the Group amounted to approximately 0.39% of the total revenue in the year and the five largest customers of the Group accounted for 1.29% of the Group's total revenue in the year.

For the year ended 31 December 2020, purchases attributable to the largest supplier of the Group amounted to approximately 10.69% of the total purchases in the year and the five largest suppliers of the Group accounted for 20.87% of the Group's total purchases in the year.

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

EQUITY LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme, the 2011 Share Option Scheme and 2014 Share Option Scheme as set out under the section headed "Share Option Schemes" of this Report of the Directors, for the year ended 31 December 2020, the Company did not enter into any equity linked agreements.

BONDS ISSUED DURING THE YEAR

(i) SENIOR NOTES

On 10 January 2020, the Company successfully issued the US$540 million 6.50% senior notes due 2025.

On 9 July 2020, the Company successfully issued (i) the US$600 million 6.50% senior notes due 2023, and (ii) the US$400 million 7.00% senior notes due 2025.

On 3 August 2020, the Company successfully issued the US$500 million 6.65% senior notes due 2024.

On 1 December 2020, the Company successfully issued (i) an additional US$120 million 6.65% senior notes due 2024 (consolidated with the US$500 million 6.65% senior notes due 2024 to form a single series), and (ii) an additional US$200 million 7.00% senior notes due 2025 (consolidated with the US$400 million 7.00% senior notes due 2025 to form a single series).

The aforementioned senior notes are listed and traded on the Singapore Exchange Securities Trading Limited. The proceeds had been fully utilized as intended for re-financing the Group's existing indebtedness.

(ii) CORPORATE BONDS

On 1 April 2020, 融創房地產集團有限公司 (Sunac Real Estate Group Co., Ltd.) ("Sunac Real Estate"), a wholly-owned subsidiary of the Company, successfully issued the RMB4.0 billion 4.78% corporate bonds due 2024. The bonds are listed and traded on the Shanghai Stock Exchange. Please refer to Sunac Real Estate's announcements published on the Shanghai Stock Exchange dated from 27 March 2020 to 13 April 2020 for details of these issuances.

On 27 May 2020, Sunac Real Estate successfully issued the RMB3.3 billion 5.60% corporate bonds due 2025. The bonds are listed and traded on the Shanghai Stock Exchange. Please refer to Sunac Real Estate's announcements published on the Shanghai Stock Exchange dated from 22 May 2020 to 8 June 2020 for details of these issuances.

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

PLACING OF NEW SHARES UNDER GENERAL MANDATE DURING THE YEAR

On 17 January 2020, the Company completed the placing of 186,920,000 new Shares with an aggregate nominal value of HK$18,692,000 at a price of HK$42.8 per share, to not less than six independent placees. The placing price represented a discount of approximately 4.04% to the closing price of HK$44.60 per Share as quoted on the Stock Exchange on 10 January 2020, the date of the placing agreement. The total proceeds of the placing were approximately HK$8.0 billion, and the net placing price was approximately HK$42.58 per share after deducting all related costs and expenses of the Company. The net proceeds were approximately HK$7.958 billion. The Company has applied the net proceeds from the placing for general corporate purposes, and the purpose of capital utilisation is consistent with the intended use of the placing. Details of the placing are set out in the announcement of the Company dated 10 January 2020.

PARTIAL REPURCHASE OF SENIOR NOTES DURING THE YEAR

The Company has repurchased on the open market part of the senior notes in an aggregate amount of US$505.0 million for the year ended 31 December 2020, comprising (i) the 8.625% senior notes due 2020 of US$80.5 million in aggregate principal amount; (ii) the 6.875% senior notes due 2020 of US$26.8 million in aggregate principal amount; (iii) the 8.375% senior notes due 2021 of US$357.1 million in aggregate principal amount; (iv) the 8.35% senior notes due 2023 of US$7.0 million in aggregate principal amount; (v) the 7.95% senior notes due 2023 of US$8.4 million in aggregate principal amount; (vi) the 7.5% senior notes due 2024 of US$16.1 million in aggregate principal amount; and (vii) the 6.5% senior notes due 2025 of US$9.1 million in aggregate principal amount. The Company cancelled the repurchased notes in accordance with the terms of the notes and indentures.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in the two sections headed "Partial Repurchase of Senior Notes During the Year" and "Share Award Scheme" of this Report of the Directors, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020. Details of movements during the year ended 31 December 2020 in the share capital of the Company are set out in note 21 to the consolidated financial statements.

SUBSEQUENT EVENTS

SENIOR NOTES ISSUED

On 26 January 2021, the Company issued (i) the US$600 million 5.95% senior notes due 2024, and (ii) the US$500 million 6.50% senior notes due 2026.

On 2 March 2021, the Company issued (i) an additional US$342 million 5.95% senior notes due 2024, with an effective rate of 5.85% (consolidated with the US$600 million 5.95% senior notes due 2024 to form a single series); and (ii) an additional US$210 million 6.5% senior notes due 2025, with an effective rate of 6.3% (consolidated with the US$540 million 6.5% senior notes due 2025 to form a single series).

All the aforementioned senior notes are listed and traded on the Singapore Exchange Securities Trading Limited, the details of which are set out in the announcements of the Company published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn).

EARLY REDEMPTION OF THE COMPANY'S SENIOR NOTES

On 22 January 2021, the Company announced to redeem the outstanding balance of the US$800 million 7.875% senior notes due on 15 February 2022 in full on 21 February 2021 (the "Redemption Date") at a redemption price equal to 102.0% of the principal amount thereof, plus accrued and unpaid interest to (but not including) the Redemption Date. The Company cancelled the notes early redeemed in accordance with the terms of the notes and indentures. Details of the redemption are set out in the announcements of the Company dated 22 January 2021 and 23 February 2021.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2020 and up to 11 March 2021 are set out below:

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. POON Chiu Kwok
Mr. ZHU Jia
Mr. LI Qin *(resigned with effect from 22 October 2020)*
Mr. MA Lishan
Mr. YUAN Zhigang *(appointed with effect from 22 October 2020)*

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

REPORT OF THE DIRECTORS

In accordance with article 83(3) of the articles of association of the Company, Mr. YUAN Zhigang shall hold office until the AGM and shall be eligible for re-election. Mr. YUAN Zhigang has offered himself for re-election at the AGM. In accordance with articles 84(1) and 84(2) of the articles of association of the Company, Mr. CHI Xun, Mr. SUN Kevin Zheyi, Mr. POON Chiu Kwok and Mr. ZHU Jia shall retire by rotation at the AGM. Mr. CHI Xun, Mr. SUN Kevin Zheyi, Mr. POON Chiu Kwok and Mr. ZHU Jia, being eligible, have offered themselves for re-election as Directors at the AGM. The proposed re-appointment of these retiring Directors had been reviewed and recommended by the Nomination Committee with reference to the Nomination Policy and Board Diversity Policy as set out under "Nomination Committee" in the "Corporate Governance Report" of this annual report.

PARTICULARS OF DIRECTORS' SERVICE CONTRACTS

EXECUTIVE DIRECTORS

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

Each of the executive Directors is entitled to a salary and bonus payment, allowance and benefits-in-kind, at the discretion of the Board, and social welfare benefits provided under the relevant PRC laws and regulations. The aggregate amount of annual salary of the eight executive Directors currently holding office is RMB253 million.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group included four directors of the Company (2019: Five) for the year ended 31 December 2020, whose emoluments are detailed in note 47 to the consolidated financial statements of the Group. The emoluments of the remaining highest paid individual (2019: Nil) are as follows:

	Year ended 31 December 2020 RMB'000
Salary	**5,440**
Discretionary bonuses	**12,200**
Share option expenses	**–**
Share award expenses	**23,677**
Employer's contribution to retirement benefit scheme	**6**
Other benefits	**64**

None of the Directors waived his emoluments or has agreed to waive his emoluments for the year ended 31 December 2020.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2020, none of the Directors was considered to be interested in any businesses apart from the Group's businesses which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

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

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

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

The Covenantors further undertake:

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

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

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

The independent non-executive Directors have reviewed, for the year ended 31 December 2020, the compliance by the Covenantors with their non-competition undertakings and, in particular, the right of first refusal in relation to the Business Opportunity as provided under the Deed. In this connection, the Covenantors have provided all necessary data, including without limitation, details of any proposed investment constituting the Business Opportunity, to the independent non-executive Directors for their review.

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

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2020, certain Directors and their close family members, and companies controlled by certain Directors and/or their close family members entered into transactions with the Group which are disclosed in note 43 (Related party transactions) to the consolidated financial statements of the Group. None of these related party transactions constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules that needs to be disclosed or a connected transaction of the Company which is not fully exempted under Rule 14A.73 of the Listing Rules.

SHARE OPTION SCHEMES

The Company has adopted three share option schemes as follows:

(i) The Company adopted the Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") on 9 September 2010 and had granted in aggregate 51,080,000 share options to directors and employees under the Pre-IPO Share Option Scheme before the completion of the global offering of the Company, representing approximately 1.67% of the total issued shares of the Company immediately following the completion of the capitalization issue and the global offering. No share option could be offered or granted under the Pre-IPO Share Option Scheme upon the completion of the global offering of the Company. As at 31 December 2020, no share option remained outstanding and exercisable under the Pre-IPO Share Option Scheme;

(ii) The Company adopted a Post-IPO share option scheme (the "2011 Share Option Scheme") on 29 April 2011 and proposed certain amendments to the 2011 Share Option Scheme, which were approved and adopted on 17 March 2014. The 2011 Share Option Scheme had a term of six years from its adoption date, i.e. 29 April 2011 and expired on 28 April 2017. The Company had granted in aggregate 99,900,000 share options to directors and employees during the period, representing approximately 3.33% of the total issued shares as at the adoption date of the 2011 Share Option Scheme. As at 31 December 2020, no share option remained outstanding and exercisable under the 2011 Share Option Scheme; and

(iii) The Company adopted a new share option scheme (the "2014 Share Option Scheme") on 19 May 2014, which had a term of five years from its adoption date, i.e. 19 May 2014 and expired on 18 May 2019. The Company had granted in aggregate 166,374,246 share options to directors and employees, representing approximately 5% of the total issued shares as at the adoption date of the 2014 Share Option Scheme. As at 31 December 2020 and the date of this report, 53,190,964 share options remained outstanding and exercisable under the 2014 Share Option Scheme, representing approximately 1.14% of total number of issued shares.

The purpose of each share option scheme is to provide an incentive for the Directors, management and employees of the Group to work with commitment towards enhancing the value of the Company and its shares for the benefit of all its shareholders and to attract and retain high caliber working partners who are or may be beneficial to the growth and development of the Group.

THE 2014 SHARE OPTION SCHEME

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

(i) the maximum number of Shares in respect of the share options that may be granted under this scheme (the "2014 Share Options") to participants, being any director or management of the Company, any subsidiary or an invested entity or any employee considered by the Board to have made contributions to the Company, any subsidiary or an invested entity, shall not exceed 166,374,246 Shares, or 5% of the total issued Shares as at the 2014 Share Option Scheme Adoption Date;

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

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

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

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

(1) 30% of the 2014 Share Options may be exercisable from the 2014 Share Option Offer Date;

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

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

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

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

During the year ended 31 December 2020, the details and changes of the 2014 Share Options Scheme were as follows:

Date of grant	Vesting date	Percentage of vesting	Expiry date	Exercise price per share (HK$)	Closing price before the date of grant (HK$)	Number of grant	Accumulated exercised number from the date of grant to 31 December 2020	Accumulated cancelled number from the date of grant to 31 December 2020	Accumulated lapsed number from the date of grant to 31 December 2020	Outstanding number as at 31 December 2020	Number exercised during the year ended 31 December 2020	Weighted average closing price before the exercise date during the year ended 31 December 2020 (HK$)
2014/6/5	2014/6/5 2015/6/5 2016/6/5	30% 30% 40%	2019/6/4	4.07	3.96	33,267,000	31,544,600	1,363,400	359,000	–	–	–
2015/7/9	2015/7/9 2016/7/9 2017/7/9	30% 30% 40%	2020/7/8	7.27	6.34	33,267,000	31,452,200	900,280	914,520	–	12,976,300	35.75
2016/6/20	2016/6/20 2017/6/20 2018/6/20	30% 30% 40%	2021/6/19	4.62	4.56	39,920,000	27,682,000	590,000	152,000	11,496,000	7,209,000	36.35
2017/12/22	2017/12/22 2018/12/22 2019/12/22	30% 30% 40%	2022/12/21	30.25	30.25	59,920,246	15,931,282	1,595,000	699,000	41,694,964	4,152,000	42.43
		Total				**166,374,246**	**106,610,082**	**4,448,680**	**2,124,520**	**53,190,964**	**24,337,300**	

During the year ended 31 December 2020, movements in the share options granted to Directors and employees under the 2014 Share Option Scheme were as follows:

Name of grantee	Granted number on 5 June 2014	Granted number on 9 July 2015	Granted number on 20 June 2016	Granted number on 22 December 2017	Granted number in aggregate	Outstanding number as at 1 January 2020	Exercised number during the year ended 31 December 2020	Cancelled number during the year ended 31 December 2020	Lapsed number during the year ended 31 December 2020	Outstanding number as at 31 December 2020
Directors										
Mr. Sun Hongbin	1,300,000	-	-	-	1,300,000	-	-	-	-	-
Mr. Wang Mengde	1,200,000	1,300,000	2,000,000	2,800,000	7,300,000	6,100,000	3,300,000	-	-	2,800,000
Mr. Jing Hong	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	3,700,000	1,400,000	-	-	2,300,000
Mr. Chi Xun	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	6,000,000	1,200,000	-	-	4,800,000
Mr. Tian Qiang	1,100,000	1,200,000	1,800,000	2,600,000	6,700,000	5,600,000	1,200,000	-	-	4,400,000
Mr. Shang Yu	1,100,000	1,200,000	1,500,000	2,500,000	6,300,000	5,200,000	1,200,000	-	-	4,000,000
Mr. Huang Shuping	1,100,000	1,100,000	1,800,000	1,830,082	5,830,082	4,730,082	2,900,000	-	-	1,830,082
Senior management and employees	25,267,000	26,067,000	28,820,000	44,590,164	124,744,164	46,198,182	13,137,300	-	-	33,060,882
Total	33,267,000	33,267,000	39,920,000	59,920,246	166,374,246	77,528,264	24,337,300	-	-	53,190,964

SHARE AWARD SCHEME

In order to encourage the employees of the Group to continuously make greater contributions for the Group's long-term growth in the future, the Board resolved to adopt a share award scheme (the "Share Award Scheme") on 8 May 2018 (the "Adoption Date").

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

During the period from the Adoption Date to 30 June 2019, the trustee of the Share Award Scheme purchased on the open market a total of 94,653,000 Shares of the Company at the total consideration of approximately HK$2.57 billion pursuant to the terms of the trust deed and the rules of the Share Award Scheme. For the year ended 31 December 2020, the trustee of the Share Award Scheme did not purchase any Shares.

From the Adoption Date to 31 December 2020, 40,815,000 Shares had been awarded to the selected employees under the Share Award Scheme on a cumulative basis, of which 19,775,000 Shares had been awarded in 2020 (21,040,000 Shares awarded in 2019).

Note: The number of Shares actually awarded under the Share Award Scheme decreased from 19,795,000 Shares to 19,775,000 Shares in 2020 due to the resignation of a selected employee.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2020, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules, are set out below:

(i) INTERESTS IN SHARES OF THE COMPANY (LONG POSITION)

Name of Director	Nature of Interest	Number of Ordinary Shares	Approximate percentage of interest in the Company[2]
Mr. Sun Hongbin	Interest in controlled corporations[1]	2,091,329,884	44.84%
	Beneficial owner	13,190,000	0.28%
Mr. Wang Mengde	Beneficial owner	16,348,000	0.35%
Mr. Jing Hong	Beneficial owner	10,706,000	0.23%
	Interest of spouse	609,000	0.01%
Mr. Chi Xun	Beneficial owner	5,718,396	0.12%
Mr. Tian Qiang	Beneficial owner	4,672,000	0.10%
Mr. Shang Yu	Beneficial owner	4,120,000	0.09%
Mr. Huang Shuping	Beneficial owner	5,100,000	0.11%
Mr. Sun Kevin Zheyi	Beneficial owner	90,000	0.002%

Notes:

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

2. Calculated on the basis of 4,663,185,911 Shares in issue as at 31 December 2020.

(ii) INTERESTS IN THE UNDERLYING SHARES OF THE COMPANY (LONG POSITION)

Name of Director	Number of outstanding share options granted under the Share Option Schemes	Number of unvested Shares awarded under the Share Award Scheme	Total	Approximate percentage of interest in the Company[1]
Mr. Wang Mengde	2,800,000	1,500,000	4,300,000	0.09%
Mr. Jing Hong	2,300,000	1,500,000	3,800,000	0.08%
Mr. Chi Xun	4,800,000	1,430,000	6,230,000	0.13%
Mr. Tian Qiang	4,400,000	1,430,000	5,830,000	0.13%
Mr. Shang Yu	4,000,000	1,630,000	5,630,000	0.12%
Mr. Huang Shuping	1,830,082	850,000	2,680,082	0.06%
Mr. Sun Kevin Zheyi	–	480,000	480,000	0.01%

Note 1: Calculated on the basis of 4,663,185,911 Shares in issue as at 31 December 2020.

(iii) INTERESTS IN SHARES OF SUNAC SERVICES, AN ASSOCIATED CORPORATION OF THE COMPANY (LONG POSITION)

Name of Director	Nature of Interest	Number of Ordinary Shares of Sunac Services	Approximate percentage of interest in the Associated Corporation[2]
Mr. Sun Hongbin	Interest in controlled corporations[1]	2,227,288,606	71.77%
	Beneficial owner	366,472	0.01%
Mr. Wang Mengde	Beneficial owner	1,257,734	0.04%
Mr. Jing Hong	Beneficial owner	323,551	0.01%
	Interest of spouse	1,019,594	0.03%
Mr. Chi Xun	Beneficial owner	1,483,989	0.05%
Mr. Tian Qiang	Beneficial owner	1,450,321	0.05%
Mr. Shang Yu	Beneficial owner	1,432,592	0.05%
Mr. Huang Shuping	Beneficial owner	1,464,092	0.05%
Mr. Sun Kevin Zheyi	Beneficial owner	2,895	0.0001%

Notes:

1. These 2,227,288,606 shares of Sunac Services were held as to:

   (i) 1,698,000,000 shares of Sunac Services by Sunac Services Investment Limited (融創服務投資有限公司) ("Sunac Services Investment");

   (ii) 462,000,000 shares of Sunac Services by Sunac Shine (PTC) Limited ("Sunac Shine");

   (iii) 65,721,489 shares of Sunac Services by Sunac International; and

   (iv) 1,567,117 shares of Sunac Services by Tianjin Biaodi.

   Sunac Services Investment is wholly owned by Sunac China. Sunac Shine, is wholly-owned by Sunac China and acts as the trustee of the Sunac Services' share award scheme trust which is set up for the purpose of a share award scheme to be adopted at least six months after listing of Sunac Services. As at the date of this report, the detailed terms of the share award scheme of Sunac Services and the relevant grantees had not yet been determined. By virtue of the SFO, Sunac China is deemed to be interested in the shares of Sunac Services held by Sunac Services Investment and Sunac Shine, and Mr. Sun Hongbin is deemed to be interested in these 2,227,288,606 shares of Sunac Services through Sunac China, Sunac International and Tianjin Biaodi.

2. Calculated on the basis of 3,103,500,000 shares in issue of Sunac Services as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTEREST OF SUBSTANTIAL SHAREHOLDERS (LONG POSITION)

To the knowledge of the Company, as at 31 December 2020, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest/Capacity	Number of Shares	Approximate percentage of interest in the Company[3]
Sunac International	Beneficial owner[1]	2,042,623,884	43.80%
	Holder of equity derivative[2]	74,450,000	1.60%
South Dakota Trust Company LLC	Trustee[1]	2,042,623,884	43.80%
	Holder of equity derivative[2]	74,450,000	1.60%

Notes:

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

2. (i) The Company signed a total return swap agreement with a total size of approximately US$150 million with a financial institution in June 2019. As at 31 December 2019, such financial institution had completed the share purchase with a total of 32,813,000 Shares purchased; (ii) the Company signed a total return swap agreement with a total size of approximately US$167 million with another financial institution in January 2020. As at 31 December 2020, the financial institution had completed the share purchase with a total of 41,637,000 Shares purchased. According to the total return swap agreements, the relevant financial institution may sell the Shares (74,450,000 Shares in total) to the trustee of the Share Award Scheme, but will not make physical delivery of the Shares to the Company. Each of Sunac International and South Dakota Trust Company LLC, as the trustee of the New Family Trust, is deemed to have interests in the relevant Shares in the swap transaction through the Company.

3. Calculated on the basis of 4,663,185,911 Shares in issue as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

As stated in the announcement of the Company dated 20 August 2019, on 20 August 2019, the Company as the borrower entered into a facility agreement (the "2019 Facility Agreement") with The Hongkong and Shanghai Banking Corporation Limited, China CITIC Bank International Limited, Credit Suisse AG, Singapore Branch, Industrial Bank Co., Ltd., Hong Kong Branch, Hang Seng Bank Limited, Deutsche Bank AG, Singapore Branch, Morgan Stanley Senior Funding, Inc. and EnTie Commercial Bank as the lenders (the "Lenders"), and China Construction Bank (Asia) Corporation Limited as the facility agent (the "Facility Agent"), pursuant to which the Lenders agreed to make available to the Company a term loan facility (the "Facility") in the aggregate amount of US$280 million, which subject to the accession by any banks or financial institutions to the 2019 Facility Agreement pursuant to the terms thereunder will be increased to an aggregate amount of not exceeding US$400 million. As at 31 December 2020, the principal amount of the Facility made available to the Company by the Lender amounted to US$310 million. The term of the Facility is 36 months from the date of the 2019 Facility Agreement. Pursuant to the 2019 Facility Agreement, among other things, if (i) Mr. Sun Hongbin, his family members and family trusts, together, cease to hold, whether directly or indirectly through any person, beneficially (a) 30% or more of the issued share capital of the Company, or (b) issued share capital having the right to cast at least 30% of the votes capable of being cast in general meetings of the Company; (ii) Mr. Sun Hongbin, his family members and family trusts, together, cease to control the Company; or (iii) Mr. Sun Hongbin ceases to be the chairman of the Board, following the instructions given by the majority Lenders, the Facility Agent may cancel the Facility and declare all outstanding loans together with accrued interest and other payables immediately due and payable by giving prior notice to the Company.

Save as disclosed above, as at 31 December 2020, there is no other matter which is discloseable pursuant to any requirements under Rule 13.21 of the Listing Rules.

CORPORATE GOVERNANCE OF THE COMPANY

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

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development, description of possible business risks and uncertainties that the Group may be facing are provided in the "Chairman's Statement" on pages 5 to 8 of this annual report. Also, an analysis of the key financial performance indicators, and the interest rate risk and foreign exchange risk of the Group are elaborated in the "Management Discussion and Analysis" on pages 9 to 16 of this annual report, and the financial risk management objectives and policies of the Group can be found in Note 3 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2020 are provided in Note 45 to the consolidated financial statements. The five-year Financial Summary of the Group is provided on page 4. In addition, a discussion on the Group's environmental policies and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the section headed "Environment Protection" and "Compliance with Laws and Regulations" below and the "Environmental, Social and Governance Report" on pages 73 to 124 of this annual report, and our relationship with investors is stated in the "Investor Relations Report" on pages 39 to 41 of this annual report.

ENVIRONMENTAL PROTECTION

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

PUBLIC WELFARE

While providing a better life for Chinese families, the Group has actively undertaken the corporate social responsibility. In 2018, the Group established the Public Welfare Foundation, with a focus on education support, rural revitalization and architectural heritage conservation. It carried out programs including "Saplings Charity Program", "Rural Revitalization Program" and "Shanzhu China (善築中國) Program", and established Sunac public welfare platform and a long-term mechanism, thus continuously promoting the innovative development of public welfare undertakings. For further information on the charity activities, please see the "Environmental, Social and Governance Report" in this annual report.

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group had a total of 64,436 employees. For the year ended 31 December 2020, the staff cost of the Group was approximately RMB13.98 billion (2019: RMB12.19 billion).

The employees' remuneration policy of the Group is determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal twice every year for its employees, the results of which are applied in annual salary review and promotion assessment. Social insurance contributions are made by the Group for its Mainland China employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. The Group also makes contributions to social security or other retirement schemes for its overseas employees in accordance with local regulations. As at 31 December 2020, no forfeited contributions were available to reduce the contribution payable by the Group in the future years.

In order to attract and retain excellent talents, the Company adopted the Pre-IPO Share Option on 9 September 2010, the 2011 Share Option Scheme on 29 April 2011 and the 2014 Share Option Scheme on 19 May 2014 for granting share options to eligible persons (including employees of the Group) entitling them the right to subscribe for shares of the Company, details of which are set out on pages 63 to 66 of this report. Furthermore, the Company adopted the Share Award Scheme on 8 May 2018 and awarded Shares were vested to selected employees in accordance with the rules of the Share Award Scheme and the terms of the trust deed, details of which are set out on page 66 of this report. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness. The Group did not experience any major difficulties in recruitment of employees, nor did it experience any material loss in manpower or any material labour dispute for the year ended 31 December 2020.

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

PERMITTED INDEMNITY PROVISIONS

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

AUDITOR

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

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

Hong Kong, 11 March 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. About This Report

As a leading property developer, the Group actively fulfills social responsibilities to promote the harmony and progress of the society while focusing on its own development. Based on the identification of key stakeholders and their attention to environmental, social and governance ("ESG") issues, the Group collects and summarizes the relevant information and data, and prepares and publishes the ESG Report for 2020, for the purpose of disclosing the management and the performance of the Group in the environmental, social and governance aspects during 2020. For details of the corporate governance practices of the Group, please refer to the "Corporate Governance Report" set out in this annual report.

(I) Preparation Basis

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Sustainability Reporting Standards of Global Reporting Initiative ("GRI Standards"), and the Sustainable Development Goals of the United Nations. The Company has complied with the "comply or explain" provisions set out in the ESG Guide for the year ended 31 December 2020.

(II) Scope of the Report

The scope of this report covers the year of 2020 (from 1 January 2020 to 31 December 2020) (the "Reporting Period"). The disclosure scope of this report covers the headquarters of the Group, all property regional groups, all business groups (the Service Group, the Culture & Tourism Group and the Culture group) and their subsidiaries, whose principal activities include property development and investment, property management, culture & tourism city construction and operation. For further details of the ESG disclosures of the Service Group, please refer to the 2020 Environmental, Social and Governance Report of Sunac Services Holdings Limited.

(III) Feedback

The ESG Report is committed to responding to issues which key stakeholders consider important. For any doubt or advice on the ESG Report, you are welcome to contact the Group anytime through the following means:

Address: Building 4, One Central, No.8, Dongzhimen North Street, Dongcheng District, Beijing, the PRC

Email: ir@sunac.com.cn

II. ESG Governance • Creation of Sustainability

(I) ESG Concept

The Group positions itself as the "Co-builder of a Better City (美好城市共建者)". Adapting to changes in the needs of urban development, upholding its leading advantages in the industry, adhering to the multi-industry strategic layout, the Group facilitates the synchronized development of cities and industries by driving the development of industries, creating better communities and taking initiative to participate in charity, achieves high-quality construction of more livable, healthier and heart-warming cities, and fulfills its social responsibilities with an aim to repay the society and create a social ecosystem of harmony, love and warmth.

(II) ESG Management

1. Establishment of the ESG Committee

On 28 December 2020, the Board considered and approved the establishment of the Environmental, Social and Governance Committee (the "ESG Committee"), to support and assist the Board with ESG matters of the Group. Mr. Wang Mengde, the executive Director and the Chief Executive Officer, is the chairman of the ESG Committee, with four independent non-executive Directors, Mr. Poon Chiu Kwok, Mr. Zhu Jia, Mr. Ma Lishan and Mr. Yuan Zhigang, being the members of the ESG Committee.

2. ESG Management Structure

The Board: it is the core of ESG management and mainly responsible for:
- leading and taking charge of the overall ESG management of the Company, and supervising and reviewing the Company's ESG performance;
- reviewing and determining the Company's ESG management structure and strategy;
- reviewing and ensuring the appropriateness and effectiveness of ESG risk management and internal control systems of the Company;
- considering and approving the ESG report;

The ESG Committee: its responsibilities include:
- setting ESG management objectives, policies and implementation path;
- assessing and identifying ESG-related risks, opportunities, and the ESG performance;
- reviewing the Company's ESG risk management and internal control systems and providing relevant advice to the Board;
- reviewing the Company's ESG report, reporting it to the Board and providing advice in this regard;

The ESG Workgroup: it is comprised of executive departments related to ESG work and mainly responsible for:
- setting ESG objectives and work plans of each department according to the overall ESG management objectives and policies;
- fulfilling the key work in accordance with the ESG objectives and work plans and monitoring the achievement of such objectives;
- reporting ESG work to the ESG Committee;
- preparing the ESG report and reporting it to the ESG Committee.

(III) Stakeholder Engagement

1. Identification of and Communication with Stakeholders

The sustainable development of a company is closely related to the engagement and the support of stakeholders. The Group communicates with stakeholders about ESG issues on regular basis and identifies the ESG issues they are focusing on. Major channels for communication between the Group and stakeholders are as follows:

Stakeholders	Major communication channels
Government and regulators	Policy and guideline, working conference, information disclosure, social public welfare activities, daily communication
Shareholders and investors	Announcements, annual and interim report, shareholders meetings, investor forum, projects visits
Community public	Company website and WeChat official account, charity activities, community education and promotion, forum and communication, enterprise recruitment publicity
Suppliers and partners	Cooperation, supplier meeting, agreement terms, daily communication
Customers	Customer service hotline, customer satisfaction survey, customer service center, discussions and visits
Employees	Employee meeting, training, activities, employee satisfaction survey, company office system

2. Assessment of Materiality Issues

Referring to the ESG Guide of the Stock Exchange, the GRI Standards and the Sustainable Development Goals of the United Nations, the Group summarizes 17 ESG issues out of the concerns of stakeholders, the actual situation of the Company and the ESG hotspots of the industry, and engages independent third-party professional advisor to assess the materiality issues through sending questionnaires to stakeholders. Steps of obtaining the materiality issue assessment results are as follows:

01 Identification and determination of ESG issues

Refer to the ESG Guide of the Stock Exchange, the GRI Standards and the Sustainable Development Goals of the United Nations, and summarize 17 ESG issues out of the concerns of stakeholders, the actual situation of the Company and the ESG hotspots of the industry

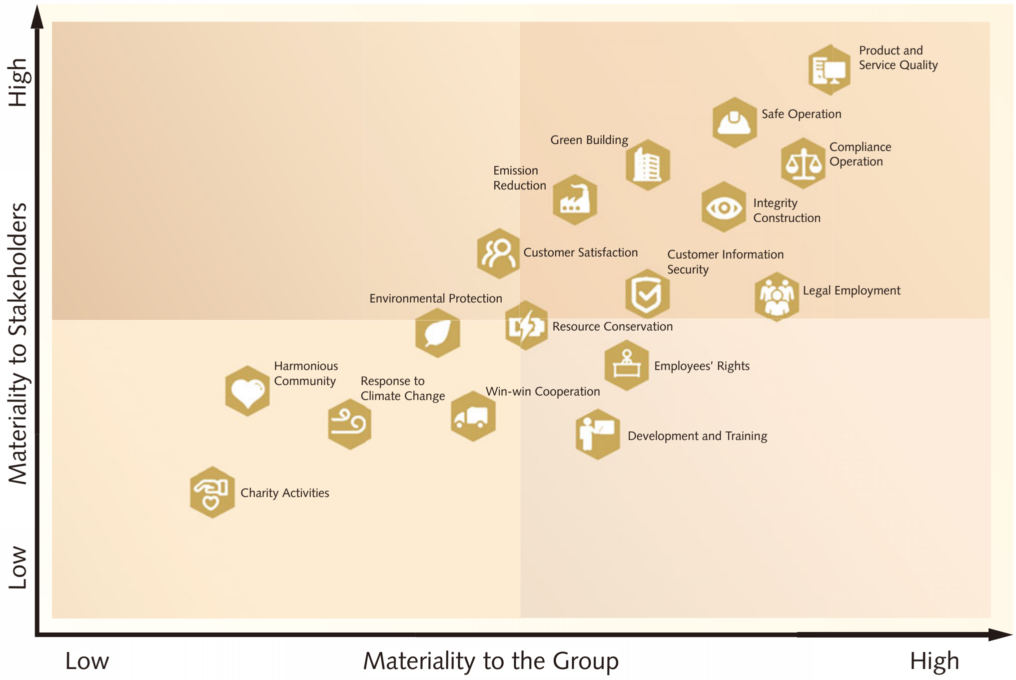
02 Stakeholder questionnaires

Prepare online questionnaires for assessing the materiality of ESG issues, and invite internal and external stakeholders to assess the importance of corresponding ESG issues

03 Assessment of materiality issues

Base on the results of stakeholder questionnaires as well as the development of the Company, assess the materiality issues by two dimensions, the materiality to the Group and the materiality to stakeholders, and rank the ESG issues by the materiality

The materiality issue assessment results of the Group are as follows:



Materiality of issues	Issues	Scope
Very Important issues	Product and Service Quality	Social
	Safe Operation	Social
	Compliance Operation	Governance
	Green Building	Environmental
	Integrity Construction	Governance
Relatively important issues	Emission Reduction	Environmental
	Customer Satisfaction	Social
	Customer Information Security	Social
	Legal Employment	Social
	Resource Conservation	Environmental
	Employees' Rights	Social
	Development and Training	Social
Related issues	Environmental Protection	Environmental
	Win-win Cooperation	Social
	Harmonious Community	Social
	Response to Climate Change	Environmental
	Charity Activities	Social

The Group continuously makes improvement in respect of these ESG issues in its daily operations to respond to the expectations of stakeholders and strengthen trust and cooperation, and promotes the sustainable development of the Group and the society.

III. Environmental Protection • Creation of Green Ecology

The Group is fully aware of the impact of projects development and operation on the environment, therefore actively promotes green actions and proactively assumes environmental protection responsibilities. Besides conducting environmental management in strict compliance with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Construction Law of the People's Republic of China (《中華人民共和國建築法》), the Group establishes environmental management rules in the fields of green building, green research and development, green construction, green operation and green office based on its business conditions, which include the Measures of Sunac Group for the Management of Industrialization Projects (《融創集團工業化項目管理辦法》), the Design Application Guidelines for Prefabricated Building of Sunac Group (《融創集團裝配式建築設計應用指引》), the Environmental Work Standards of Sunac Group for Construction Sites (《融創集團施工現場環境工作標準》), the Measures of Sunac Service Group for the Management of Energy Consumption (《融創服務集團能耗管理辦法》) and the Rules of Sunac Culture & Tourism Group for Green and Energy Management in the Operation Period (《融創文旅集團運營期綠色節能管理辦法》). In the meantime, the Group deeply realizes that climate change is the greatest global challenge that we are facing now, and proactively taking actions to deal with climate change is the important path to achieving sustainable development. The Group has identified climate change risks and opportunities and developed related solutions, hoping that it can make a continuous contribution to the green and healthy development of the society through its practices of energy conservation, consumption reduction and emission reduction.

(I) Green Building

As the Co-builder of a Better City (美好城市共建者), the Group unswervingly adheres to the belief in sustainable and healthy products, aiming to introduce high-quality lifestyles with innovation for the betterment of the habitat, and pave the way to green development. In the active development and application of green building, the Group upholds and adopts the concept of "tailored measures to suit local conditions and comprehensive consideration", conserves energy and reduces emission in the life cycle of buildings, provides the public with healthy, practicable and energy-efficient products, and devotes itself to creating high-quality buildings in harmony with the environment by its high-quality service system and operations.

1. Green Building Management

The Group complies with national and local standards and management measures related to green building and requires that all building projects should be developed in accordance with these standards and management measures:

- In the design stage, the Group organizes professionals from design, construction, operation and cost systems to collect objective information of the project, analyze construction specifications of green building, and draw up technical roadmaps and stage plans of the project;

- In the construction stage, in addition to the implementation of national requirements and standards related to green building, the Group also sets rules on the construction process of green building according to the Application Standards of Sunac Group for Passive Low-energy Consuming Building (《融創集團被動式低能耗建築應用標準》), the Measures of Sunac Group for the Management of Industrialization Projects (《融創集團工業化項目管理辦法》) and other green building standards and project implementation measures that are effective within the organization, standardizes the application of green building technologies, and strengthens the control of key nodes in the construction of green building project, so as to improve the green building construction efficiency and the project quality;

- In the operation stage, the Group develops specific incentive policies for the operation system, and closely monitors the energy consumption of the building to ensure the actual operation efficiency of the green building.

2. Green Building Practice

Green Building Certification[1]

The Group actively promotes the green building certification for projects under the standards including the Assessment Standard for Green Building (《綠色建築評價標準》) of China and the U.S. LEED Certification. In the year of 2020, all projects in progress of the Group complied with the Assessment Standard for Green Building (《綠色建築評價標準》) of China, among which five projects were granted the three-star green building label, and 21 projects were granted the two-star green building label.

Three-Star Green Buildings Certified Projects in 2020

Project	City	Green Building Area ('000 m²)
Sunac One Mansion (融創長江壹號)	Hefei	310.7
Sunac IN.BINHU (融創濱湖印)	Hefei	190.3
Sunac Datang Mansion (融創大塘御園)	Wuxi	175.4
Sunac Hefei One Central (融創合肥壹號院)	Hefei	159.2
Wudi Sunac Center of Peace Avenue (武地融創和平中心)	Wuhan	134.4

Note 1: The statistical range of green building certified projects covers the Group and its joint ventures and associates.

Case Three-Star Green Building Operation Certified Project – Sunac Hefei One Central (融創合肥壹號院)

As a product of the Group's "One Central Series (壹號院系)", Sunac Hefei One Central was granted the Three-star Green Building Operation Label (三星級綠色建築運營標識) in 2020 for its green operation practice after the delivery, following the Three-star Green Building Design Label (三星級綠色建築設計標識) in 2018, which shows its long-term energy conservation in the actual operation after the delivery has reached a higher level.

Sunac Hefei One Central strictly follows high standards in all aspects from design to operation to create a high-quality, green and healthy living environment. The following key green technologies are adopted in the process of planning, design, construction and operation:

- **BIM technology:** BIM (Building Information Modeling) is a digital tool applied in project design, construction and management. The project adopts BIM for the entire cycle from design to construction, and optimizes the layout of pipeline bridge through the integration of the data and information models of the buildings to effectively avoid issues including the crossing and collision in design and construction, thus effectively improving the construction efficiency and quality;

- **Delivery with refined decoration:** The refined decoration adopts environment-friendly materials, strictly implements environmental protection standards in the construction, selects innoxious and non-polluting green process and strengthens the management to reduce the generation of dust, noise, waste gas and waste water;

- **Utilization of renewable energy:** Concentrated-distributed solar water heating systems are adopted and solar collectors are installed on the roof, which looks more aesthetic compared with balcony wall-mounted solar systems and matches the style of minimalist public building;

- **High-efficiency air-source heat pump water heating system:** Ensuring the aesthetics of the exterior of the building, the system makes up for the drawback in case solar energy is unusable in rainy days;

- **High-efficiency air conditioning system:** A high-efficiency air conditioning system is adopted, the performance coefficient of which is 16% higher than the requirement of the Design Standard for Energy Conservation of Public Buildings (《公共建築節能設計標準》) (GB 50189-2015);

- **Rainwater recycling system:** Underground rainwater collecting pools and rainwater collection machine rooms are established, and the collected rainwater is used in plant watering, road and underground garage washing and waterscape water replenishing, which effectively conserves water resources;

- **Water-saving irrigation system:** Sprinkler irrigation can effectively solve the problems of water wasting and affecting the surrounding environment arising from the traditional irrigation ways. In addition, with a high degree of atomization, sprinkler irrigation has less impacts on plants and better uniformity. The combined application rate of sprinkler irrigation is less than the infiltration capacity of soil, which will not result in surface run-off, and therefore sprinkler irrigation has better performance in water conservation;

- **CO (Carbon monoxide) intensity monitoring system:** The underground garage is installed with the CO intensity monitoring system, which works in collaboration with the ventilation system. When the CO intensity is higher than 25ppm, the ventilator will work at the peak efficiency; it stops when the intensity is below 5ppm, and the PID (Proportion Integration Differentiation) controller switches to automatic adjustment when the intensity stays 5-25ppm.

Sunac Hefei One Central not only implements the green building plan in the process of design, construction and management, but also actively conveys the green concept to residents by providing them with manuals for using the green system and posting signs in public areas.

Sunac Hefei One Central (融創合肥壹號院)

Prefabricated Building

The Group vigorously promotes the industrialized construction system and the application of technology in line with relevant national, provincial and municipal requirements. In order to enhance construction quality and projects efficiency, technologies such as prefabricated components, standardized formwork, prefabricated internal partition wall and plastering-free are applied on construction site. Meanwhile, the Group applies the "Sunac Intelligent Construction (融創智造)" project management platform for all projects to strictly control the quality of project construction, contractors are required to implement green construction, save resources as much as possible, and reduce negative impact caused by the construction activities on the environment and realize the objectives of "Four Conservation and One Environmental Protection" (i.e. energy conservation, land conservation, water conservation, materials conservation and environmental protection). In 2020, the Group had commenced construction of 111 new prefabricated building projects[1], with a GFA reaching 14.73 million m^2.

Note 1: The statistical range of prefabricated buildings covers the Group and its joint ventures and associates.

Case Shanghai Sunac West Bund Park (上海融創徐匯濱江壹號)

Shanghai Sunac West Bund Park (上海融創徐匯濱江壹號) is located in Longhua Street, Xuhui District, Shanghai. The residential portion of the project has an above-ground GFA of approximately 44,000 m^2, with an prefabricated integrated shear wall structure, a building height of not more than 60 meters, a prefabrication rate of not less than 40% of the building. The type of prefabricated components includes prefabricated exterior enclosure walls, prefabricated laminated panels and prefabricated air conditioning panels and others.

In the stage of developing project plan, the Group carries out overall project management planning and technical planning, builds a professional team to coordinate the overall management of project design, procurement and construction according to the characteristics of prefabricated projects, and communicates and negotiates with relevant cooperation units or professional supporting units in advance, so as to achieve "management and technology in advance (管理前移，技術前置)" and ensure the overall control and quality control of the project.

In the design stage of the project, the integrated design mode of the whole industry chain is adopted. The design contents not only include conventional buildings, structures and electromechanical projects, but also include decoration, production, transportation and installation, therefore, the design results are easier to operate and implement.

Shanghai Sunac West Bund Park (上海融創徐匯濱江壹號)

Passive Building

In response to the national call to promote building energy conservation, the Group is committed to research on reducing building energy consumption, and has promulgated and implemented the Standard Guidelines for the Implementation of Sunac Group for Passive Low-energy Consuming Building (《融創集團被動式低能耗建築實施標準指引》). The Group also actively implements green practices. A number of projects are designed and constructed with the passive ultra-low energy consuming buildings standard, promoting the implementation of green building technologies.

Case Shijiazhuang Sunac Hopsca Center · Academy (石家莊融創中心•學府)

The project of Shijiazhuang Sunac Hopsca Center • Academy (石家莊融創中心•學府) is located in Yuhua District, Shijiazhuang, north of the outer ring water system and on both sides of Jianhua Street. The project has a passive GFA of approximately 23,000 m^2, and is designed based on the Energy Conservation Design Standards for Passive Ultra-low Energy Residential Building (《被動式超低能耗居住建築節能設計標準》) (DB13(J)/T273-2018) of Hebei Province. Its main technical points include:

- **More efficient external insulation:** the thermal conductivity of the non-transparent external envelope (roof and external walls) is ≤0.15W/(m^2 · K), the main external insulation material used is B1 grade graphite polystyrene board (thickness of external wall insulation is about 230mm and roof insulation thickness is about 220mm), and it uses non-thermal bridge anchors;

- **External envelope without thermal bridges:** insulation layers are continuous and complete without gaps, trying to avoid destroying the continuity of the insulation layers, and if penetration is required for pipelines, dense insulation treatment will be adopted for increased holes;

- **More efficient external door and window systems:** the insulation and airtightness of doors and windows reach the highest level of the national performance grading sheet for external doors and windows (the thermal conductivity of external windows and exterior doors is ≤ 1.0 W/(m^2 · K) and the airtightness of exterior windows reaches grade 8), and the fire integrity of external doors and windows reaches 0.5 hours;

- **High efficiency heat recovery fresh air conditioning system:** the system adopts environmental and energy all-in-one machine, with cooling and heating, fresh air and haze removal functions;

- **Better airtightness:** the whole passive area is surrounding by a complete airtight layer with the airtightness reaching n50≤0.6 times/hour (when the pressure difference between indoor and outdoor is 50Pa, the number of air changes is ≤0.6 times/hour), while the number of air changes in traditional buildings under the same conditions is about 2~3 times/hour. In addition, the external envelope of building has the function of isolating the indoor and outdoor air penetration as much as possible, making the building become an independent system that is not disturbed by the outdoor environment as much as possible.

Shijiazhuang Sunac Hopsca Center • Academy (石家莊融創中心•學府)

(II) Green Research and Development

Holding ground in quality and building houses with precision, the Group continues to focus on in-depth research on green building technology and materials, establishes and gradually deepens a green research and development system, so as to provide a strong assurance for the Group's continuous innovation to introduce of high-quality products, and to provide professional support for the development of products for a green habitat. The Group is constantly committed to designing more green and excellent products from the perspective of its customers.

1. Sunac Better Life R&D Institute

The Group established the Sunac Better Life R&D Institute (融創美好生活研究院) in 2019, collaborating with domestic colleges, design agencies and suppliers to conduct research, experiment and optimization in respect of green building application materials and technologies, including prefabricated houses, passive houses and future communities with an aim to promote the industry-college-institute integrated research and development.

In 2020, the Sunac Better Life R&D Institute set up several research segments, including materials performance testing, research of new materials and process node optimization. It completed over 10 green research and development projects, such as prefabricated interior decoration, roll materials for floor thermal and sound insulation and applied these green technologies widely to new projects.

Case Research Project of Prefabricated Interior Decoration Techniques and Materials

The research of prefabricated interior decoration techniques and materials is mainly to adopt new environment-friendly building materials and realize modular and standardized installation and all-dry techniques in the decoration stage, which significantly reduces decoration wastes generated by the traditional masonry wet work and effectively improves the decoration work efficiency and the decoration quality.


Prefabricated renovated kitchen


TV wall made of bamboo fiber boards

2. Sunac "LOVE+"

Based on the creation of natural base and forest micro-climate, the Group builds the "LOVE+" system which covers five life scenarios: "living, leisure, play, sports, learning". The Group breaks the boundary between home and external natural environment, and integrates the natural ecology into the living space as the community base through the green planning system. With the natural base, the Group develops the multi-function, multi-type and multi-layer space and slow traffic system by scientific and reasonable planning, providing residents with diversified and open living experience.

The Group tailors the micro-circulation climate system for communities, which serves as "little forest" to maintain the balance of climate, function and aesthetics. After analyzing the wind and light environment in the community, the Group designs the optimal and healthiest space layout according to the different light and ventilation requirements of different functional scenarios, and makes use of the natural elements of landscapes in the community to build green and comforting "natural air conditioners".

In addition, the Group cares for public health and explores better sports scenes constantly. The Group connects all fitness equipment through applying intelligent internet technologies in fitness fields and offers users professional fitness strategies and programs through collecting and analysing sports data in a comprehensive way, aiming to build intelligent and innovative fitness scenes in community and enable residents to enjoy professional and convenient healthy and sports lives at any time.

Community micro-circulation climate system created by landscape

Intelligent and interconnected fitness equipment

(III) Green Construction

Committed to improving the sustainability performance of property projects, the Group attaches importance to the energy conservation and environmental protection in the construction of projects, and strives to minimize the impact of project construction activities on the local environment and ecology.

1. Green Construction Management

The Group complies with national and local laws and regulations related to project construction, including the Construction Law of the People's Republic of China (《中華人民共和國建築法》), the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) and the Standard of Environment and Sanitation of Construction Site (《建設工程施工現場環境與衛生標準》), on the basis of which it formulates and implements the Environmental Work Standards of Sunac Group for Construction Sites (《融創集團施工現場環境工作標準》) and other internal rules to clarify green construction standards and management requirements.

2. Green Construction Practice

In the planning and survey stage, the Group conducts research on the local ecological environment, assesses the environmental impact of the project, and reports the assessment result to local environmental authorities for review and approval. In addition, the Group pays attention to the protection of local species, actively promotes the ecological protection and management, to minimize the impact of project on the ecological environment.

In the construction stage, the Group advances the green construction jointly with contractors upon mutual agreement and carries out green construction in the aspects of resource consumption reduction, dust control, wastes control, noise control, waste water control and green building materials:

- **Resource consumption reduction:** In 2020, the Group further promoted the "Glorious Construction (臻營造)" technique system. Based on the construction site management and construction process, the Group makes reasonable plans for construction methods and appropriate arrangements for construction sites to improve the construction quality and efficiency and reduce the consumption of resources. Specific measures included the adoption of standardized formwork, prefabricated partition walls, plaster-free technique, dry decoration and other new construction process and methods;

- **Dust control:** The Group strictly complies with the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), other relevant laws and regulations and local dust control requirements. It also develops dust management rules and environmental sanitation management rules for construction projects in accordance with the relevant regulations, and promotes the application of PM2.5 monitoring, automatic spraying and dust-reducing system and other intelligent facilities. With the management means and the intelligent equipment, the Group strengthens supervision in the process of construction from multiple dimensions, and conducts multi-dimension dust management via enclosing wall, vehicle washing, wet works on demolition sites, closed transport of spent clay vehicles, ground hardening and materials stockpiling;

- **Waste control:** The Group attaches importance to construction waste management and resource utilization, actively promotes waste reducing process, equipment and management measures and reduces the total production of wastes from the source. The specific measures include: (i) advancing standardized construction within the whole organization and adopting technologies and processes including project planning, concrete exterior wall, hoisting frame, BIM design and construction integration to reduce the total waste production; (ii) improving process standardization (for example, standardization of facilities such as scaffold, formwork and temporary protection) and facility turnover rate; (iii) building waste pool, promoting waste sorting, reusing recyclable wastes, disposing of non-recyclable wastes on regular basis, and engaging specialized companies for the disposal of construction wastes;

- **Noise control:** The Group strictly follows the Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》), the Emission Standard of Environment Noise for Boundary of Construction Site (《建築施工廠界環境噪聲排放標準》), other relevant laws and regulations, and local noise control requirements. Each project has environmental sanitation management rules, controls the noise within the standard range through technologies and management measures and tries to minimize the noise impact during construction. The specific measures include: (i) improving process and maintaining equipment for better operation to minimize high-decibel noise (in respect of noise control for contractors); (ii) adopting sound insulation measures in noise sensitive areas to reduce the noise impact; (iii) avoiding nighttime construction;

- **Waste water control:** The Group sets management requirements and standards on the treatment of rainwater and sewage and the establishment of the settling tank for each project, which states that sewage of the construction site can be discharged after treated in the settling tank and the direct discharge of domestic sewage is strictly prohibited;

- **Green building materials:** The Group proactively adopts environment-friendly materials in the construction, including thermal insulation materials, door and window materials and lighting fixtures. Meanwhile, it conducts special researches on green building materials, which cover new mortar materials, floor thermal and sound insulation materials, new water permeable brick materials for landscape design, and interfacial materials for cast-in-situ concrete structure projects.

(IV) Green Operation

The Group actively promotes green and low-carbon operation, incorporates the green concept of energy conservation and consumption reduction into property management projects and culture & tourism operation projects, provides residents, tenants and visitors better experience and improves energy utilization efficiency, reduces the generation of greenhouse gases and wastes and minimizes the impact on the environment at the same time.

The Service Group – Green Operation

The Service Group strictly complies with national and local laws and regulations related to environmental protection, establishes the environmental management system based on the business operation model, and has obtained the ISO14001: 2015 Environmental Management System certification. Relying on the closed-loop management model for the process from planning, implementing, reviewing to matter handling, the Service Group guides and standardizes the environmental management work, sets specific management rules about energy conservation and emission reduction, and promotes the implementation in each project. In addition, the Service Group conducts environmental performance evaluation on regular basis, and make active improvements to address the issues identified.

For the resource conservation, the Service Group develops the Measures of Sunac Services Group for Management of Energy Consumption (《融創服務集團能耗管理辦法》), conducts standardized management of such resources as water, electricity, gas and heat utilized in the project operation. It also introduces new products, technologies, materials and processes to promote the energy efficiency improvement of high energy-consuming products and old equipment. Regarding the energy management, the Service Group collects energy consumption data of each project on regular basis and evaluates the energy management performance, based on which it grants rewards and punishments. With respect to the waste management, the Service Group requires all projects to collect kitchen wastes, recyclable wastes and construction wastes separately in accordance with municipal waste management regulations, which are to be treated by the municipal organizations or specialized companies.

The Culture & Tourism Group – Green Operation

The operation of the Culture & Tourism Group covers three core business types: theme entertainment, mall and hotel, and consistently upholds the green operation concept. At the organization management level, the Culture & Tourism Group establishes the top-down green operation management system and work mechanisms for energy conservation and emission reduction. At the project level, the Culture & Tourism Group reviews, identifies and assesses the progress of energy conservation and emission reduction on regular basis, and adopts corresponding management measures to address the issues identified. At the headquarters of the Culture & Tourism Group level, the group conducts random inspections and secrete investigations on irregular basis, adopts measures including making internal control plans and publishing notices to manage and supervise the rectification of issues identified. In addition, the government also conducts open and transparent supervision, and the Culture & Tourism Group has been following the government's requirements to promote the energy conservation and emission reduction and actively cooperating with the government to facilitate the supervision work. From management system, work mechanism to government supervision, the group has established an effective closed-loop management, which provides a guarantee to the realization of green operation.

1. Green Operation Management System

The Culture & Tourism Group formulates and publishes the Measures of Sunac Culture & Tourism Group for the Green and Energy Management in the Operation Period (《融創文旅集團運營期綠色節能管理辦法》) and the detailed evaluation rules, the Implementation Rules on Incentives for the Energy Conservation and Consumption Reduction Work in the Operation Period (《運營期節能降耗工作激勵實施細則》), setting requirements on the green operation management system, management standards, management plans, factor identification and assessment, data statistics and analysis, improvement and progress, inspection and supervision, and detailed rules for reward and punishment of the Culture & Tourism Group. It also requires all local companies to set the Rules for the Management of energy conservation and consumption reduction for all culture & tourism projects, establishes the green and energy conservation management system, standardizes the water, electricity and gas resource management work and achieves effective and safe resource utilization.

The Culture & Tourism Group sets a dedicated energy conservation management position, which is responsible for making the overall plan of the green and energy conservation management, reviewing and guiding the green and energy conservation management plans of culture & tourism projects, organizing colleagues to share outstanding green and energy conservation management experiences, and supervising, guiding and assessing the implementation of green and energy conservation management of culture & tourism projects.

2. Green Operation Management Practice

Energy Conservation Guide Book

By analyzing and summarizing the energy conservation and consumption reduction work of culture & tourism projects that possesses promotion value and referring to the management experience of all business lines, the Culture & Tourism Group prepares the Energy Conservation Guide Book (節能工作指導手冊) for the three business types of theme entertainment, mall and hotel from the aspects of management actions and technology upgrading. The guide book contains 56 energy conservation measures and 29 standard management forms, and standardizes the implementation of energy conservation and consumption reduction from the aspects of the establishment of local green management structure, the system development and the advancement of energy conservation work.

Case Energy Conservation Guide Book

The Energy Conservation Guide Book not only contains the energy management principle and strategy, specifies daily energy conservation and consumption reduction management and other tasks, but also deeply develops the daily energy management works. It lists the energy conservation models, and explains the details of how to promote the energy conservation and consumption reduction, which cover the general management measures, the refined management and control, the technology upgrading and other aspects:

- **General management measures**: (i) standardizing the energy conservation management meeting; (ii) strengthening the education and promotion of energy conservation; (iii) reducing the number of standby equipment;

- **Refined management and control**: detailed analysis of ways and chances for energy conservation from electricity, gas, water, heat, fuel gas, oil and civil construction, for example, (i) infrared detection of heat loss in the environment; (ii) adjustment of the start-stop time of equipment when opening and closing the park;

- **Technology upgrading**: (i) gradual replacing low energy-consuming equipment; (ii) increasing the number of solar-powered equipments; (iii) upgrading PV (photovoltaic) power generation; (iv) upgrading the group control of heating, ventilation and air conditioning equipments.

The Energy Conservation Guide Book is prepared on the basis of characteristics of each business type and published via the internal system, while the Culture & Tourism Group delivers unified system education to each culture & tourism project. Local companies advance the energy conservation and consumption reduction in accordance with the management measures, and the Culture & Tourism Group conducts regular inspections on each culture & tourism project, identifies issues and urges local projects to make rectification.

Intelligent Management Platform

The Culture & Tourism Group equips each culture & tourism project with intelligent management platform, which integrates weak electronic systems including water supply and drainage, power transforming and distribution, public lighting, nightscape lighting and energy management into a comprehensive management platform to conduct real-time record and monitoring of equipment operation and energy consumption, realizing modular and automatic project equipment operation and avoiding resource waste resulted from human factors. When the equipment operation has an exception or the predetermined energy consumption limit is exceeded, the system will automatically send a warning message. In addition, the Culture & Tourism Group is gradually developing and applying the group-version of Cloud Intelligent Management Platform (雲智能化管理平台) and the Center-version of Energy Management Platform (中心版能源管理平台) at the headquarters-level, and will set the intelligent platform management position in the headquarters of the Culture & Tourism Group in the future. By such moves, it can conduct parallel comparison and analysis of energy consumption data, trends and key indicators of each project, and assist the energy budget and the energy management decision. It can also conduct random inspections of the local equipment operation, promptly follow up the exception, offer guidance to local projects to start the equipment in a reasonable manner, strengthen the equipment utilization management and establish communication channels for platform utilization and energy consumption management.

Clean Energy and Renewable Energy

The Culture & Tourism Group proactively seeks the opportunity of using clean energy and renewable energy, and promotes the application of solar water heating system, PV (photovoltaic) power generation, air-source heat pump and combined cooling, heating and power (CCHP) and other technologies. For instance, the Culture & Tourism Group has utilized natural gas as the fuel for several hotel projects, realized graded use of energy through the CCHP, and achieved over 70% of comprehensive energy efficiency. Compared with the traditional centralized energy supply, the new technologies feature high energy efficiency, low emission, cleanness and environment-friendliness, safety, load shifting and better economic benefits.

Waste Management

Regarding waste management, the Culture & Tourism Group establishes the environmental management group to systematically monitor the waste water and waste treatment. All the waste water and domestic sewage produced in the project operation, after being treated systematically to meet the national discharge standard, is discharged to the sewage treatment system through the municipal pipelines. Construction wastes and domestic wastes produced in the project operation are treated by the construction unit, the property management company and other third parties. The group establishes a dedicated recycling channel for small amounts of toxic wastes such as waste oil, waste lubricant, toner cartridges and printer cartridges, delivers them to specialized companies for centralized disposal, thus minimizing the pollution and realizing sustainable operation.

Green Consensus of Merchants

The Culture & Tourism Group reaches the green consensus with merchants via publishing documents such as the Merchant Decoration Manual (《商戶裝修手冊》) and the Merchant Management Manual (《商戶管理手冊》), to improve energy efficiency and reduce emission production by the merchants, which include the following details:

- Prepare and implement the Merchant Decoration Manual. The requirements and management start from the materials merchants adopt in the decoration. Review and guidance in respect of the materials is completed before the decoration commences. Provide real-time guidance, supervision and technical support in the process of decoration to ensure that the decoration of each merchant meets the green environment requirements;

- Urge merchants to adopt energy saving and environment-friendly lighting fixtures, which can satisfy lighting requirements and save energy at the same time;

- Require catering merchants to purchase smoke ventilators and cooking smoke purification devices that have met national standards. Ensure the cooking smoke emission of catering merchants complies with national environmental protection requirements, and require merchants to do cleaning on a regular basis and make sure the equipment works efficiently;

- Require all merchants to manage and sort the wastes. Catering-related wastes are recycled by specialized third parties. Hazardous wastes are stored separately and recycled by specialized recycling companies on a regular basis. Other wastes are sorted and disposed separately;

- Launch environmental protection promotion and trainings on regular basis to strengthen merchants' awareness of environmental protection.

(V) Green Office

The Group proactively promotes the green office practice in all workplaces, advocates low carbon and environmental protection, and works together with employees to build a green office environment.

For resource saving, the Group calls on all employees to perform "Trickles (萬涓行動)" office code of conduct covering daily office work, decoration and opening, meeting and training, business travel and the saving culture. Consistently fulfilling the energy conservation and environmental protection requirements, the Group reduces the operation cost while realizing green office. In 2020, the Group updated the employee handbook and published the Employee Handbook 2020 (《員工手冊二零二零版》), imposing stricter requirements on reducing resource consumption in daily office work, for instance, adopting low energy-consuming equipment and energy saving lighting fixtures and preferring products with the Level 1 Energy Consumption Label. Employees should turn off computers and switch off relevant electric appliances when getting off work, switch off the projector immediately after using the meeting room. The last one who leaves the office should turn off the light and the air conditioner. The Group also advocates employees to save water, turning off the tap immediately and completely eradicating "running water".

For reducing waste production, the Group actively practices the concept of light and green office, selects environment-friendly products (phosphorus-free formula, degradable package), large-capacity replacement packages as far as possible to reduce packaging waste. It also requires that all office supplies should be subject to centralized management and distribution and employees should get and use the items according to actual needs, extend the service life and avoid damage to the items and the waste production. Employees should prioritize the utilization of existing resources and make the best use of them, and they can give items they are not using currently to others for reuse. Regarding the use of office consumables, the Group encourages black-and-white printing, and advocates the two-sided printing and copying and the printing of non-formal documents with used papers. In the meantime, the Group actively responds to the government's policy of waste sorting, promotes waste sorting knowledge to employees through training and leaves the waste to specialized companies for further treatment.

(VI) Climate Change

Climate change is a major and urgent global challenge; it affects the global community and the natural environment and has become one of the ESG issues that domestic and overseas stakeholders are most concerned about.

1. Climate Change Risks and Opportunities

The Group realizes that climate change would affect its operation; therefore, it takes the initiative to identify and assess the impact of climate change, and preliminarily prepares the coping strategies for the identified risks and opportunities, so as to adapt to the climate change trend and mitigate the impact of climate change.

	Climate Risk	
Type	Identification and Assessment	Coping Strategy
Physical risk	Affected by climate change, the possibility and frequency of extreme weathers such as typhoons and floods may increase in the future. Meanwhile, physical factors including regional temperature, light intensity, humidity and wind may change gradually in the future. The said climate change may affect the property development, property services and culture & tourism projects operation of the Group. For instance, extreme weather risk may cause the damage of buildings and property maintenance facilities. It may be necessary for the Group to comply with higher requirements and standards when it develops projects in regions where extreme weather is common. As the difference in day and night temperatures in some regions may increase, it is necessary for the Group to select building materials that can withstand greater expansion and contraction pressure. All these may lead to an increase in the Group's operation cost.	The Group is gradually developing the climate change risk management strategy, learning more about climate characteristics of different regions, taking into account the extreme weather risk during the planning process of new and expansion projects (for example, the development of projects in coastal regions may be affected by extreme weathers such as typhoons more frequently), and formulating the coping and mitigation measures. For instance, in regions where typhoons are common, the building design should consider reducing the large-scale use of glass curtain walls. Referring to the environmental characteristics of the place where the project is located, the Group shall in advance work out management measures and emergency response plans for coping with extreme weathers such as typhoons and rainy seasons and organize emergency drills.
Transformation risk	In the general trend of global green and low-carbon development, national policies, laws, technologies and the market may all change correspondingly. The industry where the Group operates may generate greater greenhouse gas emission in the process of business development, which may subject the Group to relevant policy risks and market risks in the future to abide by the carbon reduction compliance requirements. For instance, Mainland China may formulate regulations to limit carbon emissions or implement stricter green building standards to further reduce carbon emissions in the process of building development, operation and maintenance, which may increase the operation cost of companies. Meanwhile, Mainland China may promote and develop carbon trading and environment taxes, and companies whose carbon emissions exceed the quota may need to pay extra costs to purchase additional emission quota.	The Group will continuously follow the promotion and update of climate change policies that may have significant impact on itself, make judgement about the possible policy trends in the future, prepare in advance and actively seek the opportunity of low-carbon transformation.

Climate Opportunity		
Type	Identification and Assessment	Coping Strategy
Green building development opportunity	Adopting and developing green buildings, reducing energy consumption and carbon emission of buildings in the construction and service periods, increasing investments in the research of green building and facilitating the innovation of green building technologies will enable the Group to cope with climate change risks and satisfy the market demand for low-carbon, energy-efficient and environment-friendly buildings.	At the beginning of the project, the Group incorporates the green building concept into the design. In 2020, the green building coverage rate of the Group's projects reached 100%, and all projects in progress complied with the Assessment Standard for Green Building (《綠色建築評價標準》) of China. In addition, the Better Life R&D Institute of the Group will continuously conduct researches on green building technologies and green materials, to seek energy conservation and emission reduction opportunities in all links, gradually improve the energy efficiency and reduce waste emissions of green building.
Utilization of renewable energy opportunity	Greenhouse gas emitted in the process of project development and operation is primarily attributable to the use of electricity generated by fossil energy and other non-renewable energy. As a result, gradually increasing the use of renewable energy can not only enhance energy substitutability, but also promote an effective measures for low-carbon transformation.	The Group actively explores opportunities to use renewable energy, applying PV power generation technology to several projects, which includes solar and PV system and PV panels to generate power, reducing the greenhouse gas emission and lowering the electricity purchase cost. In the future, the Group will continue to utilize the opportunity of using renewable energy according to the objective conditions of projects.

2. Practice in Response to Climate Change – Sponge City

The sponge city concept is a new-generation city rainwater and flood management concept, which means that a city can act like a sponge to have the elasticity in absorbing, storing, purifying and reusing rainwater and help improve the city's ability of adapting to environment changes and coping with natural disasters caused by rainfall. The Group actively promotes the "sponge city" design concept and implements it in a number of projects nationwide, to provide sustainable development space to the development of cities and the living environment of customers.

Case Guangzhou Sunac Culture & Tourism City (廣州融創文旅城)

Adopting the sponge city design concept, Guangzhou Sunac Culture & Tourism City (廣州融創文旅城) records over 90.25% of annual runoff control rate, over 51.19% of the permeable ground rate, over 70.04% of pervious pavement rate and over 50.15% of sunken green space ratio, controlling the runoff and reducing the runoff pollution from the design source. In addition, the project applies new environment-friendly materials to the roads, squares, green space and tracks. Featuring water absorption, compression resistance, wear-resistance, cleaning easiness, sound absorption and noise reduction, these materials not only ensure the visual effect, but also effectively relieve the urban heat island effect and improve the adjustment capability of the living environment and the life quality.

Case Hangzhou Core Park Sunac City (杭州融智創城)

Comprised by 1 kindergarten plot, 2 commercial plots and 6 residential plots, Hangzhou Core Park Sunac City (杭州融創智城) has approximately 170,000 m^2 of water collecting area, annual runoff control rate not less than 70% (inclusive). The design of the project combines the sponge city concept with landscape and adopts several sponge measures including sunken green space, planted roof, landscape water, retention tank and pervious concrete bricks pavement:

- The sunken green space serves as a sponge facility, and is also a landscape lawn;
- The mirror pond, being landscape water, can store rainwater and adjust the rainwater discharge rate;
- Pervious concrete bricks are not only pavement materials, but also can realize effective water seepage and reduce the runoff coefficient.

The project of Hangzhou Core Park Sunac City (杭州融創智城) achieves the perfect integration of sponge facilities and landscape by meeting the sponge city construction targets and harmonizing sponge facilities with the landscape, which improves residents' living and life quality.

Measures for storing rainwater and adjusting the rainwater discharge rate through ecological environment

(VII) Environmental Performance of 2020

The environmental performance data in this report covers the emissions produced and resources used in the workplaces of the headquarter of the Group, property regional groups and property city companies as well as their property development projects, the workplaces of the Service Group and its property management projects, the workplaces of the Culture & Tourism Group and its culture & tourism projects and the workplaces of the Culture Group. Major emissions generated in the operation of the Group are greenhouse gas from energy consumption and non-hazardous wastes. Non-hazardous wastes mainly include office wastes, domestic wastes, waste electronic products, kitchen wastes and construction wastes from the project operation and maintenance. For non-hazardous wastes, the Group conducts waste sorting, collects them by category, and leaves them to specialized third parties for further treatment. Meanwhile, hazardous wastes in small quantity produced by the operation of the Group are recycled or treated by qualified specialized companies, which have not resulted in significant environmental impact and therefore are not disclosed herein. Resources consumed in the Group's operation mainly include water, gasoline, LPG (Liquefied Petroleum Gas), natural gas and purchased electricity.

Key Performance Indicators of Emissions[1]

Indicators	Real Estate Group and Culture Group	Service Group	Culture & Tourism Group
Total greenhouse gas (GHG) emissions (Scope 1 and Scope 2) (tons)[2, 3]	27,285.19	191,629.83	273,797.92
GHG emissions (Scope 1) (tons)	4,971.04	7,769.50	24,619.28
GHG emissions (Scope 2) (tons)	22,314.15	183,860.33	249,178.64
GHG emission intensity (Scope 1 and Scope 2) (tons/total number of employees)	1.14	–	–
GHG emission intensity (Scope 1 and Scope 2) (tons/sq.m.[4])	–	0.001	–
GHG emission intensity (Scope 1 and Scope 2) (tons/revenue of RMB million)	–	–	70.58
Total non-hazardous waste (tons)	4,857.56	12,973.98	5,887.36
Non-hazardous waste intensity (kg/total number of employees)	203.75	–	–
Non-hazardous waste intensity (kg/sq.m.)	–	0.10	–
Non-hazardous waste intensity (kg/revenue of RMB million)	–	–	1,517.75

Key Performance Indicators of Resources Utilization[5]

Indicators	Real Estate Group and Culture Group	Service Group	Culture & Tourism Group
Water consumption (tons)	956,234.64	9,542,593.89	7,269,271.45
Water consumption intensity (tons/total number of employees)	40.11	–	–
Water consumption intensity (tons/sq.m.)	–	0.07	–
Water consumption intensity (tons/revenue of RMB million)	–	–	1,874.01
Total comprehensive energy consumption (MWh)[6]	58,773.48	335,933.85	563,397.13
Direct energy consumption (MWh)[6]	21,541.49	39,193.35	125,441.07
Gasoline (MWh)	*12,562.36*	*741.26*	*743.75*
Diesel (MWh)	*181.62*	*474.91*	*235.27*
LPG (MWh)	*4,763.07*	*982.29*	*38.71*
Natural gas (MWh)	*4,034.44*	*36,994.89*	*124,423.34*
Indirect energy consumption (MWh)[6]	37,231.99	296,740.50	437,956.06
Purchased electricity (MWh)	*37,231.99*	*296,740.50*	*431,060.24*
Purchased steam (MWh)	–	–	*6,589.92*
Purchased hot water (MWh)	–	–	*305.90*
Comprehensive energy consumption intensity (MWh/total number of employees)	2.47	–	–
Comprehensive energy consumption intensity (MWh/sq.m.)	–	0.002	–
Comprehensive energy consumption intensity (MWh/revenue of RMB million)	–	–	145.24

Notes:

1. Based on the nature of the Group's business, gas emissions are mainly GHG emissions attributable to the use of electricity generated by fossil energy and fuels;

2. The Group's GHG inventory mainly includes carbon dioxide, methane and nitrous oxide. GHG emissions data is presented in carbon dioxide equivalent and are calculated in accordance with the Chinese Regional Power Grid Baseline Emission Factors for 2019 Emission Reduction Projects (《2019 年度減排項目中國區域電網基準線排放因子》) and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (Revised in 2019) (《IPCC 2006 年國家溫室氣體清單指南2019 修訂版》);

3. GHG Scope 1: Covering the GHG emissions directly generated from the Group's operations; GHG Scope 2: "Indirect Energy" GHG emissions from the Group's internal consumption (electricity and heat purchased or obtained);

4. The GFA under management of the Service Group as at 31 December 2020;

5. Since there are very few packaging materials generated in the Group's operation, the key performance indicator A2.5-packaging materials for finished products is therefore not applicable to the Group;

6. Total comprehensive energy consumption is derived from the translation of direct and indirect energy consumption based on the General Principles for Calculation of the Comprehensive Energy Consumption (《綜合能耗計算通則》) (GB/T 2589-2008).

(VIII) Environmental Targets

The Group sets environmental targets for the workplaces of the Real Estate Group and the Culture Group and the workplaces and culture & tourism operation projects of the Culture & Tourism Group by reviewing the historical environmental performance data in respect of GHG emissions, wastes generation, resource utilization and water efficiency and referring to the rules and measures for energy conservation and emission reduction it implements.

1. the Real Estate Group and Culture Group – Workplaces

The Real Estate Group and the Culture Group actively promote green office in workplaces, and set the following environmental targets for workplaces based on the environmental performance in 2019:

- **GHG emission target:** GHG emission intensity to decrease by 3% in 2023;
- **Waste reduction target:** non-hazardous waste emission intensity to decrease by 3% in 2023;
- **Energy efficiency target:** comprehensive energy consumption intensity to decrease by 3% in 2023;
- **Water efficiency target:** water consumption intensity to decrease by 3% in 2023.

2. the Culture & Tourism Group – Workplaces and Culture & Tourism Operation Projects

The Culture & Tourism Group establishes the green operation management system, promotes the application of green operation management system in each culture & tourism business type, and requires the each business type to implement resource conservation and emission reduction measures in accordance with the standards and requirements of the system. Meanwhile, the Culture & Tourism Group leverages the intelligent management platform to closely monitor the resource consumption, keeps and analyzes the historical environmental performance data, and sets environmental targets based on the analysis results. Taking the environmental performance of 2019 as the benchmark, environmental targets for the workplaces and projects operated by the Culture & Tourism Group are:

- **GHG Emission target:** GHG emission intensity to decrease by 3% in 2023;

- **Waste reduction target:** non-hazardous waste emission intensity to decrease by 3% in 2023;
- **Energy efficiency target:** comprehensive energy consumption intensity to decrease by 3% in 2023;
- **Water efficiency target:** water consumption intensity to decrease by 3% in 2023.

IV. People-oriented Concept • Creation of Harmonious Employment

Employees form the foundation of sustainable development, and the rapid development of the Group stems from the unremitting efforts of every employee. The Group complies with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》)and other laws and regulations related to labor and social security system, which include the Employment Ordinance applicable to Hong Kong and establishes the internal management system for all employment aspects.

The Group does not discriminate any employee regarding their genders, ethnicities, races, religious beliefs, sexual orientation and nationalities and adheres to the strategy of attracting talents by outstanding brand culture and equal and inclusive environment. The Group makes efforts to provide employees with an equal, healthy, safe, comfortable and harmonious working environment and protect the legitimate rights and interests of employees. In 2020, the Group won the honors of "Best Employer in China's Real Estate Industry for 2020 (2020中國房地產最佳僱主企業)", "Top Graduate Employers in China for 2020 (2020中國房地產大學生僱主首選品牌)", "College Students' Preferred Employer in China's Real Estate Industry for 2020 (2020中國大學生喜愛僱主)" and "China Talent Management Excellence Award for 2020 (2020中國人才管理卓越典範獎)". Among them, the Group was awarded as "Best Employer in China's Real Estate Industry for 2020" for six consecutive years.

(I) Employment

The Group develops the Rules of Sunac Group on the Management of Employees' Induction (《融創集團員工入職管理規定》), the Rules of Sunac Group on the Labor Contract Management (《融創集團員工勞動合同管理規定》) and other policies to provide the management basis for recruitment matters. Following the principle of equal opportunities, the Group respects the employment diversity during the recruitment, remains committed to providing fair and reasonable job opportunities and does not discriminate anyone in age, gender, race and social class. To strengthen the introduction of talents, the Group formulates the unified recruitment policy according to the development plan and the corporate culture, and the headquarters of the Group offer guidance to the recruitment work of all property regional groups and business groups on a regular basis.

The Group attaches great importance to the recruitment and cultivation of college students, continuously deepens the college-enterprise cooperation and actively explores new campus recruitment models. Every year, the Creators Program of the Group recruits more than 1,000 college graduates from different disciplines and regions. Fresh creators have two promotion opportunities in the first year to make them achieve rapid growth and development within the Group. In 2020, the Group collaborated with new media platforms for the livestreaming of recruitment talk and college challenge activities, offering over 3,000 jobs, and providing young talents with good employment opportunities. The Group also offers internship opportunities to students and organizes the national campus marketing challenge contest for five consecutive years.

The Group strictly implements the labor contract system. The labor contract sets clear provisions on working hours, job responsibilities, remuneration and benefits, and labor conditions. The Group also establishes a clear resignation and dismissal mechanism, and the relevant resignation and dismissal provisions are clarified in the labor contract. The labor contract signing rate of the Group is 100%.

Key Performance Indicators of Employment

Type		Number of Employees	Percentage (%)
Total		**64,436**	
Gender	Male	37,305	57.9%
	Female	27,131	42.1%
Employment type	Full-time	64,151	99.6%
	Part-time	285	0.4%
Age group	30 or below	31,356	48.7%
	31 to 50	29,176	45.3%
	Above 50	3,904	6.0%
Work regions	Mainland China	64,363	99.9%
	Hong Kong, Macao and Taiwan	7	0.0%
	Overseas regions	66	0.1%
Business system	The Real Estate Group	23,367	36.3%
	The Service Group	27,909	43.3%
	The Culture & Tourism Group	12,686	19.7%
	The Culture Group	474	0.7%
Rank	Upper level managers	404	0.6%
	Mid level managers	3,445	5.4%
	Primary level employees	60,587	94.0%

(II) Promotion

The Group formulates the Rules of Sunac Group on Individual Performance Management (《融創集團個人績效管理辦法》), the Rules on Employees Promotion (《員工晉升管理辦法》) and other policies related to employees' promotion and development. The Group encourages the promotion of internal talents, and conducts regular individual performance evaluation every year to determine their grades and remunerations. The evaluation criteria for promotions includes the performance and abilities of employees and their appropriateness to positions and other aspects. The Group treats every employee equally. Meanwhile, the Group provides promotions and development opportunities from time to time to long-serving middle and primary-level employees with outstanding performance in addition to the annual grade and pay adjustment, to motivate employees to develop together with the organization.

(III) Remuneration and Benefits

The Group conducts thorough and reasonable assessments on the remuneration of employees through building a comprehensive remuneration system and developing the Rules of Sunac Group on Remuneration Management (《融創集團薪酬管理制度》), so as to offer employees competitive remuneration packages. The Group also adjusts the remuneration standard of employees year on year in accordance with the business performance and the market remuneration level; the remuneration adjustment is closely related to the individual performance evaluation and the position change of employees. In the meantime, the Group establishes the short-term, medium-term and long-term performance evaluation and incentive system based on performance-oriented and market-oriented principles. The long-term incentives include share option scheme and share award scheme. The Group fully develops the value and potential of employees through the remuneration incentive system without "ceiling", and pays higher remuneration to core staffs, key talents and outstanding teams.

Committed to creating a warm and happy atmosphere for employees, the Group sets the goal of "big benevolence with small warmth", regards "heartwarming and practical care" as the core, builds the pragmatic corporate culture of "achieving happiness through hard work", and establishes the "three cycles (三全)" benefit system covering the life, work and career cycles of each employees:

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

- The "Sunac Employee Mutual Aid Association (融創員工互助會)" provides financial assistance to employees or their lineal relatives who have financial difficulties due to serious illnesses or accidental injuries. The Group has designated Thanksgiving Day as the donation day, on which kind-hearted employees make donations and pass warmth to colleagues, showing their love and care;

- The "SUNAC Club (融創員工俱樂部)" sets up a platform for employees to display their interests and hobbies, and offers employees the sense of enrichment highlighting the work-life balance through organizing various sports events and food festivals.

In 2020, the Group was awarded the "Best Employer in Respect of Corporate Welfare (最佳企業福利僱主)" for two consecutive years.

The Group organizes activities on regular basis to help employees to relax after work. In 2020, subsidiaries of the Group held sporting events promoting health and team spirit at appropriate time based on the local conditions due to the impact of COVID-19:

- The Sunac Running Team (融創員工跑團) participated in the Hangzhou Marathon, which symbolizes the spirit of perseverance and tenacious struggle and is beneficial to the physical and mental health and the solidarity of the team;

- "Summer of Basketball (籃球的夏天)", the second season of Rongzhen Cup Basketball League (第二季融臻杯籃球聯賽), covered three provinces of Fujian, Zhejiang and Anhui and attracted 300 employees. During the games, teams fought and competed with goals and perseverance, and showed team spirit and the determination to defend the honor of team.

Sunac Running Team (融創員工跑團)
in the Hangzhou Marathon

Second Season of Rongzhen Cup Basketball League
(第二季融臻杯籃球聯賽)

(IV) Working Hours

Employees are the most valuable treasure of the Group. In accordance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the relevant laws and regulations, the Group formulates the Rules of Sunac Group on the Management of Employee Attendance and Holidays (《融創集團員工考勤及假期管理規定》), and sets clear provisions on the working hours of employees in the labor contract. Marketing personnel of the Group are subject to the unfixed working hours system, which ensures the flexibility of work arrangement. Non-marketing employees work in strict compliance with the working hours required by national laws and regulations; those who work overtime or who are dispatched can receive corresponding allowances.

(V) Workplace of Equality and Mutual Trust

The Group is committed to creating a favorable and harmonious workplace with mutual trust, advocates equality and cooperation of employees, and conveys the culture of positivity, tenacious struggle and achieving the sense of achievement and happiness through hard work. The Group encourages employees to grow with the Company and work together to pursue a better life, create greater value and enjoy happiness. Meanwhile, the Group pays attention to employees' freedom of voicing their appeal, offers them several convenient communication channels, collects their opinions and suggestions, and provides them feedback in a timely manner. Communication channels and platforms for company information and feedback include:

- **Comprehensive information release channels:** Employees can learn about the Company's business notices, important events and developments at any time through the Group's website, internal information system, the instant communication tool Rong E (融E), e-mail and the WeChat official account;

- **Diversified employee communication channels:** The Group opens several communication channels, including employee relation specialists, the labor union, the staff call center, the online robot and the employee satisfaction survey, to help employees to seek support and offer feedback;

- **Open-door and transparent management:** The Group has designed open office space for the management to facilitate the communications between employees and management.

(VI) Protection of Employees' Health and Safety

The Group pays high attention to the occupational health and safety of employees, and is committed to providing employees and staffs of contractors with safe and comfortable workplace. The Group observes relevant laws and regulations, formulates and implements the health and safety management system, and regularly identifies and controls the potential risks in the workplace of each business type. In addition, the Group organizes all employees to take free physical examination every year.

1. Project Construction

Attaching great importance to the health and safety of its employees and the employees of contractors, the Group strictly follows the Administrative Regulations on the Work Safety of Construction Projects (《建設工程安全生產管理條例》), the Standard for Construction Safety Inspection (《建築施工安全檢查標準》) and relevant laws and regulations, and formulates the Safety Management Baseline of Sunac Group (《融創集團安全管理底線標準》), the Standard of Sunac Group for Selection of Big Hoisting Equipment for Project in Progress (《融創集團在建項目大型起重設備選用標準》), the General Safety Regulations for the Construction Period of Sunac Culture & Tourism Group (《融創文旅集團建設期通用安全管理規定》), the Standard Safe Operation Guidelines for the Construction Period of Sunac Culture & Tourism Group (《融創文旅集團建設期安全操作指引標準化手冊》), and other internal rules, for the purpose of promoting the health and safety management and standardizing the safe operation in the entire process of project construction.

The Group establishes safety management teams and appoints safety engineers at the levels of headquarters, property regional platforms, city platforms and projects, whose responsibilities include organizing, participating in the drafting of the Group's work safety regulations and the work safety training, conducting work safety inspection, and identifying potential safety risks in a timely manner. The Group actively promotes the daily inspection, weekly safety inspection and monthly safety inspection, and engages third parties to conduct sudden unannounced safety inspection to assess the safety management ability.

Regarding the contractor management, the Group values the contractor's ability of managing the health and safety of its staffs. The general contractors of strategic cooperation with the group headquarters are fully qualified and experienced central enterprise with ISO occupational health and safety management system certification and sound safety management system. The Group formulates internal documents including the Safety Management Baseline of Sunac Group (《融創集團安全管理底線標準》) and the Measures of Sunac Group for Investigating the Accountability of Work Safety Accidents (《融創集團安全生產事故事件責任追究管理辦法》) to provide contractors with basis for the safety management in the process of construction. For each property region and project, the Group establishes the safety leading group and the safety management structure consisting of the project department and the contractor, conducts regular safety inspection. In addition, all property regional groups release assessment standards according to the conditions of local projects, such as the Standards of Sunac Shanghai Regional Group for the Assessment of Project Quality and Work Safety Management (《融創上海區域集團工程品質及安全生產管理考核辦法》) and the Work Safety Accountability and Assessment Measures of Sunac South China Regional Group (《融創中國華南區域集團安全生產責任制及考核辦法》), reviewing the safety management of projects, conducting performance evaluation on regular basis, improving the safety management level and preventing accidents by high standards and strengthened management.

Case Work Safety Month (安全生產月)

In 2020, the Group launched the activities of "Work Safety Month (安全生產月)" nationwide, worked with contractors to strengthen the awareness of work safety redline, eliminated any potential risks and built the safety defense line.

2020 Nationwide activities of "Work Safety Month (安全生產月)" – Project of Zhengzhou Central Plains Chenyuan (鄭州中原宸院項目)

2020 Nationwide activities of "Work Safety Month (安全生產月)" – Project of Qingdao Sunac Victoria Bay Courtyards (青島融創•維多利亞灣項目)

In the agreements with contractors, the Group sets clear provisions that contractors must prepare safety emergency response plans, implement the emergency response plans and conduct emergency drills. At the project level, contractors must establish the Emergency Contact List of Local Emergency Departments (地方應急部門緊急聯絡清單) to ensure that emergency response can be initiated rapidly in the case of emergency. The Group and contractors provide safety and emergency trainings to employees on regular basis, and offer "Engineering Lectures" online classes to explain the safety knowledge through convenient means. Meanwhile, the Group and contractors provide employees with appropriate working clothes, safety helmets, safety shoes and personal protective equipment, and help employees to correctly wear these protection equipments. In 2020, the Group launched 16,713 education activities, 2,645 trainings and 1,051 emergency drills.

2. **Project Operation**

Consistently upholding the principle that safety is the foremost important, the Group establishes a comprehensive safety management system in the property management and culture & tourism project operation.

The Service Group has obtained the ISO45001:2018 Occupational Health and Safety Management System certification, and formulated the EHS Implementation Standards of Sunac Services (《融創服務EHS執行規範》) based on the property EHS management concept. The Service Group mitigates potential accidents and environment and health risks with systematic regulations and prevention management mechanism and conducts the identification of the source of danger regularly to identify the source of danger and work out countermeasures. In addition, the project management departments of the Service Group in various regions check the implementation of management standards by each project regularly and assess the health and safety performance of each project.

The Culture & Tourism Group establishes a comprehensive safety management system, and formulates the Work Safety Accountability for the Construction Period of Sunac Culture & Tourism Group (《融創文旅集團建設期安全生產責任制》). At the headquarters of the Culture & Tourism Group and the culture & tourism city level, the group establishes the safety management leading group and clarifies the functions of each level. The Group also develops over 20 sets of safety supervision and management regulations for the operation period, such as the General Safety Regulations for the Operation Period of Sunac Culture & Tourism Group (《融創文旅集團運營期通用安全工作管理規定》) and the Measures of Sunac Culture & Tourism Group on the Safety Inspection and Management for the Operation Period (《融創文旅集團運營期安全檢查管理辦法》). From the construction stage to the operation stage, these regulations cover the management processes such as setting safety goals, management planning, measure implementation and management improvement, realize the closed-loop management and help culture & tourism cities to identify risks and review safety risk control measures. On the basis of actual conditions of local companies, each business type prepares the emergency response plan and the annual emergency drill plan, organizes emergency drills on regular basis, offers training and education to safety personnel to improve their safety management level, and sets up the accident accountability mechanism, thereby improving the safety management performance in an all-round manner.

3. **Workplaces**

The Group posts safety and exit signs at the appropriate places within the workplace and plans the evacuation route. In accordance with the Employee Handbook 2020 (《員工手冊二零二零版》), the Group requires employees to learn about the safety signs, the location of exits and the evacuation routes, and to protect fire-fighting facilities and safety equipment.

The Group organizes work safety education and first aid training for employees on regular basis, and equips employees with necessary first aid knowledge. The Group also sets the emergency response plan and organizes employees to conduct emergency drills on regular basis.

When the country was fighting the COVID-19 pandemic in 2020, the Group coordinated the resources and purchased masks, infrared thermometers, disinfectant and other materials for epidemic prevention and control. It closely monitored the health condition of employees, provided employees with masks for free, adopted facial recognition and mobile phone clock-in instead of the contacting fingerprint clock-in, and promoted the epidemic control education nationwide to help employees know more about the fight against the virus. At the China Real Estate Innovation Conference held on 29 September 2020, the Group won the honor of "Top50 Best Employers for Epidemic Care (疫情關懷最佳僱主TOP50)" and ranked the first.

(VII) Development and Training

The Group builds a broad development platform for employees. On the basis of employees' working experience, area of specialization and career development expectations, the Group provides employees positions that can promote their growth, builds a training system that is beneficial to employees' development, and provides smooth career development path and comprehensive multi-layer trainings, therefore continuously improving the endogenous capacity of the organization and growing and developing together with employees. The Group sets up the dedicated talent development section, the "SUNAC Academy", from its headquarters to all property regional groups and business groups, to offer employees appropriate training and support that are necessary to growth based on their rank, working experience, area of specialization and personal interest. The SUNAC Academy further developed in 2020, and provided employees with higher-quality and diversified trainings, making the training method and scenario more flexible and diverse and better supporting the growth and development of employees and the organization.

In 2020, trainings of the Group covered all employees. The Group offered offline and online trainings according to the needs of employees, which included:

- **Season 7 Sunac Creators :** It created the record of 2,000 participants attending the online training in the Group, with 151 sessions arranged nationwide and 6 theme-based discussions. The one-month Sunac Creators induction training promoted the rapid growth of participants through senior management's exchanges, mentors' career development guidance, masters' business guidance, predecessors' Baton Plan (接力棒計劃), business course trainings and challenging task trainings;

- **Legend Training:** A complete cycle of cultivation strategy targeted at 1,500 sales legends has been established to provide cultivation and advanced development programs specific for real estate marketing elites;

- **Season 4 Sunac Creators SMART Training:** The advanced training targeted at the Season 4 Sunac Creators who have been employed for three years. In addition to the training on the whole process of real estate development, the Group also established the Master Coaching Program, and selected outstanding creators with great potential for the rotation training;

- **New Employee Training:** The Group provided new employees with training programs on the Group's strategy, culture, products, business operations and system requirements, helped new employees to adapt to the working environment quickly, enhanced their professional skills, and deepened their understanding of the Group's culture and systems;

- **Specialized Business Line Courses:** On the basis of the strategic business indicators, the program coordinated with different business lines to establish and improve the professional course system, accomplished the training of internal trainers, and selected top-quality courses, to help the learning of employees of different business lines and improve their professional abilities;

- **Leadership Training:** The Group regularly organized systematic management trainings, senior management's coaching and exchange activities, such as the Icebreaker Program (破冰計劃), the Thousand Talents Program (千競計劃) and the Hang Series (航系列), to enhance management personnel's control on the management process, improve their strategic planning capabilities, and deepen their understanding of the practical work;

- **Training for Reserve Talent:** The Group organized in-depth case studies, strategic analysis, management research and corporate cultural exchanges for core talents on a regular basis. All training courses were delivered by the chairman of the Board, presidents and vice presidents to improve the reserve talents' understanding of corporate strategies, expand management horizons and thinking and enhance the construction of corporate culture;

- **Sunac Star Program:** The program aimed to select outstanding college graduates for the Services Group, and cultivate highly-qualified and highly-capable management talents with high sense of identity who meet the Service Group's requirements on future development through a series of enabling trainings, "theory courses + task-based training + practice training + intensified training";

- **Le Creators Development:** The training aimed to cultivate the middle and senior management and business successors of the Culture & Tourism Group. "Le Creators" were assigned challenging tasks in the practice by the Culture & Tourism Group, which, coupled with the diversified business experience sharing, face-to-face discussions with the senior management and other activities, contributed to the growth and ability improvement of Le Creators.

Season 7 Sunac Creators –
Senior management's exchange

Leadership Training –
Icebreaker Program (破冰計劃)

Attaching great importance to the digitalized talent management, the Group upgrades the talent management system with innovation and continues to provide digitalization schemes that are fit for the requirements of employees and the organization. By building the online talent development system, the Group effectively promoted the upgrading of talent cultivation to enable employees to get knowledge resources in a convenient way and advanced the building of learning organization to offer employees plenty of online learning opportunities. In 2020, the Group launched 3,778 courses cumulatively on the online platform to encourage employees' self-regulated learning.

Key Performance Indicators of Development and Training

		Number of Employees Trained	Percentage of Employees Trained (%)	Average Training Hours (hours)
Total number of employees trained		**64,436**	**100%**	**49.4**
Gender	Male	37,305	100%	47.7
	Female	27,131	100%	51.7
Rank	Upper level managers	404	100%	29.7
	Mid level managers	3,445	100%	54.5
	Primary level employees	60,587	100%	49.2

(VIII) Labor Standards

The Group strictly follows the laws prohibiting child labor and forced labor, formulates and implements the Induction Management Regulations (《入職管理規定》). All subsidiaries of the Group prohibit the employment of child labor and any form of forced labor. In the induction of new employees, the internal HR system verifies the identity information and ensure that the ages of new employees satisfy the requirements of relevant policies. The Group did not identify any employment of child labor and forced labor in 2020.

V. Passion for Perfection • Creation of Better City

With the brand philosophy of "passion for perfection", the Group is committed to providing complete solutions for Chinese families to enjoy a better life through high-quality products and services and integration of high-quality resources, and promoting the high-quality development and progress of China's cities.

(I) High-quality Products and Services

The Real Estate Group – Leading High-end Lifestyle Provider in China

1. Product Quality Control

The Group formulates the control document, the Quality Internal Control System (《質量內控體系》), in accordance with relevant national quality standards to provide clear guidelines for the implementation of product quality management. The control policy covers the whole process from raw material selection, product construction to product decoration, aiming to ensure better product quality. For the building material quality management, the Group develops the Rules of Sunac Group on the Inspection and Management of Engineering Materials (《融創集團工程材料檢查管理規定》) and the Engineering Material Inspection System (《工程材料檢查制度》) to manage the utilization of engineering materials in each project, and conducts supervision by sudden unannounced inspection of engineering materials to guarantee the quality of materials entering construction sites; for the construction, the Group further promotes the application of "Sunac Intelligent Construction (融創智造)" intelligent project management platform to each project, monitoring and managing the whole process of construction and establishing all-dimension construction management system based on node acceptance.

Case Sunac Intelligent Construction (融創智造)

The Group consistently adheres to the concept of "high product quality standards (產品高標準)" and "quality underscores high value (品質點亮價值)". To ensure the quality of building products, based on management requirements for each project, the Group initiated the project management informationization program in 2018 and launched the online Sunac Intelligent Construction management platform 2.0 in 2019. In July 2020, the Group released Sunac Intelligent Construction 3.0, realizing all-dimension project management in relation to construction unit, supervision unit, the Group, property management and third-party assessment agencies, integrating the modules covering quality, safety, progress, assessment, delivery inspection and comprehensive management into the online platform, and building three "checkpoints" for quality control:

- Relevant modules including material determination, material site acceptance and third-party material inspection cover the whole process of material management, and serve as the first "checkpoint" of quality control;
- The modular functions, such as process sample, delivery sample, process acceptance, actual measurement and daily inspection, provide online management tools, strengthen supervision during construction and serve as the second "checkpoint" of quality control;
- The modules such as process assessment, house inspection, property take-over inspection and delivery assessment review the quality of the project from the perspective of customer and serve as the third "checkpoint" of quality control.

In 2020, the Group completed 139,000 batches of material acceptance, 1,016,000 batches of process acceptance, 532,000 batches of actual measurement, 126,000 batches of pile foundation acceptance, 29,000 machine inspection and maintenance actions and 103,000 batches of safety acceptance. With the delicacy management of information-based management software, the Group improves the operation and control ability, realizes online closed-loop management of project construction, further reduces the safety and quality risk of products, truly improves the quality of projects from all dimensions and creates a better life with intelligent technologies.

The Group requires contractors to conduct construction in strict compliance with agreement provisions and relevant standards and regulations, and to establish the internal self-inspection system. The project management departments at all levels, including the headquarters of the Group, the property regional platform, the property city platform, the project conduct regular quality inspections to all construction projects. In addition, the Group formulates the Third-Party Assessment Management (《第三方評估管理制度》), and engages independent third-party professional assessment agencies to assess on regular and irregular basis in the course of construction, evaluating the quality of projects by regular and digitized assessment.

In the delivery stage, building repair engineers of the Group conduct internal inspection on each house in all aspects from product quality, sensory quality to functions, and finish the improvement in respect of issues identified before the delivery, thus improving the delivery quality.

2. Urban Renewal Project Practice

After years of sound development, the Group has the comprehensive ability to integrate urban development and industry. In 2020, the Group upgraded its positioning from "integrated service provider that provides Chinese families with a better life (中國家庭美好生活整合服務商)" to "Co-builder of a Better City (美好城市共建者)", and fully participated in China's initiative of building better cities by relying on the synergy of business segments and through creating industrial engines, building better communities and actively attending charity activities.

Case Shijiazhuang HOPSCA Center (石家莊融創中心)

Located at Yuhua District, Shijiazhuang City, Shijiazhuang HOPSCA Center (石家莊融創中心) primarily covers the old Jiacun Village, with 8,890 villagers and more than 2,000 households. Included into the scope of urban redevelopment in 2010, the project commenced construction in 2016 and intends to build a composite functional community integrating segments of residence, business, office and hotel, with primary and middle schools, kindergartens, nursing homes, recreation centers, park and green space, which will form a comprehensive public supporting system together with the surrounding public facilities. So far, the project has delivered Replacement Property I, Commercial Property I and the supporting kindergarten and school.

The project follows the sustainable development strategy highlighting green ecology and intelligent technology, gradually builds the new integrated community lifestyle incorporating industry & city integration, livable environment, comprehensive supporting facilities, and environment-friendliness and low carbon. Upon completion, the project will become the regional financial and technology center with comprehensive functions. Under the improved modern city service system, the project creates high-quality open spaces that allow high engagement, builds a characteristic region with distinctiveness, and shapes a diversified city interface. In the meanwhile, the project can make a contribution to the city renewal by realizing the old village redevelopment vision, improving the living environment of villagers and the life quality, and promoting the economic development, transformation and upgrading of Yuhua District.

Panoramic view of Shijiazhuang HOPSCA Center (石家莊融創中心)

Business of Shijiazhuang HOPSCA Center (石家莊融創中心)

Case Taiyuan HOPSCA Center (太原融創中心)

Taiyuan HOPSCA Center (太原融創中心) is located at the south of Nanzhonghuan Street, facing Changfeng-Qinxian Business District seating in the north and the thriving Longcheng New Area in the south. The project primarily covers Yinjiabao Village, and the total area of the redevelopment land is 306.44 mu, affecting 427 households and about 2,220 villagers. The planned gross floor area is more than 1 million m^2, and 4,443 residential units will be built.

According to the city development plan, the project is going to build 2 kindergartens, 1 primary school, 7 community service stations, 4 recreation centers, 7 community sports facilities, 2 community service centers for the elderly, 2 markets and 66,000 m^2 of business and office space. Upon completion of the project, it will provide local citizens with plenty of job opportunities and the commercial atmosphere of the region will also be revitalized. Relying on the complete life-supporting facilities, the project will create a new living standard, bring more possibilities of a better life and unveil the curtain of bustling city life.

Taiyuan HOPSCA Center (太原融創中心)

Taiyuan HOPSCA Center (太原融創中心)

The Service Group – Chinese Quality Life Service Expert

With its service vision of "commitment to excellence and beauty (至善，致美)", the Service Group is committed to becoming the first choice of Chinese families for "quality life service provider". Adhering to the core principle of serving customers and the original intention of creating a better life, the Service Group has built the "Livable Community Life Services System (歸心全生活服務體系)" to meet the needs of customers for better lives with "families, lives and friends (有家、有生活、有知己)". The Service Group insists on offering customers high-quality property management services and provides customers with a safe and assuring living environment and diversified life services that cover four aspects of order, environment, engineering and customer services, thereby satisfying life requirements in an all-round manner.

The Service Group has established a complete management mechanism based on three standards, including the ISO9001:2015 quality management system, the ISO14001:2015 environmental management system and the ISO45001:2018 occupational health and safety management system, which enables it to ensure the effective implementation of standards for high quality services through dynamic quality management and control.

The Service Group creates online customer platforms through integrating online and offline resources, and leverages on leading IoT platforms to build intelligent communities that are customer service oriented, thus providing convenience to customers.

Case Intelligent Communities

In response to the national policy guidance regarding digitalization and informatization promotion, the Group actively explores the practice of digital community construction. In 2020, the Group independently developed the Sunac Intelligent Community System and issued the Sunac Intelligent Community System Application Guidelines. In 2021, all the communities to be delivered by the Group will launch the Intelligent Community System to provide residential customers with a more intelligent, convenient and comfortable quality of life.

The Sunac Intelligent Community System adopts a cloud-edge collaboration solution, for which the Group establishes a centralized management platform. The system covers all aspects of the customers' daily life and creates a new generation of intelligent and convenient lifestyle for customers to further enhance product competitiveness through applying various intelligent technologies to integrate various equipment and service resources of existing communities, forming 4 functional modules (car management, pedestrian management, security management, equipment and facility management) which covers a total of 81 application scenarios.

The application of an industry-leading Intelligent Community System platform is conducive to the intelligent interconnection of community equipment and facilities, thus enhancing service efficiency, reducing cost and saving the overall operating expenses of the Service Group.

Example of Intelligent Community System – Wuxi·Amerika (無錫•亞美利加)

Case Online Service Platform Sunac Livable Community (融創歸心線上服務平台)

Sunac Livable Community is an online service platform that offer convenience to customers of the Group for a better community life. Customers can enjoy the diverse and caring services through the mobile phone and raise requirements in a convenient and flexible way, and the community life therefore becomes much easier.

My steward: Get an easy access to the information of the steward, communicate with the steward promptly about the requirements, and provide feedback on the steward's services online.

Online reporting: Upload pictures online and submit the appeal after describing the problem, track the progress in the whole process.

Online payment: Eliminate the complicated steps, pay property management fees and collection fees online and easily, with multiple payment methods available for customers to choose.

Community activities: Register, attend and provide feedback on the series of community/brand activities online, and strengthen the mutual trust and friendship of neighbors.

Online market: Offer online presentation of life services and space services, sell services online, with physical store available offline, guaranteeing the quality of items and offering assuring consumption.

The Culture & Tourism Group – Provider of Happiness for Chinese Family

The Culture & Tourism Group builds the culture & tourism business network from a high starting point, and provides specific entertainment scenarios for different cities to meet the diversified travelling & leisure demands of Chinese families, which mainly include business segments such as Sunac culture & tourism city, Sunac culture & tourism resort and Sunac Aduo Town. The group has the capacity of the entire process from research and development, design, cost, construction, and operation, and the entire industry chain system of culture & tourism projects, and based on which build an industry interconnection platform step by step, aiming to provide more colorful, more diversified and happier services to customers together with its partners.

1. Theme Entertainment Operation and Service Quality

Immersive Visitor Experience

The Culture & Tourism Group has different types of products to fit different customer groups' requirements, including theme park, snow park, water park, ocean park, movie park, sports park and theatres. With the aim of creating happiness and leading the new experience of visitor interaction, it creates new interaction models that combine performance, games and real scenes and achieve the immersive visitor experience. Presenting the innovative theme park to visitors, the group changes the traditional one-ticket park to the open paradise, where visitors do not have to buy a ticket, the entry threshold is lower, and visitors can choose the entertainment items according to their own interest and pay for the activities, which brings visitors and the culture & tourism city closer together. The theme parks vest the rights of choice and decision making in visitors, incorporates the local activities for benefiting the people, and re-defines the new theme park image of fair price, high quality and multiple options.

Case Night-time Entertainment Products of Culture & Tourism Cities

Responding to the country's call for a night-time economy actively, the Culture & Tourism Group develops diversified night-time entertainment products, filling the market blank that parks in China seldom open in the night time, providing students and the working class of cities with after-school and after-work spiritual habitat, and creating night-time entertainment paradise for families. Showing visitors new night-time entertainment models by unique lighting design, wonderful performance and cheaper ticket, the night-time entertainment products attract the attention of a great deal of media and receive positive feedback from visitors. The products cover drone performance, night market, outdoor show, and the theme show ALi's Fantastic Adventure (阿狸的奇幻冒險), which enrich the tourism content and cultural connotation and attract many visitors. In addition, the theme night-time entertainment project, "Ali's World at Night (夜夜夜阿狸)" is awarded "Top 10 Innovation Projects of Integrated Development (融合發展十大創新項目)" by China Tourism Academy (中國旅遊研究院), the professional agency in the industry, and is widely recognized by the industry.

Poster of "Ali's World at Night (夜夜夜阿狸)"


Activity of "Ali's World at Night (夜夜夜阿狸)"

Case Sunac Culture & Tourism "Merry Cloud Travelling (歡樂雲遊)" Project

In the outbreak of COVID-19 in 2020, people staying at home for quarantine were eager to see the "outside world". The Culture & Tourism Group actively explored the development of the online entertainment scenario, further improved the product experience and the service level. In 4 March 2020, the Culture & Tourism Group registered the media account and released "Merry Cloud Travelling (歡樂雲遊)" series videos, displaying the characteristic business types of culture & tourism cities and resorts online. 62 videos were released in 3 months, with about 50 million view counts, bringing the new online tourism experience of enjoying the beautiful sceneries of the motherland without going out.

Youth Education

The Culture & Tourism Group actively promotes youth sports education, and Sunac Snowboarding School (融創滑雪學校) has been established to offer snowboarding education and teaching services to over 100,000 youngsters every year. The snowboarding school insists on strictly controlling the teaching quality and wins the recognition and appraise of the society by its continuously strengthened services and management.

Case Youth Competitive Snowboarding Team

Sunac Snowboarding School establishes a professional teaching and research management team; by continually optimizing the teaching content, it ensures that the teaching content and the teaching method stay in the leading position in the field. To support the development of the snowboarding team, the school conducts a worldwide consolidation of high-quality teaching resources. The software has a strong faculty consisting of coaches of the world champion level, coaches and members of the national high-level sports team. Regarding the hardware, the school further upgrades teaching spaces and supporting facilities including professional gates, professional timer and professional snowboarding equipment. With these resources, the school offers more professional and better-quality platform support to youngsters who like snowboarding and expect to develop further while letting them enjoy the hobby.

Teaching activity of Sunac Snowboarding School

Teaching activity of Sunac Snowboarding School

Case Environmental Protection Theme Education Activity of the Ocean Park

When visitors are having fun in Sunac culture & tourism cities, the Culture & Tourism Group not only provides wonderful and interesting entertainment experience, but also conducts a series of environmental protection education, hoping to promote the concept of environmental and ecological protection and harmony between human and the nature to visitors by the form of fun science.

In 2020, the Culture & Tourism Group produced and released four environmental protection theme videos in the ocean parks of culture & tourism cities, and the direct promotion covered about 46 million visitors. It released 1,350 fun science articles related to the protection of marine species through the WeChat official account, and the page view totalled 17 million.

The design of ocean parks incorporates the promotion of marine species knowledge and the concept of protecting marine animals and the marine environment. The marine species exhibition area and the environmental protection theme promotion area provide every visitor with detailed knowledge of rare marine species, which, coupled with the delicate marine species interactive presentation, make learning fun and disseminate marine knowledge.

Every ocean park also receives primary and middle school students who attend the out-of-school activity themed "learning about the ocean and protecting the marine environment", which explains marine knowledge and promotes the concept of protecting the ocean. In 2020, the Culture & Tourism Group launched 256 marine environmental protection theme research activities nationwide and received 390,000 special research personnels, fully developing the positive role of ocean parks in disseminating marine knowledge and improving the awareness of marine environmental protection.

Safety of Consumers

The Culture & Tourism Group establishes a comprehensive safety management system, sticks to the redline of protecting the health and safety of consumers. On the basis of the characteristics of each business type, the Culture & Tourism Group develops the safety management system for the operation period, which includes the General Safety Regulations for the Operation Period of Sunac Culture & Tourism Group (《融創文旅集團運營期通用安全工作管理規定》) and the Safety Management Measures of Merchants (《合作商戶安全管理辦法》). The Culture & Tourism Group identifies the source of risks for different business scenarios and determines the risk prevention focus, such as the large entertainment equipment of theme parks, the sports activities in the system parks including the snow park and the water park, and the kitchen management of catering merchants in the business type. Then the Culture & Tourism Group develops the special control management measures and actions by taking account of the risk factors, and reviews the implementation of the management measures and actions on a regular basis. The Culture & Tourism Group strives to eliminate the unsafe conditions of venues and equipment with the complete control management measures, and reduces unsafe behaviors through education and supervision, thus minimizing the potential safety risk consumers are exposed to.

2. Quality of Business Services

The Culture & Tourism Group is committed to providing merchants and customers with malls with high-quality services. To serve merchants, the Culture & Tourism Group prepares the Merchant Management Handbook (《商戶管理手冊》), which contains the introduction of the mall, notice for merchants, merchant services, property management and safety and emergency measures, helping new merchants to absorb the basic information of the shopping mall comprehensively and rapidly. The Culture & Tourism Group will also help merchants with the analysis of the customer base and the accurate determination of per customer transaction, provide advice on the product category, help realize targeted customer attraction and improve the sales performance of merchants. In serving customers, the Culture & Tourism Group develops the Assistant Handbook (《營業員手冊》) and the Job Specifications for Operation Personnel (《運營人員工作規範》) to standardize the work of employees of shopping malls, and requires them to maintain a good service image, improve service awareness and provide customers with friendly and considerate services.

3. Complex Projects

In the stage where the city development model is changing from urban development to city and industry integration, the Group makes its contribution to industry development and the construction of a better city. While basing on the "Property Development +" layout, the Group achieves a strong synergy of business segments and has the comprehensive ability of urban development and industry integrated operation. The Group hopes that it can leverage the leading advantage in the modern service industry, fulfill more corporate responsibilities and contribute to the construction and development of the local economy. Meanwhile, the Group clearly realizes that citizens have stronger demands for high-quality and subdivided consumption; therefore, it will leverage the advantage of industry strength to satisfy customers' new demands in the new stage. The Group built complex projects covering multiple business segments to better attract different classes of customers and bring diversified experience to customers.

Case Chongqing Sunac Culture & Tourism City (重慶融創文旅城)

Chongqing Sunac Culture & Tourism City (重慶融創文旅城) held a grand opening ceremony in September 2020. With the strong Bashu Culture atmosphere, diverse business types and cross-over fashion elements, it presents the world-class entertainment experience to Southwestern China and the country.

Connecting multi-dimension consumption spaces together by "Open Business Model", Chongqing Sunac Culture & Tourism City (重慶融創文旅城) has diversified business types that include Chongqing Sunac Town, Sunac Mall, the water park, the ocean park, the snow park and the high-end hotel cluster, and is able to meet families' comprehensive demands for catering, accommodation, travelling, sight-seeing, shopping and entertaining. Chongqing Sunac Town is one of the rare open mountainous parks in the country, and has the highest ferris wheel in Chongqing, "Light of Mountain City (山城之光)", and the 8K LED flying ball curtain theater "Flying over Chongqing (飛越重慶)". With a deep fusion of the wonderland and fashion experience and the authentic Bayu nature and culture, the town marks a new achievement of incorporating local culture into a "world-class" entertainment complex.

In the entire process of building an inclusive entertainment scenario for citizens, Chongqing Sunac Culture & Tourism City (重慶融創文旅城) consistently practices the green development concept. In the planning and design stage, it makes the best use of the geographical characteristics, minimizes the damage to the natural vegetation and the soil to prevent soil and water loss, adopts the BIM modelling technology, reasonably utilizes the land resources, and insists on the use of green building materials including ready-mixed concrete and green building technology such as prefabricated buildings to save building materials. In the construction period, the project adopts high-efficiency machinery equipment, variable frequency technology and energy-efficient facilities and equipment to conserve resources and reduce energy consumption, which includes electricity sub-metering, centralized air-conditioning cool/hot water system and air-to-air recovery. In the project operation stage, the project controls the work of ventilators by monitoring the indoor CO_2 (carbon dioxide) concentration and the CO (carbon monoxide) concentration in garages. It adopts the special acoustical design for theatres and hotel cluster to ensure the quality of indoor environment. Meanwhile, flue-gas generated by the boiler and the diesel consumption during the operation is subject to high-altitude emissions; kitchen fume is emitted after the treatment of fume purification devices; catering waste water is discharged after being treated by the biochemical pool. The project also installs a biological deodorization system at the waste collection point to ensure environment-friendly emission. For water conservation, the project adopts efficient water-saving irrigation methods including sprinkler irrigation, drip irrigation and infiltrating irrigation, and selects water-saving sanitary ware, thus realizing water management from construction to operation stage.

Chongqing Sunac Mall (重慶融創茂)

(II) Customer Communication and Privacy Protection

1. Customer Communication

The Group establishes the dedicated customer relation department to conduct whole-process management on the service quality, conducts risk assessment and control in every stage such as project research and design, marketing, completion and delivery, and adopts following measures to improve customer service experience:

- **Customer service sharing center:** Establish 400 customer service hotlines and customer service sharing centers, handle online customer service requirements through unified service process and standards;
- **"Sunac Club (融創會)" online operation platform:** Offer customers one-stop and whole-cycle online services through the WeChat official account, including maintenance reporting and activity registration;
- **Construction site opening:** Invite customers to visit construction sites to know about the actual progress of construction, thus reducing residents' doubts about the delivery;
- **House inspection:** Conduct internal inspection to every house in all aspects from product quality, use functions to sensory quality;
- **Maintenance and follow-up:** Urge the construction unit to conduct maintenance in the warranty period, communicate with customers in a timely manner about the maintenance progress and guarantee the maintenance effectiveness;
- **"Sunac Friends (融創老友季)" activity:** Adopt the theme "Sharing Beautiful Life with Friends (美好生活，老友同享)", consolidate resources of the four segments, real estate, services, culture & tourism, and culture, to provide customers with favorable prices for business resources.

2. Customer Complaint Management

The Group formulates and implements the Customer Complaint Management Measures of Sunac Group (《融創集團客戶投訴管理辦法》), and establishes customer complaint channels including 400 customer service hotlines, service supervision hotlines, complaint email, Sunac WeChat official account, Sunac Livable Community APP and Livable Community Service Center (歸心服務中心). A customized System of Sunac Customer Relationship (融創客關系統) was developed, which enables complaints to be recorded, saved, assigned and audited online and dedicated personnel to be assigned promptly to investigate customer complaints in accordance with stipulated service process and standards and follow the treatment in a timely manner. By doing so, it makes sure that the whole process is trackable and the result is acceptable. In 2020, the Real Estate Group's response rate for complaints within one hour was 99.1%.

3. Satisfaction Survey

In accordance with the Customer Satisfaction Survey Planning Scheme (《客戶滿意度調研規劃方案》) and the Principle of Sunac Group on Customer Relation Management and Key Work Requirements for 2020 (《融創集團二零二零年客戶關係管理思路及重點工作要求》), the Group engages a third party to conduct an annual customer satisfaction survey in respect of the residential projects of the Group, the scope of which covers the whole-cycle services from signing contracts to delivery. In addition, the customer "Touch Point Survey System (觸點調研系統)" developed by the Group is to be put into service, which can realize survey, collect opinions and feedback of customers in real-time, address the issue immediately and improve customer satisfaction. In 2020, the Group engaged a third-party company to conduct customer satisfaction survey, and the overall customer satisfaction was scored 91, leading the industry.

4. Privacy Protection

While strictly observing the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) and relevant laws and regulations, the Group formulates the Rules of Sunac Group on the Management of Customer Service System (《融創集團客戶服務系統管理規定》) and the Customer Data Management Regulations of Sunac Group (《融創集團客戶數據管理制度》), setting standards and requirements on the use of customer information, thus reducing the customer information security risk. The Group strictly manages the customer information and the inquiry authority by informationized means. It conducts real-time monitoring and handles exceptional data access, continuously strengthens the education on customer information confidentiality, and improves the employees' awareness of information protection.

(III) Marketing and Advertisement Management

The Group strictly complies with the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Provisions on the Release of Real Estate Advertisements (《房地產廣告發佈規定》) and local policies and regulations, carefully reviews the content of advertisements, makes sure that advertisements are true, legal and accurate, and avoids advertisements containing seriously distorted contents.

The promotion materials and the promotion statement at the sales venue of all projects can only be used after being reviewed and signed by the customer relation department, the legal control center and relevant business departments of the Group. Before the sales of a project commence, the Company organizes relevant departments to offer product training to sales consultants, convey project highlights, unfavorable factors and other information accurately to all sales consultants, who are allowed to engage in the sales activities only when they pass the appraisal after the training. In the sales activities, all projects must disclose the adverse conditions, the notice for special and different house type, and other relevant information. When communicating with customers, sales consultants must inform customers of the adverse conditions and relevant information, which must be confirmed by customers.

(IV) Intellectual Property Protection

The Group attaches importance to safeguarding its intellectual property and corporate reputation. It establishes a comprehensive intellectual property management mechanism, and the legal control center coordinates the intellectual property matters of property regional groups, city companies and project companies as well as business groups in various places in the ordinary course of business. The Group's intellectual property protection work includes but not limited to:

- **Applying for trademarks and other intellectual property:** Apply for trademarks and other intellectual property according to the promotion names that regional project companies use, to ensure they obtain the effective legal protection;

- **Monitoring similar trademarks and applying for trademark opposition/invalidation:** Monitor trademarks similar to "Sunac" and "SUNAC" on regular basis, and apply for trademark opposition, invalidation or revocation in respect of such similar trademarks;

- **Responding actively to others' application for trademark opposition/revocation:** In the case that others raise the application of trademark opposition or revocation against the Group, the legal control center organizes business departments to collect evidence and defend actively to protect the Group's trademark right;

- **Protecting the trademark right proactively:** To protect the trademark right from being infringed, the Group conducts special investigation in the trademark right infringement and the unfair competition on regular basis. For the case of infringement, the Group protects its legitimate rights by negotiating with the infringing party, reporting to the industrial and commerce administration department for investigation and punishment, and filing a lawsuit;

- **Establishing and improving the intellectual property management system:** Formulate the trademark management system, the standard on project names, the standard on the use of font copyright, and other rules and standards, and work out the project name review guidelines and the guidelines on protecting the trademark right by considering the business requirements.

In 2020, the Company did not receive any penalties with respect to intellectual property rights.

(V) Supply Chain Management

To realize win-win cooperation with suppliers and promote the sustainable procurement concept, the Group formulates the Supplier Management Regulations of Sunac Group (《融創集團供應商管理規定》) and adopts the SAP supplier management system to achieve effective supplier management. Meanwhile, the Group assesses the suppliers on a regular basis from the aspects of contract performance, product and service quality, environmental protection and safety. Reviewing the performance of suppliers, the Group talks with those who do not perform well or fail to meet the standards and requires them to make improvement, and terminates cooperation with those triggering the blacklist.

Regarding the labor and business ethics of suppliers, the Group formulates the Supplier Code of Conduct (《供應商行為守則》) and discloses the key code provisions on the Company's website http://srm.sunac.com.cn/xwzz, requiring all suppliers to fully respect human rights, prohibit all forms of forced labor, strictly observe the provisions of laws and regulations in relation to the minimum age for employment, and adopt effective measures to prevent corruption, fraud and deceit. For suppliers who breach the Supplier Code of Conduct, the Group will take corresponding measures according to the terms of agreement and may remove them from the supplier base depending on the circumstances.

The Group values the environment-friendliness of materials adopted, prefers materials that are more environment-friendly, especially the materials with environmental certificates granted by third parties. It makes sure that the relevant procurement complies with specific environmental standards, and clarifies the environmental requirements on the products in the procurement agreement signed with the supplier. The Group also engages third-party testing agencies to conduct random inspections on certain materials, to ensure that the adopted materials meet national environmental requirements. As at the end of 2020, more than 52% of suppliers of the Group had the ISO 14001 Environmental Management System certification, more than 50% of the suppliers had the ISO 45001/OHSAS18001 Occupational Health and Safety Management Systems certification and more than 61% of the suppliers had ISO 9001 Quality Management System certification.

Region	Number of suppliers
Mainland China	20,795
Hong Kong, Macao and Taiwan	24
Overseas regions	57
Total	**20,876**

(VI) Integrity Operation

The Group strictly follows the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and other relevant laws and regulations in relation to business ethics. It establishes the internal audit and supervision committee under the direct leadership of the Chief Executive Officer, which is mainly responsible for internal audit, anti-fraud investigation, integrity culture construction and transferring cases to the judicial authorities. The Group develops such regulations as the Internal Audit Regulations of Sunac Group (《融創集團內部審計規定》), the Regulations of Sunac Group on Internal Control Management (《融創集團內控管理規定》), the Regulations of Sunac Group on the Management of Audit Punishment (《融創集團審計處罰管理規定》), the Regulations of Sunac Group on the Management of Integrity Work (《融創集團廉潔工作管理規定》). It holds the zero-tolerance attitude to actions in breach of business ethics, prohibits any forms of bribery, blackmail, deceit and money laundering, requires all employees to comply with laws and regulations and hold the integrity and ethics baseline firmly in the ordinary course of business. The Group also continuously promotes the construction of supervision function, and intensifies judicial investigation and punishment on illegal activities that damage the interest of the Company.

The Group actively participates in the anti-fraud work of the industry, and is a member of the Enterprise Anti-fraud Alliance. It joined the Trust and Integrity Enterprise Alliance in this year, and establishes the supplier blacklist and the anti-corruption alliance blacklist, helping the industry to build a clean environment.

1. Employees Integrity Construction

The Group actively promotes the construction of integrity culture, formulates the Code of Business Conduct for Employees (《員工商業行為規範》), discloses the key code provisions on the Company website http://report.sunac.com.cn:8899/conduct/pdfjs/web/viewer.html, and also requires all employees to sign the Employee Integrity Agreement (《員工廉潔協議》). The provisions state that (i) employees must not ask for or receive rebates, commissions, gifts, negotiable securities, valuable items, facilitation payments and gratitude fees from business-related units; (ii) must not allow business-related units to reimburse the fees that should be borne by employees themselves; (iii) must not exchange the Company's business secrete with any entity or person for business interests; (iv) must not take part-time jobs in other companies without the consent of the Company; (v) must not have stakes in business-related units and receive dividends thereof; and (vi) must not borrow money from business-related units or persons for any reasons.

Furthermore, the Group sets strict requirements on employees' declaration of connected relationships and the review and approval of the relevant businesses, specifying the content of the declaration of connected relationships, the declaration channels, the work and procedures of reviewing and approving the businesses connected with such employees. Employees need to declare or update the relationships through the internal system in a timely manner, and the Company will organize all employees to update and confirm the connected relationships every year.

2. Anti-corruption Training

The Group provides all employees and Directors with anti-corruption trainings through live streaming and offline courses. In 2020, the Group offered 94 sessions of integrity training, with a total of 60,041 hours.

The Group closely monitors the key nodes, sets clear disciplines, strengthens the awareness of the rules, and sends notices of clean festivals to remind employees to hold the integrity and compliance baseline when important festivals are approaching.

3. Supplier Integrity Construction

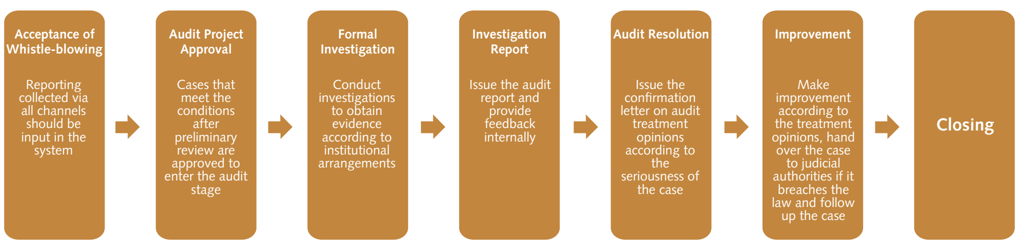
The Group further improves the Supplier Integrity Agreement (《供方廉潔協議》), and requires all partners to sign the agreement and observe the relevant provisions. In the course of bidding, the Group clarifies the integrity requirements to suppliers, announces complaint channels and punishment measures for violations, and accepts the supervision of suppliers. The Group also regularly offers suppliers online and offline integrity training to strengthen the suppliers' integrity awareness and establishes clean cooperative relationship.

Case Integrity Training

During this year, the Group offered online and offline integrity trainings to key suppliers, reiterated the integrity agreement and punishment standards, reviewed the fraud cases and promoted the whistle-blowing channels. It offered the special integrity training themed Hard Work Brings a Better Life and Self-discipline Makes You and Me Better – Be a Partner with Clean hands (《奮鬥成就幸福自律成就你我－做風清氣正的合作夥伴) to some key regional general contractors and project managers of decoration and landscape units.

4. Handling of Whistle-blowing

The Group formulates the Regulations of Sunac Group on the Complaint and Whistle-blowing Management (《融創集團投訴舉報管理規定》), establishes channels for complaints and whistle-blowing, and improves the whistle-blowing handling procedure management. The Group has opened multiple channels, including the Company's website, hotline, email and WeChat official account, to receive anti-corruption complaints and whistle-blowing, and sets up the complaint whistle-blowing incentive mechanism. The internal audit and supervision center of the Group appoints specialists to deal with complaint and whistle-blowing matters. After receiving complaint or whistle-blowing, specialists review the nature of the matter and make judgement within 24 hours, and track the progress and result of subsequent works. The regional internal audit and supervision department must input the complaint and whistle-blowing received through regional channels into the system within 24 hours, track the subsequent investigation and processing, report the result on the complaint and whistle-blowing platform in a timely manner. Illegal activities that seriously damage the Group's interest will be transferred to judicial procedures. The implementation of the Group's whistle-blowing and the relevant audit procedures are set out below:



The Group keeps the information of the whistle-blower and the content of whistle-blowing in strict confidentiality, takes strict precautions against all acts of threatening, attacking and revenging upon the whistle-blower, and sets the Detailed Rules of Audit Punishment (《審計處罰細則》). If there occurs any leakage of whistleblower information, the Group will impose strict punishment on the basis of the seriousness.

VI. Solidarity and Cohesion • Creation of Happy Community

Upholding the development philosophy of "better life and corporate citizenship", the Group is devoted to charity activities, focusing on the three major fields, education support, architectural heritage conservation and rural revitalization, and continuing to implement charity projects. Since the establishment of Sunac Foundation (融創公益基金會) in 2018, the Group joins hands with employees, residents, professionals and business partners to participate in charity activities, establishes the long-term charity mechanism, continuously promotes the innovation-driven development of public welfare undertakings, and facilitates the sustainable development of man and nature, and man and society. In 2020, facing the COVID-19 pandemic, the Group got prepared and took proactive epidemic control measures, and all business lines responded actively to the country's epidemic control and emergency policies. It set up the epidemic control leading group to take charge of the epidemic control, gathered all strength, consolidated resources, guaranteed the health and safety of employees and customers, and worked together with the society to overcome difficulties.

In 2020, the Group made about RMB550 million of cumulative donations to the public welfare undertakings.

(I) Saplings Charity Program

The Saplings Charity Program is an integrated program of poverty alleviation through education and the Group helps achieve balanced allocation of urban and rural education resources and facilitates the development of children in poverty-stricken regions by combining its own resources. Since 2015, the Group has partnered with 56 rural schools in 17 provinces across China and supported the construction of 1 primary school in Daliang Mountain, Sichuan. In addition to continuous investment in the construction of hardware facilities and donation of the Love Book Houses, the Group has created the student aid and education support model "one-in + one-out + comprehensive visit (一進+一出+全面探訪)", in consideration of its cultural & tourism and cultural resources, thus providing diversified support to more than 10 thousand children in poor areas in a deep, long-term and sustainable manner.

In 2020, the Group fully developed its resource advantage to launch wonderful and unique activities, such as sports star tennis lessons, dormitory renovation, donations to Saplings Book House and donations of school supplies. While keeping the classical activities, the Group developed new ways of activities to make the education support more diversified and interesting, which created more space for the future development of Saplings Charity Program.

(II) Rural Revitalization Program

The Rural Revitalization Program is a comprehensive poverty alleviation program that integrates cultural & tourism focuses, industry promotion, cultural activation and educational assistance. Respecting the original style of villages, the Group leverages the industry advantage to create culture characteristic villages, cultivate the internal driving engine, establish the sustainable development model, and create a beautiful lifestyle of urban-rural integration and a model for rural revitalization. So far, the Group has been focusing on the poverty alleviation of 21 villages in 13 provinces, which include Longtang Village, Leishan County, Guizhou Province, Wanzhuang Village, Yan'an City, Shaanxi Province, and Hongwei Village, Xishuangbanna, Yunnan Province.

Case Longtang Village Revitalization Project

In 2018, the Group cooperated with the People's Government of Leishan County of Guizhou Province and the YouChange China Social Entrepreneur Foundation ("YouChange Foundation") in providing support to Longtang Village, Leishan County. In 2020, as the village has overcome the absolute poverty, the program preliminarily established the long-term mechanism for addressing relative poverty and promoting sustainable development:

- **Cultural & tourism focus:** "Longtang Mountain House", the benchmark homestay, was completed, and boosted the development of Longtang characteristic tourism;
- **Industry promotion:** The brand, "Longtang Select", was built in the process of promoting agricultural industrialization;
- **Cultural activation:** The intangible cultural heritage workshop was established, inheriting the intangible culture and improving villagers' cultural confidence;
- **Educational assistance:** The Villager Education Fund was established to improve industrial skills and abilities of community services and cultural inheritance.

Since the project was launched, the revenue of Longtang Village has increased by about RMB4.5 million in total with thousands of visitors being received, which consolidated the achievement of poverty alleviation. In the future, the Group will also make full use of its industrial advantage to build village revitalization models continuously.

Handover ceremony of the targeted poverty alleviation results of Sunac China – YouChange Foundation in providing support to Longtang Village

Benchmark homestay "Longtang Mountain House"

(III) Shanzhu China Program (善築中國計劃)

The Shanzhu China Program (善築中國計劃) aims to protect China's traditional architectures and inherit the traditional architectural culture. Leveraging the Chinese product R&D strength and experience, the Group selects historic architectures with culture codes, helps with the restoration, recovers the cultural features of historic architectures, making active contribution to the inheritance of Chinese traditional architectural techniques and the talent cultivation, and discovering the new carrier for Chinese traditional architectures.

In May 2020, Sunac Special Fund for the Protection of Ancient Buildings – Tiger Hill Communal Garden (虎丘塔影園) Project was launched. The digitalized restoration of the garden preserves and reconstructs the cultural relics in the digital space, and helps analyze the hidden problems and the corrosion degree of each components of the building, thus making the protection of historic architectures more effective and long-lasting.

In August 2020, China Foundation for Cultural Heritage Conservation – Sunac Special Fund for the Protection of Ancient Buildings • Integrated Innovation Garden Institute Establishment Ceremony and Garden Craftsman Cultivation Program Launching Ceremony was held in Beijing. The Group had discussions with experts of heritage conservation institutions about the protection and inheritance of the gardening skills of classic gardens and the traditional techniques of Xiangshan School, and the fusion of Chinese traditional gardens with natural landscape. The event marked another significant progress of the Group in protecting historic architectures.

Integrated Innovation Garden Institute Establishment Ceremony and Garden Craftsman Cultivation Program Launching Ceremony

First training session of Garden Craftsman Cultivation Program

Making the best Chinese products to realize the dwelling ideal of Chinese people represents the Group's product strategy and its active fulfillment of social responsibilities. As the industry-college-institute integrated innovation charity model gradually matures, the Group will consolidate the city culture and the culture & tourism resources to build the culture IP in the future. Starting from the six modules, basic reconstruction, cultural innovation, digitalized restoration, research-oriented restoration, craftsman cultivation and public education, it will build the fully-ecological historic architecture protection ability with the all-round, comprehensive and long-lasting revitalization model, enable the current Chinese product research and development and incorporate the traditional culture essence into modern lifestyle.

(IV) Sunac Volunteer Alliance

The sand accumulates to form a pagoda; many littles make a mickle. Gather with Sunac, and create a better life. In May 2019, Sunac Volunteer Alliance was officially established to integrate public welfare projects and resources, provide all employees, customers and business partners of the Group with a professional and convenient volunteer platform for participating in charity activities and volunteer services, making charity easily available, integrating charity with beautiful life, and promoting the construction of harmonious society.

The Group attaches great importance to public welfare innovation and focuses on the integration of the advantages of resource platforms, to gather all social forces for building a "public welfare community". Launched in 2019, the "Sunac Public Welfare" sharing platform provides Sunac employees, customers and warm-hearted people with more convenient methods for participating in public welfare activities and the open and sharing public welfare interaction experience, through online and onsite participation channels. At the end of 2020, the platform had a total of more than 70,000 registered users, launching approximately 100 public welfare activities in 45 cities in 23 provinces, which truly gathered the strength of love from the warm-hearted people and enabled more and more people to "participate in public welfare activities readily", conveniently, at any time and anywhere.

Tree planting activity

(V) Environmental Initiatives

The Group performs the social responsibility of environmental protection, actively promotes the environmental initiatives, calls on employees, customers and people from all sectors to protect the environment. The learning of ecological protection knowledge enriches the life of employees and customers, and the Group also plants the environmental protection concept in the heart of more colleagues and makes the contribution to the green development.

Case Little Fish Ocean Protection Program

In June 2020, Sunac "Little Fish" collaborated with Blue Ribbon, the first non-governmental organization for ocean ecology protection in China, to deliver ocean protection lectures to children of customers, helping children understand the significance of ocean protection. In the event, "Sunac Little Fish Ocean Protection Volunteer Service Team" was established with the flag-giving ceremony, at which the "Ocean Guard" certificate was awarded, to engage in the ocean protection charity move for protecting the ocean ecology.

300 children of customers accomplished the challenge of "Drawing a Scroll of the Ocean" at Zhoushan Beach, which, according to the on-site review of WRCA (World Record Certification Agency, the only world record certification agency in the world) official staffs, covered an area of 300 m^2, being "the world's largest ocean protection theme picture drawn by children".

Activity of "Drawing a Scroll of the Ocean"

(VI) Fighting Against COVID-19

The sudden outbreak of COVID-19 in 2020 was the greatest challenge to the health and well-being of humankind. After the outbreak, the Group took the lead in donating RMB110 million to Wuhan, waived 36-day rents for all stores of the business projects in culture & tourism cities. In the meantime, the Group established the epidemic control system consisting of three lines, group-level joint control, community epidemic control and living guarantee. It launched the special scheme for recruiting children of "Anti-epidemic White Angels", the special care activity to pay tribute to medical staffs who went to Hubei to fight at the frontline, and the action to help farmers. It also supported industries hit hard by the pandemic to overcome difficulties and promoted the resumption of work.

In April 2020, Sunac signed the donation agreement with Sun Yat-Sen University (SYSU), donating RMB35 million to SYSU through Sunac Foundation to establish "SYSU Sunac Public Health Development Fund", achieving the industry-university cooperation to promote the development of China's public health education. In the hard time when the country was fighting against the virus, the Group strongly supported the development of public health by actively fulfilling corporate social responsibilities, sharing the burden and staying together with society to overcome difficulties.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

Opinion

WHAT WE HAVE AUDITED

The consolidated financial statements of Sunac China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 131 to 259, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

INDEPENDENCE

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

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Assessment of net realisable value of properties under development and completed properties held for sale
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of net realisable value of properties under development and completed properties held for sale	
Refer to note 2.15 of accounting policy of properties under development, note 2.16 of accounting policy of completed properties held for sale, note 5(C) of critical accounting estimates and judgements, note 14 of properties under development and note 15 of completed properties held for sale to the consolidated financial statements. At 31 December 2020, properties under development ("PUD") and completed properties held for sale ("CPHFS") totalled RMB568,684 million and accounted for approximately 51% of the Group's total assets. PUD and CPHFS are stated at the lower of cost and net realisable value with accumulated provision of losses on realisable value amounted to RMB4,470 million as at 31 December 2020. We identified the net realisable value assessment of the Group's PUD and CPHFS as a key audit matter because the determination of net realisable values of PUD and CPHFS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD.	We have performed the following procedures to address this key audit matter: • We obtained an understanding of the management's assessment process of the net realisable value of PUD and CPHFS and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We understood, evaluated and tested the internal control over the Group's process in determining the costs to completion of PUD; • We compared the actual selling price in current year of relevant PUD and CPHFS, on a sample basis, against the result of management's net realisable value assessment made in the prior year to consider, with hindsight, whether management's net realisable value assessment process had been subject to management bias;

Key Audit Matter	How our audit addressed the Key Audit Matter
	• We obtained management's net realisable value assessment on PUD and CPHFS and performed the following audit procedures: (i) Estimated selling price which is based on the prevailing market conditions, we compared the estimated selling price, on a sample basis, to the recent market transactions by making reference to the Group's selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar type, size and location; (ii) Estimated variable selling expenses as a percentage of the related estimated selling price of the properties, we compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent year; and (iii) Estimated costs to completion for PUD, we reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the signed construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group. We found that the data used and key assumptions in the net realisable value assessment of the Group's PUD and CPHFS were supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 2.8 of accounting policy of investment properties, note 4(B) of fair value estimation, note 5(D) of critical accounting estimates and judgements and note 8 of investment properties to the consolidated financial statements. As at 31 December 2020, the Group's investment properties were measured at fair value of RMB28,934 million, with fair value losses of RMB586 million recorded in the consolidated statement of comprehensive income for the year then ended. The Group's investment property portfolio comprises completed properties and properties under development in mainland China. The valuation techniques mainly include income capitalisation method, discounted cash flow method and residual method based on the operation model and construction status of each property. The inputs adopted mainly include market rental prices, profit rates, capitalisation rates and discount rates. Furthermore, residual method also involves inputs of developer's profit rates and estimated costs to completion. Independent valuers were engaged by the Group for the property portfolio in order to support management's estimates. We identified the valuation of investment properties as a key audit matter because the valuation of investment properties involved significant judgements and estimates, which mainly included the determination of valuation techniques and the selection of inputs accordingly.	We have performed the following procedures to address this key audit matter: • We obtained an understanding of the management's assessment process of the fair value of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated the independent external valuers' competence, capabilities and objectivity; • We involved our in-house valuation experts to assess the appropriateness of the valuation models adopted, and to challenge the reasonableness of the key inputs and assumptions by comparing the capitalisation rates and discount rates to comparable market data for similar properties, and comparing the developer's profit rates to historical information based on relevant market data where appropriate; • We checked and tested, on a sample basis, the accuracy and relevance of the input data used, including the market rental prices and profit rates, by comparing with the current rental contracts of the Group and market data of comparable properties. For the estimated costs to completion, we checked to the construction budget approved by management and examined, on a sample basis, the signed construction contracts or compared the anticipated completion costs to the actual costs of historical information of similar properties of the Group; and • We also checked the mathematical accuracy of the valuation calculations and the underlying data used in the calculations. We found that the data used and key assumptions in the valuations were supported by the available evidence.

Other Information

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

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 March 2021

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**85,741,042**	70,101,779
Investment properties	8	**28,933,847**	26,845,510
Right-of-use assets	9	**16,395,822**	14,918,041
Intangible assets	10	**9,134,838**	7,667,411
Deferred tax assets	12	**12,237,271**	8,585,312
Investments accounted for using the equity method	11	**86,543,135**	88,994,292
Financial assets at fair value through profit or loss	13	**27,923,387**	15,588,783
Other receivables	16	**54,000**	48,000
Prepayments	17	**6,503,350**	3,018,098
Derivative financial instruments	26	**–**	31,629
Amounts due from related companies	43(D)	**–**	170,000
		273,466,692	235,968,855
Current assets			
Properties under development	14	**504,147,025**	426,783,378
Completed properties held for sale	15	**64,536,564**	55,189,210
Inventories		**775,381**	490,307
Trade and other receivables	16	**61,000,686**	47,154,324
Contract related assets	6	**3,840,346**	2,059,897
Amounts due from related companies	43(D)	**38,928,928**	40,688,593
Prepayments	17	**16,842,720**	14,662,840
Prepaid income tax		**8,761,882**	7,320,149
Financial assets at fair value through profit or loss	13	**3,458,725**	200,000
Restricted cash	18	**33,935,611**	47,787,028
Cash and cash equivalents	19	**98,710,644**	77,943,661
Assets classified as held for sale	20	**–**	4,401,000
		834,938,512	724,680,387
Total assets		**1,108,405,204**	960,649,242
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	**400,938**	382,339
Other reserves	23	**28,025,584**	17,510,617
Retained earnings		**97,200,984**	65,180,292
		125,627,506	83,073,248
Perpetual capital securities		**–**	2,789,505
Other non-controlling interests		**52,202,977**	28,231,491
Total equity		**177,830,483**	114,094,244

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	25	**211,831,470**	186,542,102
Derivative financial instruments	26	**196,883**	14,358
Lease liabilities	9	**447,794**	436,848
Deferred tax liabilities	12	**33,878,924**	38,534,748
Other payables	24	**304,205**	145,727
		246,659,276	225,673,783
Current liabilities			
Trade and other payables	24	**202,075,006**	147,133,931
Contract liabilities	6	**273,759,529**	240,818,329
Amounts due to related companies	43(D)	**68,896,873**	58,933,995
Current tax liabilities		**47,285,517**	37,323,267
Borrowings	25	**91,607,425**	135,732,857
Lease liabilities	9	**212,051**	176,499
Derivative financial instruments	26	**23,336**	—
Provisions	27	**55,708**	762,337
		683,915,445	620,881,215
Total liabilities		**930,574,721**	846,554,998
Total equity and liabilities		**1,108,405,204**	960,649,242

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

The financial statements on pages 131 to 259 were approved by the Board of Directors on 11 March 2021 and were signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	6	**230,587,337**	169,316,010
Cost of sales	28	**(182,183,976)**	(127,909,685)
Gross profit		**48,403,361**	41,406,325
Other income and gains	30	**19,791,110**	14,187,962
Selling and marketing costs	28	**(8,044,455)**	(6,166,473)
Administrative expenses	28	**(8,474,388)**	(8,286,551)
Other expenses and losses	31	**(2,196,658)**	(1,222,133)
Net impairment losses on financial and contract assets	28	**(235,056)**	(1,894,122)
Operating profit		**49,243,914**	38,025,008
Finance income	32	**5,452,162**	1,183,244
Finance expenses	32	**(1,160,669)**	(4,808,250)
Finance income/(expenses) – net	32	**4,291,493**	(3,625,006)
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	11	**4,000,018**	8,146,321
Profit before income tax		**57,535,425**	42,546,323
Income tax expense	33	**(17,985,996)**	(14,390,265)
Profit for the year		**39,549,429**	28,156,058
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year		**39,549,429**	28,156,058
Total comprehensive income attributable to:			
– Owners of the Company		**35,643,778**	26,027,505
– Holders of perpetual capital securities		**206,256**	319,010
– Other non-controlling interests		**3,699,395**	1,809,543
		39,549,429	28,156,058
Earnings per share attributable to owners of the Company (expressed in RMB per share):	34		
– Basic earnings per share		**7.82**	5.99
– Diluted earnings per share		**7.74**	5.92

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000	Other non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019		378,421	14,259,603	42,198,205	56,836,229	5,526,772	10,743,568	73,106,569
Total comprehensive income		—	—	26,027,505	26,027,505	319,010	1,809,543	28,156,058
Transactions with owners, recognised directly in equity								
Non-controlling interests arising on business combination		—	—	—	—	—	10,594,924	10,594,924
Capital contributions from non-controlling interests		—	—	—	—	—	11,407,094	11,407,094
Disposal of subsidiaries		—	—	—	—	—	(11,974)	(11,974)
Transactions with non-controlling interests		—	3,526,449	—	3,526,449	—	(6,034,941)	(2,508,492)
Capital decreasing of a subsidiary		—	—	—	—	—	(180,000)	(180,000)
Dividends to non-controlling interests		—	—	—	—	—	(96,723)	(96,723)
Redemption of perpetual capital securities		—	—	—	—	(2,680,300)	—	(2,680,300)
Distributions to holders of perpetual capital securities		—	—	—	—	(375,977)	—	(375,977)
Employees share option schemes:								
– Value of employee services	23	—	117,021	—	117,021	—	—	117,021
– Proceeds from shares issued	21,23	3,918	462,104	—	466,022	—	—	466,022
Share award scheme:								
– Value of employee services	23	—	460,966	—	460,966	—	—	460,966
Purchase of shares for share award scheme	23	—	(716,306)	—	(716,306)	—	—	(716,306)
Statutory reserve		—	3,045,418	(3,045,418)	—	—	—	—
Dividends relating to 2018	44	—	(3,644,638)	—	(3,644,638)	—	—	(3,644,638)
		3,918	3,251,014	(3,045,418)	209,514	(3,056,277)	15,678,380	12,831,617
Balance at 31 December 2019		382,339	17,510,617	65,180,292	83,073,248	2,789,505	28,231,491	114,094,244

	Note	Attributable to owners of the Company Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000	Other non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020		**382,339**	**17,510,617**	**65,180,292**	**83,073,248**	**2,789,505**	**28,231,491**	**114,094,244**
Total comprehensive income		**—**	**—**	**35,643,778**	**35,643,778**	**206,256**	**3,699,395**	**39,549,429**
Transactions with owners, recognised directly in equity								
Non-controlling interests arising on business combination	41(B)	**—**	**—**	**—**	**—**	**—**	**828,549**	**828,549**
Capital contributions from non-controlling interests	23	**—**	**5,135,449**	**—**	**5,135,449**	**—**	**21,941,903**	**27,077,352**
Acquisition of assets and liabilities through acquisition of subsidiaries		**—**	**—**	**—**	**—**	**—**	**2,052,482**	**2,052,482**
Disposal of subsidiaries	42	**—**	**—**	**—**	**—**	**—**	**(7,404)**	**(7,404)**
Transactions with non-controlling interests	40	**—**	**99,219**	**—**	**99,219**	**—**	**(4,960,789)**	**(4,861,570)**
Special dividend	23	**—**	**(435,782)**	**—**	**(435,782)**	**—**	**435,782**	**—**
Dividends to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**(18,432)**	**(18,432)**
Redemption of perpetual capital securities		**—**	**—**	**—**	**—**	**(2,803,000)**	**—**	**(2,803,000)**
Distributions to holders of perpetual capital securities		**—**	**—**	**—**	**—**	**(192,761)**	**—**	**(192,761)**
Employees share option schemes:								
– Proceeds from shares issued	21,23	**2,010**	**206,624**	**—**	**208,634**	**—**	**—**	**208,634**
Share award scheme:								
– Value of employee services	23	**—**	**570,621**	**—**	**570,621**	**—**	**—**	**570,621**
Proceeds from placing of new shares	21,23	**16,589**	**7,041,801**	**—**	**7,058,390**	**—**	**—**	**7,058,390**
Statutory reserve		**—**	**3,623,086**	**(3,623,086)**	**—**	**—**	**—**	**—**
Dividends relating to 2019	44	**—**	**(5,726,051)**	**—**	**(5,726,051)**	**—**	**—**	**(5,726,051)**
		18,599	**10,514,967**	**(3,623,086)**	**6,910,480**	**(2,995,761)**	**20,272,091**	**24,186,810**
Balance at 31 December 2020		**400,938**	**28,025,584**	**97,200,984**	**125,627,506**	**—**	**52,202,977**	**177,830,483**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	35	**91,484,477**	40,457,467
Income tax paid		**(17,774,367)**	(13,203,415)
Net cash generated from operating activities		**73,710,110**	27,254,052
Cash flows from investing activities			
Net cash outflow on business combinations	41	**(1,854,444)**	(12,212,797)
Net cash inflow/(outflow) on disposal of subsidiaries	42	**827,675**	(402,357)
Proceeds from disposal of and capital decreasing of joint ventures and associates		**12,000,884**	2,259,274
Consideration paid for acquisition of equity transactions		**(19,111,908)**	(9,441,205)
Cash advance received for potential equity transactions		**863,823**	66,282
Investments in joint ventures and associates		**(13,725,347)**	(31,258,905)
Dividend received from joint ventures and associates		**5,950,698**	778,305
Loans granted to joint ventures and associates		**(5,642,761)**	(5,329,306)
Repayments of loan received from joint ventures and associates		**16,092,865**	16,285,785
Proceeds from disposals of property, plant and equipment ("PP&E"), land use rights and investment properties		**2,991,025**	19,720
Payments for financial assets at fair value through profit or loss ("FVPL")		**(8,158,526)**	(6,891,818)
Purchases of PP&E, land use rights, intangible assets and investment properties		**(16,413,736)**	(18,574,519)
Proceed from redemption of financial assets at FVPL		**4,648,016**	198,637
Interests received		**4,015,484**	2,313,343
Others		**288,787**	188,593
Net cash used in investing activities		**(17,227,465)**	(62,000,968)

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**7,267,024**	466,022
Proceeds paid for purchase of shares for share award scheme		**—**	(716,306)
Redemption of perpetual capital securities		**(2,803,000)**	(2,680,300)
Proceeds from borrowings		**179,920,172**	240,740,649
Repayments of borrowings		**(215,098,239)**	(164,207,962)
Proceeds (paid for)/received from derivative financial instruments		**(9,838)**	24,730
Distribution paid to holders of perpetual capital securities		**(192,761)**	(375,977)
Dividends paid to Company's shareholders		**(5,726,051)**	(3,644,638)
Dividends or deemed distribution paid to non-controlling interests		**(6,134,502)**	(1,171,976)
Loans from non-controlling interests		**8,268,424**	2,460,271
Loan repayments to non-controlling interests		**(4,099,270)**	(2,179,974)
Proceeds payments for transaction with non-controlling interests		**(350,234)**	(2,508,492)
Deposit received/(guaranteed) for bank borrowings		**5,695,572**	(7,585,268)
Contribution from non-controlling interests		**26,746,964**	1,778,586
Principal elements of lease payments		**(203,790)**	(120,353)
Interest paid		**(28,608,966)**	(23,885,645)
Others		**(50,000)**	—
Net cash (used in)/generated from financing activities		**(35,378,495)**	36,393,367
Net increase in cash and cash equivalents		**21,104,150**	1,646,451
Cash and cash equivalents at beginning of year		**77,943,661**	76,181,041
Effects of exchange difference		**(337,167)**	116,169
Cash and cash equivalents at end of year	19	**98,710,644**	77,943,661

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

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

The Company is a limited liability company incorporated in Cayman Islands. The address of its original registered office was 190 Elgin Avenue, George Town, Grand Cayman KY1–9005, Cayman Islands. With effect from 1 February 2021, the address of registered office has been changed to One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2 Summary of significant accounting policies

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

2.1 BASIS OF PREPARATION

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- *Definition of Material – Amendments to* HKAS 1 *and* HKAS 8,
- *Interest Rate Benchmark Reform – Amendments to* HKFRS 9, HKAS 39 *and* HKFRS 7, and
- *Revised Conceptual Framework for Financial Reporting*

2 Summary of significant accounting policies *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

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

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group has early adopted *Amendment to* HKFRS 16 – *Covid-19-Related Rent Concessions* retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to Covid-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying Covid-19-related rent concessions. There is no significant impact on the amounts recognised in current year's profit or loss and opening balance of equity at 1 January 2020.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Effective for the financial year beginning on or after
Interest Rate Benchmark Reform – Phase 2 – Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 *and* HKFRS 16	1 January 2021
Reference to the Conceptual Framework – Amendments to HKFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before intended use – Amendments to HKAS 16	1 January 2022
Onerous contracts – costs of fulfilling a contract – Amendments to HKAS 37	1 January 2022
Annual improvements to HKFRSs *Standards 2018-2020*	1 January 2022
Merger Accounting for Common Control Combination – Revised Accounting Guideline 5	1 January 2022
Classification of liabilities as current or non-current – Amendments to HKAS 1	1 January 2023
Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (2020)	1 January 2023
Insurance contracts – HKFRS 17	1 January 2023
Sale or contribution of assets between an investor and its associate or joint ventures – Amendments to HKFRS 10 *and* HKAS 28	To be determined

2 Summary of significant accounting policies *(Continued)*

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

(i) Subsidiaries

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

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

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

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

(ii) Associates

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

(iii) Joint arrangements

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

2 Summary of significant accounting policies *(Continued)*

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

(iv) Equity method

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

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

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

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

(v) Changes in ownership interests

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.3 BUSINESS COMBINATIONS

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.4 SEPARATE FINANCIAL STATEMENTS

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

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

2.5 SEGMENT REPORTING

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

2.6 FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.6 FOREIGN CURRENCY TRANSLATION *(Continued)*

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

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

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

2 Summary of significant accounting policies *(Continued)*

2.7 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

2.8 INVESTMENT PROPERTIES

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

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

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.9 INTANGIBLE ASSETS

(i) Goodwill

Goodwill is measured as described in note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(ii) Trademark and brand

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

Brand acquired in a business combination is recognised at fair value at the acquisition date. Brand has a finite useful life and is subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of 5 to 20 years.

(iii) Software

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

(iv) Customer relationships

Separately acquired customer relationships are shown at historical cost. Customer relationships acquired in a business combination are initially recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives, which is 5 to 8 years.

2 Summary of significant accounting policies *(Continued)*

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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

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

(ii) Recognition and derecognition

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

2 Summary of significant accounting policies *(Continued)*

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(Continued)*

(iii) Measurement

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

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

Debt instruments

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

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS*(Continued)*

(iii) Measurement *(Continued)*

Equity instruments

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

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

(iv) Impairment

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

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

2.12 OFFSETTING FINANCIAL INSTRUMENTS

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

2 Summary of significant accounting policies *(Continued)*

2.13 FINANCIAL GUARANTEE CONTRACTS

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

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

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

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

2.14 DERIVATIVES AND HEDGING ACTIVITIES

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

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

2.15 PROPERTIES UNDER DEVELOPMENT (“PUDs”)

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

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

2 Summary of significant accounting policies *(Continued)*

2.16 COMPLETED PROPERTIES HELD FOR SALE ("CPHFS")

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

Cost comprises development costs attributable to the unsold properties.

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

2.17 INVENTORIES

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

2.18 TRADE RECEIVABLES

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 16 for further information about the Group's accounting for trade receivables and note 2.11 for a description of the Group's impairment policies.

2.19 CASH AND CASH EQUIVALENTS

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

2 Summary of significant accounting policies *(Continued)*

2.20 SHARE CAPITAL AND SHARES HELD FOR EMPLOYEE SHARE SCHEME

Ordinary shares are classified as equity.

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

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

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

2.21 PERPETUAL CAPITAL INSTRUMENTS

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

2.22 TRADE AND OTHER PAYABLES

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

2.23 BORROWINGS

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

2 Summary of significant accounting policies *(Continued)*

2.23 BORROWINGS *(Continued)*

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

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

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

2.24 BORROWING COSTS

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

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

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

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.25 CURRENT AND DEFERRED INCOME TAX

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

Current income tax

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

Deferred income tax

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

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

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

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.26 EMPLOYEE BENEFITS

(i) Short-term obligations

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

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

(ii) Retirement benefits

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

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

(iii) Termination benefits

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

2 Summary of significant accounting policies *(Continued)*

2.27 SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Company's share option schemes and an employee share award scheme. Information relating to these schemes is set out in note 22.

(i) Employee options

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

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

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

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

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

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

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

(ii) Share-based payment transactions among Group entities

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

2 Summary of significant accounting policies *(Continued)*

2.27 SHARE-BASED PAYMENTS *(Continued)*

(iii) Employee share award scheme

Under the employee share award scheme, the Company entrusts the trustee to purchase existing ordinary shares in the open market based on the overall remuneration incentive plan. The trustee will hold such shares on behalf of the relevant selected employees on trust, until such shares are vested with the relevant selected employees in accordance with the scheme rules (see note 2.20).

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

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

2.28 PROVISIONS

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.29 REVENUE RECOGNITION

(i) Sales of properties

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

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

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

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

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

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

The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The contract liability is recognised as revenue when the Group satisfies its performance obligations. For contract where the period between the payment by the customer and the transfer of the promised property exceeds one year, the promised amount of consideration is adjusted for the effects of a significant financing component.

Sales commissions and other costs directly attributable to obtaining a contract, if recoverable, are capitalised as contract related assets.

2 Summary of significant accounting policies *(Continued)*

2.29 REVENUE RECOGNITION *(Continued)*

(ii) Property management service income

Property management service income is recognised in the accounting period in which the services are rendered. For property management services, the Group bills a fixed amount for services provided and recognises as revenue in the amount to which the Group has a right to bill and that corresponds directly with the value of performance completed on a monthly basis.The property management services are normally billable immediately upon the delivery of the services.

(iii) Rental income

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

(iv) Hotel operations

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

(v) Theme parks operations

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

(vi) Fitting and decoration services

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

2 Summary of significant accounting policies *(Continued)*

2.30 EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

2.31 DIVIDEND INCOME

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

2 Summary of significant accounting policies *(Continued)*

2.32 LEASES

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 Summary of significant accounting policies *(Continued)*

2.32 LEASES *(Continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Land use rights were reclassified as right-of-use assets since the initial adoption of HKFRS 16 on 1 January 2019. All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights. Land use rights which are held for development for sale are inventories and measured at lower of cost and net realisable value. Land use rights which are held for self-use are stated at cost and amortised over the use terms using straight-line method with fixed period of 40 years.

2 Summary of significant accounting policies *(Continued)*

2.32 LEASES *(Continued)*

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 8). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.33 DIVIDEND DISTRIBUTION

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

2.34 GOVERNMENT GRANTS

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

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

Government grants relating to the purchase of PP&E are presented in balance sheet by deducting the grants in arriving at the carrying amount of the assets and are recognised in profit or loss over the expected lives of the related assets as reduced depreciation expenses.

2.35 INTEREST INCOME

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

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.36 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

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

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS

(a) Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. The foreign currency balances as at 31 December 2020 were primarily related to bank deposits, financial assets at FVPL, derivative financial instruments, borrowings and the senior notes denominated in United States dollar ("USD"), Hong Kong dollar ("HKD") and Japanese Yen ("JPY").

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

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Assets		
USD	**16,850,066**	1,553,039
HKD	**387,680**	270,825
JPY	**1,248**	—
	17,238,994	1,823,864
Liabilities		
USD	**64,308,801**	54,913,113
HKD	**1,526,500**	3,970,196
	65,835,301	58,883,309

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk *(Continued)*

The aggregate net foreign exchange (gains)/losses recognised in profit or loss were:

	2020 **RMB'000**	2019 RMB'000
Exchange (gains)/losses on foreign currency borrowing included in finance costs	**(4,164,365)**	878,035
Total net foreign exchange (gains)/losses recognised in profit before income tax for the year	**(4,164,365)**	878,035

As at 31 December 2020, if RMB had strengthened/weakened by 5% against the HK dollar with all other variables held constant, the post-tax profit for the year would have been RMB54 million higher/lower (2019: RMB176 million higher/lower).

As at 31 December 2020, if RMB had strengthened/weakened by 5% against the US dollar with all other variables held constant, the post-tax profit for the year would have been RMB2,260 million higher/lower (2019: RMB2,541 million higher/lower).

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings and interest-bearing amounts due from related companies. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings issued and amounts due from related companies with fixed rates expose the Group to fair value interest-rate risk. In 2020, the Group's borrowings were denominated in RMB, USD and HKD. (2019: RMB, USD and HKD).

In 2020, the Group uses interest swap contracts to hedge floating interest risk exposures.The interest swap contracts do not satisfy the requirements for hedge accounting and are accounted for as held for trading with gains/(losses) recognised in profit or loss.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk *(Continued)*

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

	Floating rates				Fixed rates				Total
RMB' million	Less than 1 year	1 to 5 years	over 5 years	Sub-total	Less than 1 year	1 to 5 years	over 5 years	Sub-total	
At 31 December 2020									
Amount due from related companies	**—**	**—**	**—**	**—**	**2,620**	**—**	**—**	**2,620**	**2,620**
Borrowings	**15,533**	**41,489**	**10,977**	**67,999**	**76,075**	**155,129**	**4,236**	**235,440**	**303,439**
Lease liabilities	**—**	**—**	**—**	**—**	**212**	**308**	**140**	**660**	**660**
At 31 December 2019									
Amount due from related companies	—	—	—	—	6,316	—	—	6,316	6,316
Borrowings	23,578	36,615	12,942	73,135	112,155	136,231	754	249,140	322,275
Lease liabilities	—	—	—	—	176	274	163	613	613

As at 31 December 2020, if the interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been lower/higher by RMB20.25 million (2019: lower/higher by RMB81.93 million) and the capitalised interest for the year would have been higher/lower by RMB526.67 million (2019: higher/lower by RMB505.61 million) respectively.

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

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

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(a) Market risk *(Continued)*

(iii) Price risk

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

Certain equity investments of the Group are related to equity securities traded in the Stock Exchange, New York Stock Exchange and Shenzhen Stock Exchange. As at 31 December 2020, if the pricing of securities has increased/decreased by 5% with all other variables held constant, the post-tax profit for the year would have been RMB752 million higher/lower (2019: RMB5.12 million higher/lower).

(b) Credit risk

(i) Risk management

The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and buyers. The maximum extent of the Group's credit exposure in relation to financial assets is represented by the aggregate balance of cash and cash equivalents, restricted cash, contract assets, trade and other receivable, amounts due from related companies, financial assets at FVPL and derivative financial instruments included in the consolidated balance sheets and financial guarantees provided to related companies and guarantees on mortgage facilities.

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

Certain customers of the Group have arranged bank financing for their purchases of the properties. The Group typically provides guarantees to secure obligations of such customers for repayments, normally up to the time when the customers obtain the legal certificates of the property ownership. Detailed disclosure of these guarantees is made in note 37.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets

The Group has four types of financial assets that are subject to the expected credit loss model:

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

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

Contract assets and trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contract assets and trade receivables.

To measure the expected credit losses, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the ageing analysis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) Credit risk *(Continued)*

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

On that basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows for contract assets and trade receivables:

31 December 2020	**Current RMB'000**	**More than 90 days RMB'000**	**More than 180 days RMB'000**	**More than 1 years RMB'000**	**Total RMB'000**
Expected loss rate	**0.07%**	**0.91%**	**3.29%**	**10.98%**	**3.72%**
Gross carrying amount	**1,540,308**	**54,492**	**377,650**	**817,585**	**2,790,035**
Loss allowance	**1,148**	**494**	**12,406**	**89,755**	**103,803**

31 December 2019	Current RMB'000	More than 90 days RMB'000	More than 180 days RMB'000	More than 1 years RMB'000	Total RMB'000
Expected loss rate	0.03%	0.30%	2.30%	11.30%	2.57%
Gross carrying amount	1,167,804	12,517	211,952	350,149	1,742,422
Loss allowance	358	37	4,882	39,572	44,849

Other receivables (excluding loans to third parties)

Other receivables (excluding loans to third parties) such as guarantee and deposit are considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for financial instruments when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. In calculating the expected credit loss rates, the Group considers historical loss rates for other receivables (excluding loans to third parties), and adjusts for forward looking macroeconomic data. On that basis, the loss allowance for other receivables (excluding loans to third parties) was RMB122 million as at 31 December 2020.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) Credit risk *(Continued)*

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

Loans to related and third parties

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

– internal credit rating

– external credit rating (as far as available)

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

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

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

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

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

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

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

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

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) Credit risk *(Continued)*

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

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

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

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

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) Credit risk *(Continued)*

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

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 31 December 2020, the Group provides for credit losses against loans to related parties and third parties as follows:

Company internal credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Carrying amount (net of impairment provision) RMB'000	Basis for calculation of interest revenue
Performing	0.65%	12 month expected losses	25,214,619	25,050,187	Gross carrying amount
Non-performing	67.60%	Lifetime expected losses	297,920	96,528	Amortised cost carrying amount (net of credit allowance)

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

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) Credit risk *(Continued)*

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

The loss allowance for contract assets, trade and other receivables and amounts due from related parties as at 31 December reconciles to the opening loss allowance as follows:

	Contract assets		Trade and other receivables		Amounts due from related parties	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Opening loss allowance as at 1 January	**358**	35	**352,532**	307,068	**6,779,297**	5,178,539
Increase in loss allowance recognised in profit or loss during the year	**—**	323	**220,767**	131,672	**186,280**	1,600,758
Receivables written off during the year as uncollectible	**—**	—	**—**	(86,208)	**(6,927,058)**	—
Unused amount reversed	**(358)**	—	**(19,779)**	—	**—**	—
Closing loss allowance at 31 December	**—**	358	**553,520**	352,532	**38,519**	6,779,297

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

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

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) Credit risk *(Continued)*

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

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

	2020 RMB'000	2019 RMB'000
Impairment losses		
Movement in loss allowance for contract assets, trade and other receivables and amounts due from related parties	**386,910**	1,732,753
Expected credit losses on financial guarantee	**—**	161,369
Reversal of loss allowance for financial guarantee	**(151,854)**	—
Net impairment losses on financial and contract assets	**235,056**	1,894,122

Of the above impairment losses, RMB58.95 million (2019: RMB27.04 million) relate to receivables arising from contracts with customers.

Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (2020-RMB2,626.70 million; 2019-RMB1,162.11 million).

Financial guarantees

The loss allowance for financial guarantee contracts was determined based on the same policy as loans to related and third parties. For guarantees in respect of mortgage facilities for certain purchasers of the Group's property units, if a buyer defaults, the Group is able to retain the buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by more than the buyer's deposits received, the Group may not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated.

On that basis, the loss allowance for financial guarantees was RMB762.34 million as at 1 January 2020 and decreasing to RMB55.71 million as at 31 December 2020, due to reversal of previous loss allowance of RMB151.85 million and write-off previous loss allowance for exercised financial guarantee provided to related parties of RMB554.78 million during the year of 2020.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(c) Liquidity risk

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

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

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

(i) Financing arrangements

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

	2020 **RMB'000**	2019 RMB'000
– Expiring within one year (bank loans)	**12,934,420**	10,050,820
– Expiring beyond one year (bank loans)	**40,703,955**	15,888,470
	53,638,375	25,939,290

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in either RMB or USD and have an average maturity of 1.73 years (2019: 1.73 years).

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(c) Liquidity risk *(Continued)*

(ii) Maturities of financial liabilities

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

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

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

In RMB' million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2020					
Borrowings and interest payments	**112,578**	**136,124**	**80,891**	**19,234**	**348,827**
Trade and other payables (note 24)	**193,065**	**263**	**22**	**19**	**193,369**
Amounts due to related companies (note 43(D))	**68,897**	**—**	**—**	**—**	**68,897**
Derivative financial instruments (note 26)	**23**	**84**	**113**	**—**	**220**
Financial guarantee contracts (note 37)	**149,276**	**16,531**	**16,065**	**—**	**181,872**
Lease liabilities	**221**	**136**	**260**	**298**	**915**
At 31 December 2019					
Borrowings and interest payments	157,586	115,881	76,865	17,339	367,671
Trade and other payables (note 24)	140,731	45	74	27	140,877
Amounts due to related companies (note 43(D))	58,934	—	—	—	58,934
Derivative financial instruments (note 26)	—	14	—	—	14
Financial guarantee contracts (note 37)	134,526	11,790	15,962	—	162,278
Lease liabilities	185	138	215	360	898

Note:

– The interest payments on borrowings are calculated based on borrowings held as at 31 December 2020 and 2019 without taking into account of future borrowings. Floating-rate interest is estimated using the current interest rate at 31 December 2020 and 2019 respectively.

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

3 Financial risk management *(Continued)*

3.2 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to

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

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

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

The gearing ratios of the Group as at 31 December 2020 and 2019 were as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Total borrowings (note 25)	**303,438,895**	322,274,959
Lease liabilities (note 9)	**659,845**	613,347
Less: Restricted cash (note 18)	**(33,935,611)**	(47,787,028)
Cash and cash equivalents (note 19)	**(98,710,644)**	(77,943,661)
Net debt	**171,452,485**	197,157,617
Total capital	**349,282,968**	311,251,861
Gearing ratio	**49.09%**	63.34%

The gearing ratio decreased from 63.34% to 49.09% and the directors of the Company consider the Group's gearing ratio is within the healthy range.

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

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

4 Fair value estimation

(A) FINANCIAL ASSETS AND LIABILITIES

(i) Fair value hierarchy

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

Recurring fair value measurements

At 31 December 2020	Notes	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets					
Financial assets at FVPL	13	**1,690,880**	**663,421**	**29,027,811**	**31,382,112**
Derivative financial instruments	26	**—**	**—**	**—**	**—**
Financial liabilities					
Derivative financial instruments	26	**—**	**220,219**	**—**	**220,219**

Recurring fair value measurements

At 31 December 2019	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets					
Financial assets at FVPL	13	121,585	—	15,667,198	15,788,783
Derivative financial instruments	26	—	31,629	—	31,629
Financial liabilities					
Derivative financial instruments	26	—	14,358	—	14,358

4 Fair value estimation *(Continued)*

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

(i) Fair value hierarchy *(Continued)*

During the year ended 31 December 2020, there were no transfers between different levels for recurring fair value measurements during the year.

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

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

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

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

4 Fair value estimation *(Continued)*

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

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model with unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- price/booking multiple method, backsolve method, equity allocation model and option pricing method with observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples rate, etc.;
- for currency and interest rate derivative contracts — option pricing model and the present value of the estimated future premium payments set out in these contracts; and
- for option embedded in the corporate bond contracts — trinomial option pricing model with prominent factors that will materially affect value of the options, including terms and conditions of the option of the bonds, volatilities of the market interest rates, etc.

The financial instruments classified as level 2 included currency derivative contracts, interest rate swap derivative contracts and total return swap contracts entered into with certain commercial banks and option embedded in the corporate bond contracts.

As at 31 December 2020 and 2019, the Group's level 3 instruments included equity investments measured at fair value through profit or loss and debt instruments. The Group hold common shares of one listed company which are restricted for sale in a specified period, the fair value of this investment is determined based on quoted market prices and unobservable inputs (i.e. discount rate for lack of marketability) and hence classified as level 3 of the fair value hierarchy. For the investment in unlisted equity securities and debt instruments, as these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including market approach etc.

4 Fair value estimation *(Continued)*

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

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

The following table presents the changes in level 3 items for the years ended 31 December 2020 and 31 December 2019:

		Financial assets at FVPL		
	Derivative financial instruments RMB'000	Equity investment RMB'000	Debt instruments RMB'000	Total RMB'000
Opening balance 1 January 2019	**125,817**	**8,915,657**	**788,139**	**9,703,796**
Acquisitions	—	4,569,722	307,475	4,877,197
Acquisition of subsidiary	—	—	200,000	200,000
Disposals	—	(30,000)	(133,500)	(163,500)
Transfer	(125,817)	125,817	—	125,817
Gains recognised in other income and gains*	—	923,888	—	923,888
Closing balance 31 December 2019	**—**	**14,505,084**	**1,162,114**	**15,667,198**
Acquisitions	—	539,938	6,200,217	6,740,155
Acquisition of subsidiary	—	—	226,136	226,136
Disposals	—	(32,721)	(3,977,298)	(4,010,019)
Gains/(losses) recognised in other income and gains*	—	11,388,807	(984,466)	10,404,341
Closing balance 31 December 2020	**—**	**26,401,108**	**2,626,703**	**29,027,811**

* includes unrealised gains/(losses) recognised in loss or profit attributable to balances held at the end of the reporting period

2020	**—**	**11,388,807**	**(995,417)**	**10,393,390**
2019	—	923,888	—	923,888

4 Fair value estimation *(Continued)*

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

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

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

	Fair value at				Range of significant unobservable inputs	
Description	**31 Dec 2020 RMB'000**	31 Dec 2019 RMB'000	Valuation method	Significant unobservable inputs	**2020**	2019
Equity investments	**26,401,108**	14,505,084	Price/booking multiple method, Price/sales multiple method, backsole method, equity allocation model,option pricing method and discounted cash flow model	Discount rate for lack of marketability	**10%-30%**	10%
				Expected volatility rate	**37.07%-46.98%**	30.78%-54.36%
				Discount rate	**13%**	13%
Debt instruments	**2,626,703**	1,162,114	Discounted cash flow model	Discount rate	**3.85%-4.65%**	4.2%-4.85%

Relationships of unobservable inputs to fair value are as follows:

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

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

4 Fair value estimation *(Continued)*

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

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

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 31 December 2020:

	Carrying amount RMB'000	Fair value RMB'000
Non-current borrowings:		
– Corporate bonds (note 25)	**11,265,506**	**11,723,423**
– Private domestic corporate bonds (note 25)	**15,391,031**	**15,905,015**

(B) NON-FINANCIAL ASSETS AND LIABILITIES

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 4(A).

At 31 December 2020	Note	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Investment properties	8	**—**	**—**	**28,933,847**	**28,933,847**

At 31 December 2019	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investment properties	8	—	—	26,845,510	26,845,510

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

During the year ended 31 December 2020, there were no reclassifications of non-financial assets and non-financial liabilities and no transfers between different levels for recurring fair value measurements.

4 Fair value estimation *(Continued)*

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

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

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

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

- Income capitalisation method – capitalised income derived from the existing tenancies and the reversionary potential with unobservable inputs mainly including capitalisation rates and market rental prices;

- Residual method – used in valuing investment properties under development by establishing the market value on the premise that the properties will be developed and completed in accordance with its latest development plan. The residual valuation of valued properties can be expressed as the market value deducts the estimated costs to complete and developers' profit to reflect the total value of the partially completed development;

- Discounted cash flow method – discounted cash flow projections based on reliable estimates of future cash flows.

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

See note 8 for further information about the changes in level 3 items for the years ended 31 December 2020 and 2019.

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

4 Fair value estimation *(Continued)*

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

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

Description	Fair value at 31 Dec 2020 RMB'000	Fair value at 31 Dec 2019 RMB'000	Valuation method	Significant unobservable inputs	Range of significant unobservable inputs 2020	Range of significant unobservable inputs 2019
Office buildings and commercial properties	**1,354,368**	1,639,210	Income capitalisation method	Market rental prices; capitalisation rates	RMB60-RMB265 per unit per month capitalisation rates: 4%-6%	RMB36-RMB265 per unit per month capitalisation rates: 4%-6%
Shopping malls	**20,823,000**	19,529,300	Income capitalisation method	Market rental prices; capitalisation rates	RMB45-RMB600 per unit per month capitalisation rates: 4.5%-7%	RMB50-RMB600 per unit per month capitalisation rates: 4.5%-7%
Shopping malls	**4,524,000**	4,556,000	Discounted cash flow method	Market rental prices; discount rates; profit rates	RMB86-RMB265 per unit per month discount rates: 8.0% profit rates: 55%-71%	RMB94-RMB246 per unit per month discount rates: 8.0% profit rates: 56%-71%
Construction in progress	**2,232,479**	1,121,000	Residual method; Income capitalisation method	Market rental prices; capitalisation rates; developer's profit rates	RMB55-RMB258 per unit per month capitalisation rates: 4.5%-7.0% developer's profit rates: 10%-15%	RMB45-RMB258 per unit per month capitalisation rates: 4.5%-6.0% developer's profit rates: 15%-20%

4 Fair value estimation *(Continued)*

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

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

Relationships of unobservable inputs to fair value are as follows:

- The higher market rental price, the higher fair value;
- The higher rate of capitalisation rate, the lower fair value;
- The higher rate of discount rate, the lower fair value;
- The higher developer's profit rate, the lower fair value;
- The higher profit rate, the higher fair value.

(iv) Valuation processes

As at 31 December 2020, management obtains independent valuations for its investment properties including office buildings, shopping malls and commercial properties. The independent valuation of these buildings was performed by DTZ Cushman & Wakefield Limited.

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

Office buildings, shopping malls and commercial properties – market rental prices, capitalisation rates, profit rates and discount rates are estimated by independent valuer or management based on comparable transactions and industry data;

Construction in progress – developer's profit rate is estimated based on market conditions as at 31 December 2020. The estimated costs to completion are consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions.

5 Critical accounting estimates and judgements

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

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

(A) PRC CORPORATE INCOME TAXES AND DEFERRED TAXATION

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

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

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

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

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

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

5 Critical accounting estimates and judgements *(Continued)*

(D) FAIR VALUE OF INVESTMENT PROPERTIES

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer. Significant judgement and assumptions are required in assessing the fair value of the investment properties. Details of the judgement and assumptions have been disclosed in note 4(B).

(E) IMPAIRMENT OF INVESTMENT

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

(F) IMPAIRMENT OF FINANCIAL ASSETS

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 3.1(b).

(G) REVENUE RECOGNITION

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

5 Critical accounting estimates and judgements *(Continued)*

(G) REVENUE RECOGNITION *(Continued)*

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

(H) GAINS FROM BUSINESS COMBINATION

For the acquired business, the excess amounts of fair values of net amounts of the identifiable assets acquired and the liabilities over the considerations were recognised as gains in consolidated statement of comprehensive income. The Group exercised significant estimates and judgment in determination of the fair value of identifiable assets acquired which mainly included the determination of valuation techniques and the selection of inputs accordingly. Details of the valuation techniques and key assumptions have been disclosed in note 41(A). The estimates and judgment mainly based on the operation model and construction status of each property, the market information and historical records.

(I) ESTIMATION OF GOODWILL IMPAIRMENT

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2020 and 2019 reporting period, the recoverable amount of a cash generating unit (CGU) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial estimate of management covering a reasonably forecast period.

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

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

(J) ESTIMATION OF THE FAIR VALUE OF CERTAIN FINANCIAL ASSETS

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 4(A).

6 Segment information

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

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

- Property development
- Cultural and tourism city construction and operation
- Property management
- All other segments

In 2020, the Group spun-off Sunac Services Holdings Limited ("Sunac Services"), its operating segment of property management services, to be separately listed on the Stock Exchange. The executive directors assess the performance of property management segment as a new independent reportable segment and the segment information of 2019 was restated correspondingly.

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

The performance of above reportable segments is assessed based on a measure of profit before depreciation and amortisation, interest expenses and income tax expenses, defined as segment results. The segment results exclude the fair value gains or losses on financial assets at FVPL and derivative financial instruments and share of profits or losses and impairment losses of certain non-core business investments accounted for using the equity method, which are managed on a central basis.

Segment assets primarily consist of all assets excluding deferred tax assets, prepaid income tax, financial assets at FVPL, derivative financial instruments, assets classified as held for sale and certain non-core business investments accounted for using the equity method, which are managed on a central basis. Segment liabilities primarily consist of all liabilities excluding deferred tax liabilities, current tax liabilities, provisions and derivative financial instruments.

The Group's revenue is mainly attributable to the market in the PRC and over 90% of the Group's non-current assets are located in the PRC. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

6 Segment information *(Continued)*

The segment results are as follows:

	Year ended 31 December 2020				
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	218,883,813	3,879,005	4,622,509	23,103,248	250,488,575
Recognised at a point in time	166,641,894	1,437,110	305,210	—	168,384,214
Recognised over time	52,241,919	2,441,895	4,317,299	23,103,248	82,104,361
Inter-segment revenue	—	—	(1,286,044)	(18,615,194)	(19,901,238)
Revenue from external customers	218,883,813	3,879,005	3,336,465	4,488,054	230,587,337
Segment gross profit	46,161,674	1,630,198	908,281	1,507,445	50,207,598
Net impairment losses on financial and contract assets	(220,102)	—	(14,954)	—	(235,056)
Net fair value losses on investment properties	—	(176,250)	—	(409,638)	(585,888)
Interest income	4,479,021	—	—	—	4,479,021
Finance income	5,441,692	—	10,470	—	5,452,162
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	3,905,197	26,193	8,573	60,055	4,000,018
Segment results	50,652,110	376,432	494,532	490,133	52,013,207
Other information					
Capital expenditure	2,072,766	18,780,485	87,127	897,851	21,838,229

	As at 31 December 2020				
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment assets	876,757,138	125,071,155	11,819,376	42,376,270	1,056,023,939
Investments accounted for using the equity method	85,931,973	177,632	58,263	375,267	86,543,135
Total segment liabilities	797,822,173	26,996,446	2,793,931	21,577,511	849,190,061

6 Segment information *(Continued)*

	Year ended 31 December 2019 (restated)				
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	159,470,451	2,852,522	2,827,374	16,470,050	181,620,397
Recognised at a point in time	114,745,997	1,120,711	253,745	—	116,120,453
Recognised over time	44,724,454	1,731,811	2,573,629	16,470,050	65,499,944
Inter-segment revenue	—	—	(1,002,791)	(11,301,596)	(12,304,387)
Revenue from external customers	159,470,451	2,852,522	1,824,583	5,168,454	169,316,010
Segment gross profit	38,730,174	1,215,850	419,267	2,135,343	42,500,634
Net impairment losses on financial and contract assets	(212,155)	—	(2,759)	—	(214,914)
Net fair value gains on investment properties	5,285	1,229,874	—	—	1,235,159
Interest income	4,835,206	—	—	—	4,835,206
Finance income	1,177,407	—	1,365	4,472	1,183,244
Share of post-tax profits/(losses) of associates and joint ventures accounted for using the equity method, net	8,434,875	—	1,289	(138,337)	8,297,827
Segment results	48,384,414	1,382,544	64,780	1,007,155	50,838,893
Other information					
Capital expenditure	981,796	22,298,358	28,782	2,000,525	25,309,461

	As at 31 December 2019 (restated)				
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment assets	788,834,530	100,117,656	1,724,160	33,676,023	924,352,369
Investments accounted for using the equity method	88,575,679	166,584	2,672	249,357	88,994,292
Total segment liabilities	724,874,620	22,470,962	1,451,902	21,316,039	770,113,523

6 Segment information *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Total segment results	**52,013,207**	50,838,893
Net impairment losses on financial and contract assets	**—**	(1,679,208)
Depreciation and amortisation	**(2,726,127)**	(1,821,133)
Finance costs	**(1,160,669)**	(4,808,250)
Other income and gains	**9,656,342**	934,768
Other expenses and losses	**(247,328)**	(767,241)
Share of losses of investments accounted for using the equity method, net	**—**	(151,506)
Income tax expenses	**(17,985,996)**	(14,390,265)
Profit for the year	**39,549,429**	28,156,058

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Total segment assets	**1,056,023,939**	924,352,369
Deferred tax assets	**12,237,271**	8,585,312
Other assets	**40,143,994**	27,711,561
Total assets	**1,108,405,204**	960,649,242
Total segment liabilities	**849,190,061**	770,113,523
Deferred tax liabilities	**33,878,924**	38,534,748
Other liabilities	**47,505,736**	37,906,727
Total liabilities	**930,574,721**	846,554,998

6 Segment information *(Continued)*

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Related to development and sales of properties contracts:		
Current contract assets	**—**	41,366
Cost to obtain the contract	**3,840,346**	2,018,889
Loss allowance	**—**	(358)
Total contract related assets	**3,840,346**	2,059,897
Contract liabilities	**273,759,529**	240,818,329

(i) Significant changes in contract assets and liabilities

As at 31 December 2020, the contract liabilities mainly included the payments received from sales of properties which were usually received in advance of the performance under the contracts. The increase in contract liabilities during the year was in line with the growth of the Group's contracted sales and due to an amount of RMB48,391 million recognised in relation to business combination and acquisition of assets and liabilities through acquisition of subsidiaries.

(ii) Revenue recognised in relation to contract liabilities

Revenue totalled approximately RMB160.7 billion was recognised in current reporting period that was included in the contract liability balance at the beginning of the year.

(iii) Unsatisfied sales contracts

As of 31 December 2020, management expected that the contract amounts allocated to unsatisfied performance obligations of RMB223.4 billion would be recognised as revenue during the reporting period of 2021 and the contract amounts of RMB86.4 billion would be recognised as revenue in or after the reporting period of 2022.

(iv) Assets recognised from costs to obtain a contract

The Group has recognised the sales commissions directly attributable to obtaining a contract as contract related assets in the balance sheet. These assets will be amortised as selling expenses in line with relevant revenue recognition. Sales commissions totalled RMB5.22 billion recognised as contract assets during the year and RMB3.40 billion has been amortised in current reporting period. Management expects that the majority of the contract assets will be recognised during the next reporting period.

7 Property, plant and equipment

	Note	Buildings and equipment RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold Improve-ments RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019							
Cost		27,516,754	149,880	374,827	301,086	22,018,929	50,361,476
Accumulated depreciation		(909,076)	(70,216)	(67,036)	(90,843)	—	(1,137,171)
Net book amount		26,607,678	79,664	307,791	210,243	22,018,929	49,224,305
Year ended 31 December 2019							
At 1 January 2019		26,607,678	79,664	307,791	210,243	22,018,929	49,224,305
Additions		444,150	50,825	216,339	265,847	16,998,846	17,976,007
Transfer from CPHFS		110,846	—	—	—	—	110,846
Transfer		22,303,063	—	—	—	(22,303,063)	—
Acquisition of subsidiaries		6,354,143	8,257	45,444	7,766	1,405,487	7,821,097
Transfer to assets classified as held for sale		(3,799,700)	—	—	—	—	(3,799,700)
Disposal of subsidiaries		—	—	(24)	—	—	(24)
Disposals		—	(4,832)	(24,976)	—	—	(29,808)
Depreciation charges		(998,213)	(34,779)	(121,643)	(46,309)	—	(1,200,944)
At 31 December 2019		51,021,967	99,135	422,931	437,547	18,120,199	70,101,779
At 31 December 2019							
Cost		52,929,256	188,790	598,781	574,699	18,120,199	72,411,725
Accumulated depreciation		(1,907,289)	(89,655)	(175,850)	(137,152)	—	(2,309,946)
Net book amount		51,021,967	99,135	422,931	437,547	18,120,199	70,101,779
Year ended 31 December 2020							
At 1 January 2020		**51,021,967**	**99,135**	**422,931**	**437,547**	**18,120,199**	**70,101,779**
Additions		**87,754**	**143,323**	**275,478**	**108,253**	**16,316,119**	**16,930,927**
Transfers		**22,875,530**	**—**	**—**	**—**	**(22,875,530)**	**—**
Acquisition of subsidiaries	41(B)	**50,988**	**4,046**	**17,756**	**3,268**	**2,986,928**	**3,062,986**
Disposal of subsidiaries	42(B)	**—**	**(234)**	**(265)**	**(4,039)**	**—**	**(4,538)**
Disposals		**(2,380,288)**	**(13,296)**	**(80,609)**	**(5,366)**	**—**	**(2,479,559)**
Depreciation charges		**(1,596,407)**	**(25,780)**	**(167,056)**	**(81,310)**	**—**	**(1,870,553)**
At 31 December 2020		**70,059,544**	**207,194**	**468,235**	**458,353**	**14,547,716**	**85,741,042**
At 31 December 2020							
Cost		**73,456,200**	**300,042**	**775,692**	**644,575**	**14,547,716**	**89,724,225**
Accumulated depreciation		**(3,396,656)**	**(92,848)**	**(307,457)**	**(186,222)**	**—**	**(3,983,183)**
Net book amount		**70,059,544**	**207,194**	**468,235**	**458,353**	**14,547,716**	**85,741,042**

7 Property, plant and equipment *(Continued)*

Depreciation expense of RMB1,418 million, RMB353 million and RMB100 million (2019: RMB895 million, RMB260 million and RMB46 million) has been charged to "cost of sales", "administrative expenses" and "selling and marketing costs" respectively.

(I) NON-CURRENT ASSETS PLEDGED AS SECURITY

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

(II) CONTRACTUAL OBLIGATIONS

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

8 Investment properties

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

	Note	Completed Investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At 1 January 2019		12,024,113	4,171,626	16,195,739
Additions		—	3,800,612	3,800,612
Acquisition of subsidiaries		6,092,000	—	6,092,000
Fair value changes	30	69,309	1,165,850	1,235,159
Transfer to assets classified as held for sale		(478,000)	—	(478,000)
Transfers		8,017,088	(8,017,088)	—
At 31 December 2019		25,724,510	1,121,000	26,845,510
At 1 January 2020		**25,724,510**	**1,121,000**	**26,845,510**
Additions		**—**	**2,914,219**	**2,914,219**
Acquisition of subsidiaries	41(B)	**—**	**567,479**	**567,479**
Fair value changes	31	**(587,980)**	**2,092**	**(585,888)**
Transfer to properties under development		**(632,956)**	**—**	**(632,956)**
Disposal of subsidiaries	42(B)	**(40,517)**	**—**	**(40,517)**
Disposals		**(134,000)**	**—**	**(134,000)**
Transfers		**2,372,311**	**(2,372,311)**	**—**
At 31 December 2020		**26,701,368**	**2,232,479**	**28,933,847**

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

See note 4(B) for the valuation techniques and significant inputs used in fair value measurements of investment properties.

8 Investment properties *(Continued)*

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

	2020	2019
	RMB'000	RMB'000
Rental income	**885,700**	589,756
Direct operating expenses from property that generated rental income	**(308,002)**	(147,834)
Fair value changes recognised in other (losses)/gains	**(585,888)**	1,235,159

(II) NON-CURRENT ASSETS PLEDGED AS SECURITY

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

(III) CONTRACTUAL OBLIGATIONS

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

(IV) LEASING ARRANGEMENTS

The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no significant variable lease payments that depend on an index or rate.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

	2020	2019
	RMB'000	RMB'000
Within 1 year	**823,221**	628,766
Later than 1 year but no later than 5 years	**1,735,080**	1,377,616
Later than 5 years	**1,340,326**	571,608
	3,898,627	2,577,990

9 Leases

This note provides information for leases where the Group is a lessee.

(I) AMOUNTS RECOGNISED IN THE BALANCE SHEET

The balance sheet shows the following amounts relating to leases:

	Land use rights RMB'000	Properties RMB'000	Vehicles RMB'000	Total right-of-use assets RMB'000
At 1 January 2020				
Cost	14,726,242	722,923	10,777	15,459,942
Accumulated amortisation	(378,315)	(159,363)	(4,223)	(541,901)
Net book amount	14,347,927	563,560	6,554	14,918,041
1 January 2020	14,347,927	563,560	6,554	14,918,041
Addition	1,808,706	218,489	12,109	2,039,304
Acquisition of subsidiaries (note 41(B))	704,974	21,254	—	726,228
Disposals	(308,497)	—	—	(308,497)
Disposal of subsidiaries (note 42(B))	(273,248)	—	—	(273,248)
Depreciation charges	(482,454)	(217,576)	(5,976)	(706,006)
31 December 2020	15,797,408	585,727	12,687	16,395,822
At 31 December 2020				
Cost	16,621,483	962,666	22,886	17,607,035
Accumulated amortisation	(824,075)	(376,939)	(10,199)	(1,211,213)
Net book amount	15,797,408	585,727	12,687	16,395,822

9 Leases *(Continued)*

(I) AMOUNTS RECOGNISED IN THE BALANCE SHEET *(Continued)*

	31 December 2020 RMB'000	31 December 2019 RMB'000
Lease liabilities		
Current	**212,051**	176,499
Non-current	**447,794**	436,848
Total lease liabilities	**659,845**	613,347

Depreciation expense of RMB354 million and RMB352 million (2019: RMB199 million and RMB343 million) has been charged to "cost of sales" and "administrative expenses" respectively.

(II) AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

The statement of profit or loss shows the following amounts relating to leases:

	2020 RMB'000
Depreciation charge of right-of-use assets	
Land use rights	**482,454**
Properties	**217,576**
Vehicles	**5,976**
Total depreciation charge of right-of-use assets	**706,006**
Interest expense (included in finance cost)	**63,378**
Expense relating to short-term leases (included in cost of sales and administrative expenses)	**52,510**
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**366**
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	**—**

The total cash outflow for leases in 2020 was RMB320.05 million (2019: RMB255.83 million).

(III) THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group obtained land use rights from the mainland China government with fixed period of 40 years. Beside this, the Group leases various offices and vehicles. Rental contracts are typically made for fixed periods of 1 to 15 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

10 Intangible assets

	Goodwill (A) RMB'000	Customer relationships and trademark RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019				
Cost	5,537,776	1,111,473	413,038	7,062,287
Accumulated amortisation and impairment	(456,299)	(382,051)	(54,458)	(892,808)
Net book amount	5,081,477	729,422	358,580	6,169,479
Year ended 31 December 2019				
Opening net book amount	5,081,477	729,422	358,580	6,169,479
Acquisition of subsidiaries	1,114,668	381,235	817	1,496,720
Additions	—	35,267	102,570	137,837
Impairment charge	(58,337)	—	—	(58,337)
Amortisation charge	—	(33,991)	(44,297)	(78,288)
Closing net book amount	6,137,808	1,111,933	417,670	7,667,411
At 31 December 2019				
Cost	6,652,444	1,527,975	516,425	8,696,844
Accumulated amortisation and impairment	(514,636)	(416,042)	(98,755)	(1,029,433)
Net book amount	6,137,808	1,111,933	417,670	7,667,411
Year ended 31 December 2020				
Opening net book amount	**6,137,808**	**1,111,933**	**417,670**	**7,667,411**
Acquisition of subsidiaries (note 41)	**1,319,925**	**195,610**	**54,477**	**1,570,012**
Additions	**—**	**—**	**184,377**	**184,377**
Impairment charge	**(137,394)**	**—**	**—**	**(137,394)**
Amortisation charge	**—**	**(81,111)**	**(68,457)**	**(149,568)**
Closing net book amount	**7,320,339**	**1,226,432**	**588,067**	**9,134,838**
At 31 December 2020				
Cost	**7,972,369**	**1,723,585**	**755,279**	**10,451,233**
Accumulated amortisation and impairment	**(652,030)**	**(497,153)**	**(167,212)**	**(1,316,395)**
Net book amount	**7,320,339**	**1,226,432**	**588,067**	**9,134,838**

Amortisation expense of RMB32 million, RMB104 million and RMB14 million (2019: RMB4 million, RMB61 million and RMB13 million) has been charged to "cost of sales", "administrative expenses" and "selling and marketing costs" respectively.

10 Intangible assets *(Continued)*

(A) IMPAIRMENT TESTS FOR GOODWILL

Goodwill was generated from business combination and allocated to each project or a group of projects, which is expected to benefit from the synergies of the combination. Each project is identified as a CGU and the recoverable amount of a CGU or group of CGUs is determined based on value-in-use method.

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Cultural and tourism city construction and operation (i)	**4,392,488**	4,392,488
Property development (ii)	**595,412**	732,805
Property management (iii)	**1,053,826**	33,610
All other segments (iv)	**1,278,613**	978,905
	7,320,339	6,137,808

(i) The goodwill allocated into segment of cultural and tourism city construction and operation was generated from acquisition of Wanda cultural and tourism management companies in 2018. Management monitors the goodwill on group of CGUs basis which expected to benefit from the synergies of this combination.

(ii) The goodwill allocated in property development segment generated from business combination of certain property development projects. Each property development project is identified as a CGU. Management reviews the business performance and monitors the goodwill on individual CGU basis.

(iii) The goodwill of property management included the goodwill generated from acquisition of Zhejiang New Century Property Management Co., Ltd. (the "NCPM") and its subsidiaries (collectively, the "NCPM Group'). Management regard NCPM Group as a group of CGUs and the goodwill has been allocated to the group of CGUs for impairment testing.

(iv) The goodwill of all other segments mainly included the goodwill generated from acquisition of Le Vision Pictures (Beijing) Co. Ltd., Base Media Technology Group Ltd., Shanghai Base Culture Media Co., Ltd., and Beijing Dream Castle Culture Co.,Ltd.. Management reviews the business performance and monitors the goodwill on individual CGU basis.

(v) The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

Assumption	**Cultural and tourism city construction and operation**	**NCPM Group**
2020:		
Revenue growth rate	**Start-up period: 11.7%-23.5%** **Stable period: 3.7%-5.4%**	**9.9%-19.9%**
Profit rate over the stable period	**14%-44.5%**	**7.1%-7.7%**
Terminal growth rate	**3%**	**3%**
Pre-tax discount rate	**12.2%**	**19.18%**
2019:		
Revenue growth rate	Start-up period: 10%-23% Stable period: 7%-11%	—
Profit rate over the stable period	44%-68%	—
Terminal growth rate	2.5%	—
Pre-tax discount rate	11.7%	—

10 Intangible assets *(Continued)*

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

Management has determined the values assigned to each of the above key assumptions as follows:

Forecast period	Forecast period is determined based on the business model and current developing stage of individual CGUs. For cultural and tourism city construction and operation, the start-up period is the first five-year period after the opening date or acquisition date and the stable period covers the sixth year to tenth year of the forecast period. For NCPM Group, the forecast period is five years after the reporting period.
Revenue growth rate	Annual growth rate of revenue during the forecast period was based on past performance and management's expectations of market development.
Profit rate over the stable period	Profit rate over the stable period was estimated based on past performance and management's expectations for the future.
Terminal growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are consistent with management's forecasts and industry information.
Pre-tax discount rates	Reflect specific risks relating to the relevant segments and the industry in which they operate.

Except for the goodwill allocated to cultural and tourism city construction and operation segment and property management segment, there is no individual CGU for which the carrying amount of goodwill is significant in comparison with the total carrying amount of goodwill. The key assumptions used to determine the recoverable amount of each of such CGU include the future unit selling price, revenue growth rate, profit rate, terminal growth rate, estimated future costs to complete the project development and pre-tax discount rate. The range of pre-tax discount rate used for the analysis of each CGU in the operating entities is 18.1%-23.7% as at 31 December 2020 (2019 pre-tax discount rate: 20%-24.7%).

The impairment charge of RMB137.39 million arose from property development companies which was in the completion stage of real estate development project. Except for the impairment project, the recoverable amount of above CGU or group CGUs are estimated to exceed the carrying amount at 31 December 2020.

If the revenue growth rates or profit rates used in the value-in-use calculation for the cultural and tourism city construction and operation CGUs have been 5% lower than management's estimation, the recoverable amounts would be still exceeding the carrying amount and there would be no impairment against goodwill allocated in this segment.

If the pre-tax discount rate applied to the cash flow projections of these CGUs changes to 12.8%, the recoverable amounts would be still exceeding the carrying amount and there would be no impairment against goodwill allocated in this segment.

If the expected annual growth rate used in value-in-use calculation for NCPM Group CGUs had been 5% lower than management estimates as of 31 December 2020, the recoverable amount would be less than the carrying amount by RMB14.61 million. If the expected pre-tax discount rate had been 5% higher than management estimates as of 31 December 2020, the recoverable amount calculated would be less than the carrying amount by RMB30.91 million.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that would have resulted in a significant impairment against the goodwill of the Group.

11 Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Joint ventures	**64,478,669**	60,049,425
Associates	**22,064,466**	28,944,867
	86,543,135	88,994,292

The share of profits from investments accounted for using the equity method recognised in the income statement were as follows:

	2020 RMB'000	2019 RMB'000
Share of profits of joint ventures	**3,319,803**	6,248,302
Share of profits of associates	**680,215**	1,735,221
Gains from acquisitions of joint ventures	**—**	162,798
	4,000,018	8,146,321

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

11.1 INVESTMENTS IN JOINT VENTURES

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

	2020 **RMB'000**	2019 RMB'000
At beginning of year	**60,049,425**	40,009,448
Increasing:		
– New investments in joint ventures	**13,549,741**	27,285,847
– Subsidiaries becoming joint ventures (note 42(A))	**382,179**	—
– Acquisition from business combination (note 41)	**26,099**	169,221
Decreasing:		
– Disposal and capital decreasing of joint ventures	**(2,315,564)**	(3,575,422)
– Joint ventures becoming subsidiaries on business combination	**—**	(1,514,622)
– Impact on assets acquisition transactions	**(4,971,562)**	(5,107,786)
Share of profits of joint ventures, net	**3,319,803**	6,248,302
Dividends from joint ventures	**(5,561,452)**	(3,465,563)
At end of year	**64,478,669**	60,049,425

Note:

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

(i) The following table lists the principal joint ventures of the Group as at 31 December 2020 and 2019:

Name of joint ventures	**Registered capital (RMB' million)**	**% of ownership interest** **31 December 2020**	31 December 2019	**Principal activities**
Xianyang Sunac Yihe Real Estate Co., Ltd.	100	**50%**	50%	Real estate development
Sichuan Huanrong Zhongjun Cultural Tourism Co., Ltd.	300	**51%**	NA	Real estate development
Yunnan Shili Sunac Cultural Tourism Co., Ltd.	100	**60%**	NA	Real estate development
Guizhou Hongde Real Estate Co., Ltd.	500	**55%**	55%	Real estate development
Hangzhou Rongyue Investment Co., Ltd.	143	**50%**	50%	Real estate development

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

The entities listed above have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

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

11.1 INVESTMENTS IN JOINT VENTURES *(Continued)*

(ii) Commitments in respect of joint ventures

	31 December 2020 RMB'000	31 December 2019 RMB'000
Commitments – joint ventures		
Commitment to provide funding for joint venture's capital commitments	**10,130,764**	1,484,330

(iii) Summarised financial information of material joint venture

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

	Joint venture – A	
	31 December 2020 RMB'000	31 December 2019 RMB'000
Summarised balance sheet		
Current assets		
Cash and cash equivalents	**411,200**	2,198
Other current assets	**26,438,874**	12,778,422
Total current assets	**26,850,074**	12,780,620
Non-current assets	**19,479**	459
Current liabilities		
Financial liabilities (excluding trade payables)	**—**	500,000
Other current liabilities	**23,697,381**	12,133,085
Total current liabilities	**23,697,381**	12,633,085
Non-current liabilities		
Financial liabilities (excluding trade payables)	**3,090,000**	—
Other non-current liabilities	**—**	1,947
Total non-current liabilities	**3,090,000**	1,947
Net assets	**82,172**	146,047

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

11.1 INVESTMENTS IN JOINT VENTURES *(Continued)*

(iii) Summarised financial information of material joint venture *(Continued)*

	Joint venture – A	
	2020	2019
	RMB'000	RMB'000
Reconciliation to carrying amounts:		
Opening net assets 1 January	**146,047**	114,263
Capital contributions	**—**	—
(Losses)/profit for the year	**(63,875)**	31,784
Closing net assets	**82,172**	146,047
Group's share in %	**50%**	50%
Goodwill	**—**	—
Carrying amount	**41,086**	73,024
Revenue	**393,203**	262,634
Interest income	**4,425**	9,504
Depreciation and amortisation	**—**	—
Interest expense	**(45,693)**	(6,573)
Income tax expense	**20,910**	(10,615)
(Losses)/profit for the year	**(63,875)**	31,784
Dividends received from joint venture	**—**	—

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

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

11.1 INVESTMENTS IN JOINT VENTURES *(Continued)*

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Aggregate carrying amount of the Group's interests in these joint ventures	**64,437,583**	59,976,401

	2020 RMB'000	2019 RMB'000
The Group's share of post-tax profits, net	**3,351,741**	6,232,410
The Group's share of total comprehensive income	**3,351,741**	6,232,410

11.2 INVESTMENTS IN ASSOCIATES

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

	2020 RMB'000	2019 RMB'000
At beginning of year	**28,944,867**	25,487,378
Increasing:		
– New investments in associates	**4,002,534**	2,570,139
– Subsidiaries becoming associates	**—**	263,259
– Acquisition from business combination (note 41)	**21,099**	3,389,160
Decreasing:		
– Disposal and capital decreasing of associates (a)	**(10,208,026)**	(1,427,786)
– Associates becoming subsidiaries on business combination	**—**	(1,585,585)
Impairment provisions for investments in associates	**—**	(766,475)
Share of profits of associates, net	**680,215**	1,735,221
Dividends from associates	**(1,376,223)**	(720,444)
At end of year	**22,064,466**	28,944,867

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

11.2 INVESTMENTS IN ASSOCIATES *(Continued)*

Note:

(a) In April 2020, a wholly owner subsidiary of the Group, entered into an agreement with a third party to sell approximately 11% of the total issued share capital of Jinke Property Group Co., Ltd. (the "Jinke Property") at a consideration of approximately RMB4,699 million. In May 2020, the Group continuously sold 13.36% of the total issued share capital of Jinke Property by way of block trades at a consideration of RMB5,705 million in total. Upon completion of these transactions, the Group hold 4.99% equity interest in Jinke Property and recognised the residue investment as financial assets at FVPL. Jinke Property is a company established in the PRC with limited liability, and the shares of which are listed on the Shenzhen Stock Exchange.

(b) As at 31 December 2020, all associates of the Group are incorporated in the PRC and are non-listed companies.

(i) As at 31 December 2020 and 2019, the Group had interests in the following principal associates:

Name of associates	Registered capital (RMB million)	% of ownership interest 31 December 2020	31 December 2019	Principal activities
Tianjin Xingyao Investment Co., Ltd.*	4,653	**75%**	75%	Real estate development
Wuhan Xincheng International Expo Center Co., Ltd.	500	**30%**	30%	Real estate development
Tianjin Lvcheng Quanyuncun Construction Development Co., Ltd.	2,500	**39%**	39%	Real estate development
Shanghai Fuyuan Binjiang Development Co., Ltd.	396	**47%**	47%	Real estate development
Tianjin Poly Sunac Investment Co., Ltd.	2,000	**49%**	49%	Real estate development

The entities listed above have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

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

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

11.2 INVESTMENTS IN ASSOCIATES *(Continued)*

(ii) Contingent liabilities in respect of associates

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contingent liabilities – associates		
Share of contingent liabilities incurred jointly with other investors of the associate	—	6,325,932

(iii) Summarised financial information of material associate

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

	Associate – A	
	31 December 2020 RMB'000	31 December 2019 RMB'000
Summarised assets and liabilities		
Current assets	**31,135,373**	29,705,845
Non-current assets	**795,978**	707,181
Current liabilities	**10,885,250**	13,092,543
Non-current liabilities	**14,709,573**	11,025,716
Equity attributable to equity holders of the associate	**6,336,528**	6,294,767

	Associate – A	
	2020 RMB'000	2019 RMB'000
Summarised profit or loss and other comprehensive income		
Revenue	**726,004**	911,273
Net profit/(losses) attributable to equity holders of the associate	**41,761**	(267,682)
Total comprehensive income/(losses) attributable to equity holders of the associate	**41,761**	(267,682)

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

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

11.2 INVESTMENTS IN ASSOCIATES *(Continued)*

(iv) Reconciliation of summarised financial information

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

	Associate – A	
	31 December 2020 RMB'000	31 December 2019 RMB'000
Equity attributable to equity holders of the associate	**6,336,528**	6,294,767
The Group's equity interest share	**75%**	75%
Interest in the associate	**4,752,396**	4,721,075
Goodwill	**—**	—
Carrying amount	**4,752,396**	4,721,075

Aggregate information of associates that are not individually material:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Aggregate carrying amount of the Group's interests in these associates	**17,312,070**	24,223,792

	2020 RMB'000	2019 RMB'000
The Group's share of post-tax profits, net	**648,894**	1,935,983
The Group's share of total comprehensive income	**648,894**	1,935,983

12 Deferred income tax

(I) DEFERRED TAX ASSETS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Deferred tax assets (hereafter "DTA"):		
– to be recovered within 12 months	**4,184,618**	3,401,978
– to be recovered after more than 12 months	**13,265,983**	9,918,488
Set-off of deferred tax liabilities pursuant to set-off provisions	**(5,213,330)**	(4,735,154)
Net DTA	**12,237,271**	8,585,312

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

Movements	Unpaid LAT RMB'000	Deductible tax loss RMB'000	Impairment provision RMB'000	Accruals expenses for tax purpose RMB'000	Fair value change RMB'000	Total RMB'000
At 1 January 2019	3,917,584	2,927,519	305,903	247,588	167,912	7,566,506
Credited/(charged) to profit or loss	1,562,656	2,329,929	1,204,380	66,811	(60,567)	5,103,209
Acquisition of subsidiaries	82,415	298,487	264,247	29,276	—	674,425
Disposal of subsidiaries	—	(21,739)	—	(1,935)	—	(23,674)
At 31 December 2019	5,562,655	5,534,196	1,774,530	341,740	107,345	13,320,466
At 1 January 2020	**5,562,655**	**5,534,196**	**1,774,530**	**341,740**	**107,345**	**13,320,466**
Credited/(charged) to profit or loss	**435,468**	**2,418,862**	**(557,997)**	**(47,718)**	**544,306**	**2,792,921**
Acquisition of subsidiaries (note 41)	**—**	**549,134**	**—**	**—**	**—**	**549,134**
Acquisition of assets and liabilities through acquisition of subsidiaries	**253,109**	**589,031**	**—**	**4,319**	**—**	**846,459**
Disposal of subsidiaries (note 42)	**(13,071)**	**(39,569)**	**—**	**(5,739)**	**—**	**(58,379)**
At 31 December 2020	**6,238,161**	**9,051,654**	**1,216,533**	**292,602**	**651,651**	**17,450,601**

12 Deferred income tax *(Continued)*

(II) DEFERRED TAX LIABILITIES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Deferred tax liabilities (hereafter "DTL"):		
– to be settled within 12 months	**7,485,344**	10,070,823
– to be settled after more than 12 months	**31,606,910**	33,199,079
Set-off of deferred tax liabilities pursuant to set-off provisions	**(5,213,330)**	(4,735,154)
Net DTL	**33,878,924**	38,534,748

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

	Deferred LAT	Deferred corporate income tax					Total
Movements	Fair value surplus at acquisitions RMB'000	Fair value surplus at acquisitions RMB'000	Fair value change RMB'000	Prepaid LAT RMB'000	Dividend tax for PRC entities' distributable profits RMB'000	Others RMB'000	RMB'000
At 1 January 2019	21,623,459	13,284,623	549,687	1,292,159	987,020	228,258	37,965,206
(Credited)/charged to profit or loss	—	(2,759,324)	422,201	56,869	600,400	276,464	(1,403,390)
Transfer to tax payable	(3,656,757)	—	—	—	—	—	(3,656,757)
Acquisition of subsidiaries	3,326,290	7,035,674	—	44,138	—	—	10,406,102
Disposal of subsidiaries	—	(41,259)	—	—	—	—	(41,259)
At 31 December 2019	21,292,992	17,519,714	971,888	1,393,166	1,587,420	504,722	43,269,902
At 1 January 2020	**21,292,992**	**17,519,714**	**971,888**	**1,393,166**	**1,587,420**	**504,722**	**43,269,902**
(Credited)/charged to profit or loss	**—**	**(2,787,178)**	**1,998,693**	**31,310**	**546,217**	**449,551**	**238,593**
Transfer to tax payable	**(3,721,959)**	**—**	**—**	**—**	**—**	**—**	**(3,721,959)**
Acquisition of subsidiaries	**—**	**60,716**	**—**	**—**	**—**	**—**	**60,716**
Acquisition of assets and liabilities through acquisition of subsidiaries	**—**	**—**	**—**	**216,448**	**—**	**5,814**	**222,262**
Disposal of assets	**—**	**(974,868)**	**—**	**—**	**—**	**—**	**(974,868)**
Disposal of subsidiaries	**—**	**(2,392)**	**—**	**—**	**—**	**—**	**(2,392)**
At 31 December 2020	**17,571,033**	**13,815,992**	**2,970,581**	**1,640,924**	**2,133,637**	**960,087**	**39,092,254**

13 Financial assets at fair value through profit or loss

	31 December 2020 RMB'000	31 December 2019 RMB'000
Equity investment	**28,755,409**	14,626,669
Debt investment	**2,626,703**	1,162,114
	31,382,112	15,788,783

For information about the methods and assumptions used in determining the fair value of financial assets at FVPL, please refer to note 4(A).

(A) AMOUNTS RECOGNISED IN PROFIT OR LOSS

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Fair value gains on financial assets at FVPL recognised in other income (note 30)	**9,656,342**	780,859
Gains from disposal of financial assets at FVPL	**136,362**	—
Dividends from financial assets at FVPL	**288,787**	188,593

14 Properties under development

	31 December 2020 RMB'000	31 December 2019 RMB'000
Comprising:		
Land use rights costs	**333,721,133**	299,624,062
Construction costs and capitalised expenditures	**110,769,268**	81,116,520
Capitalised finance costs	**61,245,093**	46,372,059
	505,735,494	427,112,641
Less: provision for loss on realisable values	**(1,588,469)**	(329,263)
	504,147,025	426,783,378
Including: To be completed within 12 months	**165,561,224**	135,100,510
To be completed after 12 months	**338,585,801**	291,682,868
	504,147,025	426,783,378

14 Properties under development *(Continued)*

The properties under development are all located in the PRC.

RMB92.7 billion of costs to fulfil contracts carried forward from prior year was recognised as cost of good sales in the current reporting period.

At 31 December 2020, properties under development included the costs to fulfil contracts amounting to RMB98.1 billion.

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

15 Completed properties held for sale

	31 December 2020 RMB'000	31 December 2019 RMB'000
Completed properties held for sale	**67,417,740**	56,867,520
Less: Provision for loss on realisable value	**(2,881,176)**	(1,678,310)
	64,536,564	55,189,210

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

RMB11.8 billion of costs to fulfil contracts carried forward from prior year was recognised as cost of good sales in the current reporting period.

At 31 December 2020, completed properties held for sale included the costs to fulfil contracts amounting to RMB15.5 billion.

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

16 Trade and other receivables

	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current –		
Amounts due from construction customers (i)	**48,000**	48,000
Other receivables (iv)	**6,000**	—
	54,000	48,000
Current –		
Trade receivables from contracts with customers (ii)	**2,790,035**	1,701,056
Amounts due from non-controlling interests and their related parties (iii)	**32,804,732**	17,831,141
Notes receivables	**29,734**	75,265
Deposits receivables	**9,470,270**	10,853,804
Other receivables (iv)	**16,459,435**	17,045,590
	61,554,206	47,506,856
Less: loss allowance (vi)	**(553,520)**	(352,532)
	61,000,686	47,154,324

As at 31 December 2020 and 2019, the carrying amounts of the Group's trade and other receivables were all denominated in RMB.

Notes:

(i) The balance carries interest rate at 8% per annum and is repayable within five years.

(ii) Trade receivables mainly arise from sales of properties and rendering of property management services. The consideration in respect of sales of properties is paid by customers in accordance with the credit terms agreed in the property sale contracts. Property management services income is received in accordance with the term of the relevant property service agreements and is due for payment upon rendering of service. The ageing analysis of trade receivables based on dates of delivery of goods and dates of rendering of services is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 90 days	**1,540,308**	1,126,438
91–180 days	**54,492**	12,517
181–365 days	**377,650**	211,952
Over 365 days	**817,585**	350,149
	2,790,035	1,701,056

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

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

16 Trade and other receivables *(Continued)*

Notes: *(Continued)*

(v) Fair values of trade and other receivables

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

(vi) Impairment and risk exposure

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance on 31 December 2019 by RMB17.81 million to RMB44.85 million for trade receivables and contract assets. The loss allowance increased by RMB58.95 million to RMB103.80 million for trade receivables and contract assets during the current reporting period. Note 3.1(b) provides for details about the calculation of the allowance.

Other receivables

Other receivables (excluding loans to third parties) are all considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Note 3.1(b) provides for details about the calculation of the allowance.

Information about the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 3.1.

17 Prepayments

	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current –		
Prepayments for equity transactions	**6,458,240**	2,977,824
Prepayments for purchase of PP&E	**45,110**	40,274
	6,503,350	3,018,098
Current –		
Prepaid value added taxes and other taxes	**3,613,616**	2,189,970
Prepayments for land use rights acquisitions	**11,039,614**	10,202,070
Prepayments for construction costs	**1,218,431**	1,269,574
Others	**971,059**	1,001,226
	16,842,720	14,662,840

As at 31 December 2020 and 2019, the carrying amounts of the Group's prepayments were all denominated in RMB.

18 Restricted cash

	31 December 2020 RMB'000	31 December 2019 RMB'000
Guarantee deposits as reserve for bank loans	**18,387,886**	21,798,223
Restricted cash from property pre-sale proceeds (i)	**12,229,948**	17,578,004
Guarantee deposits for bank acceptance notes	**1,724,091**	4,125,338
Guarantee deposits for mortgage	**480,063**	1,372,470
Others	**1,113,623**	2,912,993
	33,935,611	47,787,028

Note:

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

19 Cash and cash equivalents

	31 December 2020 RMB'000	31 December 2019 RMB'000
Cash on hand and demand deposit:		
Denominated in RMB	**98,312,739**	76,119,797
Denominated in USD	**272,769**	1,553,039
Denominated in HKD	**123,888**	270,825
Denominated in JPY	**1,248**	—
	98,710,644	77,943,661

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

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

20 Assets classified as held for sale

	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current assets held for sale		
PP&Es	—	3,799,700
Investment properties	—	478,000
Right-of-use assets	—	123,300
	—	4,401,000

In 2019, the Group approved to sell several assets owned by a 51% subsidiary of the Group. The sale has been completed in 2020.

21 Share capital

	Number of ordinary shares (thousand)	Shares capital HK$'000	Shares capital Equivalent to RMB'000
Authorised:			
At 1 January 2019, 31 December 2019 and 2020, HK$0.1 per share	10,000,000	1,000,000	
Issued and fully paid:			
As at 1 January 2019	4,406,134	440,614	378,421
Shares issued upon exercise of employees' share options ((ii), note 22)	45,795	4,580	3,918
As at 31 December 2019	4,451,929	445,194	382,339
Proceeds from placing of new shares (i)	186,920	18,692	16,589
Shares issued upon exercise of employees' share options ((ii), note 22)	24,337	2,434	2,010
As at 31 December 2020	4,663,186	466,320	400,938

Note:

(i) On 10 January 2020, the Company entered into an placing agreement to issue 186,920,000 placing shares at a price of HK$42.80 per share. The net proceeds from this placement after deducting related fees were approximately HK$7.96 billion (equivalent to approximately RMB7.06 billion).

(ii) The Company adopted a Post-IPO Share Option Scheme (the "2011 Share Option Scheme") (note 22(A)(i)) on 29 April 2011 and a new Share Option Scheme (the "2014 Share Option Scheme") (note 22(A)(ii)) on 19 May 2014 respectively.

22 Share-based payments

(A) SHARE OPTION SCHEME

(i) 2011 Share Option Scheme

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

(ii) 2014 Share Option Scheme

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

There is no expense recognised in the profit or loss for share options granted to directors and employees for the year ended 31 December 2020 (2019: RMB117.02 million) (note 29).

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

22 Share-based payments *(Continued)*

(A) SHARE OPTION SCHEME *(Continued)*

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

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

	2020 Average price in HK$ per share	**2020** Options (thousand)	2019 Average price in HK$ per share	2019 Options (thousand)
At beginning of year	**20.20**	**77,528**	17.22	124,927
Granted	**—**	**—**	—	—
Exercised*	**10.41**	**(24,337)**	11.72	(45,795)
Expired	**—**	**—**	30.25	(492)
Abandoned	**—**	**—**	30.25	(1,112)
At end of year	**24.68**	**53,191**	20.20	77,528

* The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2020 was HK$37.52.

As at 31 December 2020, 53,191 thousand shares of the 2014 Share Option Scheme were exercisable (31 December 2019: 77,528 thousand shares of the 2014 Share Option Scheme were exercisable).

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

Expiry date	**Exercise price in HK$ per share option**	**Number of share options (thousand)** **2020**	2019
28 April 2018	2.33	**—**	—
28 April 2019	6.32	**—**	—
5 June 2019	4.07	**—**	—
9 July 2020	7.27	**—**	12,976
20 June 2021	4.62	**11,496**	18,705
22 Dec 2022	30.25	**41,695**	45,847
		53,191	77,528

22 Share-based payments *(Continued)*

(B) SHARE AWARD SCHEME

A share award scheme under which shares may be granted to eligible employees for no cash consideration was approved by the board of directors of the Company on 8 May 2018 (the "Share Award Scheme"). Pursuant to the rules relating to the Share Award Scheme, the Company entrusted a trustee to purchase existing ordinary shares in the open market based on this Share Award Scheme. The trustee will hold such shares on behalf of the relevant selected employees on trust, until such shares are vested with the relevant selected employees in accordance with the scheme rules.

The following table presents the movement in shares that held by the trustee for the purpose of issuing shares under Share Award Scheme. Shares issued to employees are recognised on a first-in-first-out basis.

Details	Number of shares (thousand)	HK$'000	Equivalent to RMB'000
Opening balance 1 January 2019	66,649	1,673,350	1,464,565
Purchase of shares for share award scheme	28,004	808,107	716,306
Employee share scheme issue	—	—	—
Balance 31 December 2019	94,653	2,481,457	2,180,871
Purchase of shares for share award scheme	—	—	—
Employee share scheme issue	(6,249)	(185,762)	(164,077)
Balance 31 December 2020	**88,404**	**2,295,695**	**2,016,794**

For the year ended 31 December 2020, 19,775 thousand shares in connection with the Share Award Scheme have been granted to the eligible employees for no cash consideration. 30% of these shares vested immediately at grant date, 30% of these shares vest after one year from the grant date and remaining 40% of shares vest after two years from the grant date. The eligible employees do not receive any dividends and are not entitled to vote in relation to the shares till after one year from the vesting date (the "Waiting Period").

The fair value of the rights at grant date was estimated by taking the market price of the Company's shares on that date less the present value of expected dividends that will not be received by the eligible employees on their rights during the Waiting Period.

22 Share-based payments *(Continued)*

(B) SHARE AWARD SCHEME *(Continued)*

The following table shows the shares granted and outstanding at the beginning and end of the reporting period:

	Number of awarded shares (thousand)	
	2020	2019
As at 1 January	**14,350**	—
Granted during the year	**19,775**	21,040
Vested during the year	**(12,028)**	(6,312)
Forfeited during the year	**(65)**	(378)
As at 31 December	**22,032**	14,350
Weighted average remaining contractual life of the deferred shares outstanding at end of period	**1.127 years**	1.35 years

The total expense recognised in the profit or loss for the Share Award Scheme granted to employees for the year ended 31 December 2020 was RMB570.62 million.

23 Reserves

	Note	Share premium RMB'000	Share option reserve RMB'000	Other RMB'000	Total RMB'000
Year ended 31 December 2019					
At 1 January 2019		9,336,620	760,970	4,162,013	14,259,603
Transaction with non-controlling interests		—	—	3,526,449	3,526,449
Employees share option schemes:					
– Value of employee services		—	117,021	—	117,021
– Exercise of employees' share options		462,104	—	—	462,104
Share award scheme					
– Value of employee services		—	460,966	—	460,966
Purchase of shares for share award scheme		(716,306)	—	—	(716,306)
Statutory reserve	(i)	—	—	3,045,418	3,045,418
Dividends relating to 2018	44	(3,644,638)	—	—	(3,644,638)
At 31 December 2019		5,437,780	1,338,957	10,733,880	17,510,617

23 Reserves *(Continued)*

	Note	Share premium RMB'000	Share option reserve RMB'000	Other RMB'000	Total RMB'000
Year ended 31 December 2020					
At 1 January 2020		**5,437,780**	**1,338,957**	**10,733,880**	**17,510,617**
Capital contribution by non-controlling interests	(iii)	—	—	**5,135,449**	**5,135,449**
Transaction with non-controlling interests	40	—	—	**99,219**	**99,219**
Employees share option schemes:					
– Exercise of employees' share options	22(A)	**206,624**	—	—	**206,624**
Share award scheme					
– Value of employee services	29	—	**570,621**	—	**570,621**
Proceeds from placing of new shares	21(i)	**7,041,801**	—	—	**7,041,801**
Special dividend	(ii)	—	—	**(435,782)**	**(435,782)**
Statutory reserve	(i)	—	—	**3,623,086**	**3,623,086**
Dividends relating to 2019	44	**(5,726,051)**	—	—	**(5,726,051)**
At 31 December 2020		**6,960,154**	**1,909,578**	**19,155,852**	**28,025,584**

(I) STATUTORY RESERVES

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

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

23 Reserves *(Continued)*

(II) SPECIAL DIVIDEND

On 26 October 2020, the board of directors of the Company announced the declaration of a special dividend to be satisfied by way of a distribution in specie of 150,000,000 ordinary shares of Sunac Services, a wholly owned subsidiary of the Group before such distribution in specie, to qualifying shareholders of the Company in proportion to their respective shareholding interest in the Company as at 5 November 2020. The distributed ordinary shares represented 5.0% of the total issued ordinary shares of Sunac Services and the amount of special dividend equivalented to the same percentage of carrying amount of net assets of Sunac Services.

(III) CAPITAL CONTRIBUTION BY NON-CONTROLLING INTERESTS

Sunac Services issued 690,000,000 ordinary shares at a nominal value of HK$0.01 per share in connection with commencement of the listing of its shares on the Main Board of the Stock Exchange on 19 November 2020 and exercised over-allotment option to issue 103,500,000 new ordinary shares at a nominal value of HK$0.01 per share on 12 December 2020 (collectively, "Sunac Services' New Issue"). Such shares were offered at HK$11.6 per share and net proceeds from Sunac Services' New Issue amounted to RMB7,592 million. The Company's equity interest in Sunac Services was diluted to 69.6% as a result of Sunac Services' New Issue and Sunac Services is still the subsidiary of the Company after its listing. The difference, amounting to RMB5,084 million, between the net proceeds from Sunac Services' New Issue and the carrying amount of the diluted net assets was recorded as a credit to other reserves.

24 Trade and other payables

	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current –		
Un-paid considerations for acquisition of equity investments	**169,624**	—
Other payables (iii)	**134,581**	145,727
	304,205	145,727
Current –		
Trade payables (i)	**100,532,085**	71,706,023
Un-paid considerations for acquisition of equity investments	**7,108,469**	17,760,374
Amounts due to non-controlling interests and their related parties (ii)	**13,630,355**	6,707,954
Notes payables	**22,765,780**	11,245,291
Other taxes payable	**5,203,316**	3,275,245
Interests payable	**3,865,838**	4,013,493
Payroll and welfare payables	**3,807,306**	3,126,948
Other payables (iii)	**45,161,857**	29,298,603
	202,075,006	147,133,931

24 Trade and other payables *(Continued)*

Note:

(i) At 31 December 2020, the ageing analysis of trade payables is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 90 days	**43,914,917**	27,549,468
91-180 days	**17,504,436**	10,212,645
181-365 days	**17,375,621**	15,718,047
Over 365 days	**21,737,111**	18,225,863
	100,532,085	71,706,023

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

(iii) As at 31 December 2020, other payables mainly included value-added tax relevant to pre-sale of properties amounted to RMB13,848 million (as at 31 December 2019, RMB12,171 million). Beside this, the residual amounts mainly included deposits from customers, deed tax and maintenance funds received on behalf of customers and cash advanced from potential equity investment partners.

25 Borrowings

	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current		
Secured,		
– Bank and other institution borrowings	**214,597,482**	214,090,958
– Senior notes (A)	**47,072,708**	44,838,865
	261,670,190	258,929,823
Unsecured,		
– Bank and other institution borrowings	**1,949,050**	100,000
– Corporate bonds (B)	**11,265,506**	7,818,085
– Private domestic corporate bonds (C)	**15,391,031**	16,969,539
	28,605,587	24,887,624
	290,275,777	283,817,447
Less: Current portion of non-current borrowings (D)	**(78,444,307)**	(97,275,345)
	211,831,470	186,542,102
Current		
Secured,		
– Bank and other institution borrowings	**12,668,110**	37,847,612
Unsecured,		
– Bank and other institution borrowings	**495,008**	609,900
	13,163,118	38,457,512
Current portion of non-current borrowings (D)	**78,444,307**	97,275,345
	91,607,425	135,732,857
Total borrowings	**303,438,895**	322,274,959

25 Borrowings *(Continued)*

(A) SENIOR NOTES

The Company issued senior notes ("Senior Notes") on the Singapore Exchange Securities Trading Limited, payable semi-annually in arrears. As at 31 December 2020, the issue date, principal and interest rate of the outstanding Senior Notes were shown as below:

Issue date	Maturity	Principal USD million	Interest rate
08 August 2017	5 years	600	7.950%
19 April 2018	5 years	443	8.350%
19 April 2018	3.25 years	650	7.350%
15 January 2019	2 years	243	8.375%
15 February 2019	3 years	800	7.875%
26 March 2019	4 years	200	8.350%
11 April 2019	4.5 years	742	7.950%
14 June 2019	3 years	600	7.250%
01 November 2019	4.25 years	634	7.500%
10 January 2020	5 years	531	6.500%
09 July 2020	3 years	600	6.500%
09 July 2020	5 years	400	7.000%
03 August 2020	4 years	500	6.650%
01 December 2020	3.75 years	120	6.650%
01 December 2020	4.75 years	200	7.000%
		7,263	

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

Principal	Redemption time point	Redemption prices	Customary make-whole premium*
USD600 million	Prior to 8 August 2020		
	– Redemption up to 35%	107.95%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103.98% principal plus interest over the principal amount
	8 August to 31 December 2020	103.98%	
	2020 and beyond	101.99%	

25 Borrowings *(Continued)*

(A) SENIOR NOTES *(Continued)*

Principal	Redemption time point	Redemption prices	Customary make-whole premium*
USD443 million	Prior to 19 April 2021		
	– Redemption up to 35%	108.35%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 104.175% principal plus interest over the principal amount
	19 April to 31 December 2021	104.175%	
	2022 and afterwards	102.0875%	
USD650 million	Prior to 19 July 2020		
	– Redemption up to 35%	107.35%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103.675% principal plus interest over the principal amount
	After 19 July 2020	103.675%	
USD243 million	Prior to 15 January 2021		
	– Redemption up to 35%	108.375%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of principal plus interest over the principal amount
USD800 million	Prior to 15 February 2021		
	– Redemption up to 35%	107.875%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 102% principal plus interest over the principal amount
	On or after 15 February 2021	102%	
USD200 million	Prior to 19 April 2021		
	– Redemption up to 35%	108.35%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 104.175% principal plus interest over the principal amount
	19 April to 31 December 2021	104.175%	
	2022 and afterwards	102.0875%	
USD742 million	Prior to 11 October 2021		
	– Redemption up to 35%	107.95%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103.975% principal plus interest over the principal amount
	11 October to 31 December 2021	103.975%	
	2022 and afterwards	101.988%	

25 Borrowings *(Continued)*

(A) SENIOR NOTES *(Continued)*

Principal	Redemption time point	Redemption prices	Customary make-whole premium*
USD600 million	Prior to 14 June 2021		
	– Redemption up to 35%	107.25%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103.625% principal plus interest over the principal amount
	On or after 14 June 2021	103.625%	
USD634 million	Prior to 1 February 2022		
	– Redemption up to 35%	107.50%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	1 February to 31 December 2022	103%	
	2023 and afterwards	101%	
USD531 million	prior to 10 January 2023		
	– Redemption up to 35%	106.50%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	10 January to 31 December 2023	103%	
	2024 and afterwards	101%	
USD600 million	prior to 9 July 2022		
	– Redemption up to 35%	106.50%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 102% principal plus interest over the principal amount
	on or after 9 July 2022	102%	
USD400 million	prior to 9 July 2023		
	– Redemption up to 35%	107.0%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	9 July to 31 December 2023	103%	
	2024 and afterwards	101%	
USD500 million	prior to 3 August 2022		
	– Redemption up to 35%	106.65%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	3 August to 31 December 2022	103%	
	2023 and afterwards	101%	

25 Borrowings *(Continued)*

(A) SENIOR NOTES *(Continued)*

Principal	Redemption time point	Redemption prices	Customary make-whole premium*
USD120 million	prior to 3 August 2022		
	– Redemption up to 35%	106.65%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	3 August to 31 December 2022	103%	
	2023 and afterwards	101%	
USD200 million	prior to 9 July 2023		
	– Redemption up to 35%	107.0%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	9 July to 31 December 2023	103%	
	2024 and afterwards	101%	

* PV of principal plus interest over the principal amount means the present value of the principal plus the accrued and unpaid interest amount for the period from the redemption date to the date of first redemption time point set out in above table over the principal amount at the redemption.

These early redemption options are regarded as embedded derivatives not closely related to the host contract. The Directors are of the view that the fair value of the above early redemption option is not material on initial recognition and as at 31 December 2020.

(B) CORPORATE BONDS

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

Issue dates	Principal amount RMB'000	Interest rate	Maturity
16 August 2016	1,200,000	6.50%	5 years
16 August 2016	2,800,000	4.00%	7 years
01 April 2020	4,000,000	4.78%	4 years
27 May 2020	3,300,000	5.60%	5 years
	11,300,000		

All the Corporate Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the second, third or fifth years.

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

The options embedded in the Corporate Bonds were not closely related to the host contracts and were recognised at fair value at the respective issue date and 31 December 2020 (note 26).

25 Borrowings *(Continued)*

(C) PRIVATE DOMESTIC CORPORATE BONDS

Sunac Real Estate issued private domestic corporate bonds (the "Private Bonds") on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The details are shown as below:

Issue date	Principal amount RMB'000	Interest rate	Maturity
22 January 2016	5,000,000	6.39%	7 years
7 March 2016	3,500,000	7.50%	5 years
13 June 2016	2,300,000	7.00%	6 years
11 April 2018	500,000	9.50%	3 years
28 August 2018	855,000	6.00%	3 years
9 October 2018	960,000	7.50%	3 years
10 June 2020	1,000,000	6.50%	3 years
11 September 2020	1,300,000	6.48%	3 years
	15,415,000		

Except for the bond issued in 11 April 2018 and the bond issued in 10 June 2020, all the other Private Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the second, third or fifth years.

The options embedded were not closely related to the host contracts and were recognised at fair value at the issue date and 31 December 2020 (note 26).

(D) LONG-TERM BORROWINGS

(i) The Group's long-term borrowings as at 31 December 2020 were repayable as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Between 1 and 2 years	**124,647,214**	105,422,304
Between 2 and 5 years	**71,970,794**	67,424,093
Over 5 years	**15,213,462**	13,695,705
	211,831,470	186,542,102

The weighted-average interest rates for the year ended 31 December 2020 was 8.28% (2019: 8.56%) per annum.

25 Borrowings *(Continued)*

(D) LONG-TERM BORROWINGS *(Continued)*

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

The carrying amounts of bank borrowings and borrowings from other financial institutions approximate their fair values. The fair values of Senior Notes as at 31 December 2020 amounted to RMB49,386 million, which were calculated based on the market price of the traded senior notes at the balance sheet date. The fair values of Corporate Bonds and Private Bonds as at 31 December 2020 amounted to RMB27,628 million, which were calculated based on the active market price at the balance sheet date. The fair values of Senior Notes are within level 1 of the fair value hierarchy and the fair values of Corporate Bonds and Private Bonds are within level 2 of the fair value hierarchy.

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
6 months or less	**20,111,640**	20,325,095
7–12 months	**40,537,096**	34,511,983
Over 12 months	**7,350,264**	18,297,802
	67,999,000	73,134,880

(iv) As at 31 December 2020, the Group's borrowings of RMB274,338 million (2019: RMB296,777 million) were secured or joint secured by the Group's certain current assets, non-current assets and the equity interests of certain subsidiaries. See note 38 for detail information of assets pledged as security.

(E) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 December 2020 RMB'000	31 December 2019 RMB'000
RMB	**237,809,623**	263,391,650
USD	**64,102,772**	54,913,113
HKD	**1,526,500**	3,970,196
	303,438,895	322,274,959

26 Derivative financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
– Currency derivative contracts (i)	—	31,629
Financial liabilities		
– Options embedded in Corporate Bonds and Private Bonds (note 25)	**14,189**	14,189
– Interest and currency swap contracts	**72,437**	—
– Currency derivative contracts (i)	**133,593**	169

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The change of fair value is recognised immediately in profit or loss. For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 4(A).

(i) As at 31 December 2020, the currency derivative contracts comprised various contracts with nominal amount totalling USD1,000 million (2019: USD750 million), the settlement dates of which are between 25 October 2021 and 31 July 2023. According to the contracts, the Group will be able to buy USD nominal amount at the agreed strike price with RMB on the settlement date.

27 Provisions

	2020 RMB'000	2019 RMB'000
Provisions for financial guarantee on mortgage	**47,753**	193,235
Provisions for financial guarantee provided to related parties	**7,955**	569,102
	55,708	762,337

Note 3.1(b) provides for details about the calculation of the allowance for financial guarantee.

28 Expenses by nature

	2020 RMB'000	2019 RMB'000
Costs of properties sold	**168,573,083**	118,521,462
Value-added tax surcharges	**1,043,373**	1,151,269
Staff costs (note 29)	**7,591,589**	6,832,377
Provision for impairment of properties	**3,180,072**	1,069,546
Net impairment losses on financial and contract assets (note 3.1 (b))	**235,056**	1,894,122
Advertisement and promotion costs	**4,397,741**	3,196,231
Professional service expenses	**872,251**	1,104,436
Depreciation and amortisation	**2,726,127**	1,821,133
Auditors' remunerations		
– Audit services	**22,000**	22,000
– Non-audit services	**2,000**	2,700

29 Employee benefit expense

	2020 RMB'000	2019 RMB'000
Wages and salaries	**6,097,112**	5,142,964
Pension costs	**562,990**	696,362
Staff welfare	**360,866**	415,064
Share options granted to directors and employees (note 22)	**—**	117,021
Share award granted to directors and employees (note 22)	**570,621**	460,966
	7,591,589	6,832,377

The five individuals whose emoluments were the highest in the Group for the year include four (2019: five) directors whose emoluments are reflected in the analysis shown in note 47. The emoluments payable to the remaining one individual during the year are as follows:

	2020 RMB'000
Salary	**5,440**
Discretionary bonuses	**12,200**
Share award expenses	**23,677**
Employer's contribution retirement benefit scheme	**6**
Other benefits	**64**
	41,387

30 Other income and gains

	2020 RMB'000	2019 RMB'000
Net fair value gains on financial assets at FVPL	**9,656,342**	780,859
Interest income (i)	**4,479,021**	4,835,206
Net gains from disposal of joint ventures and associates	**2,578,243**	14,494
Gains from business combination (note 41)	**616,384**	4,612,713
Fair value gains on derivative financial instruments	**—**	50,446
Net fair value gains on investment properties (note 8)	**—**	1,235,159
Others	**2,461,120**	2,659,085
	19,791,110	14,187,962

(I) DETAILS OF INTEREST INCOME ARE AS FOLLOWS:

	2020 RMB'000	2019 RMB'000
Interest income from related companies (note 43)	**3,626,495**	4,553,424
Other interest income	**852,526**	281,782
	4,479,021	4,835,206

31 Other expenses and losses

	2020 RMB'000	2019 RMB'000
Net fair value losses on investment properties (note 8)	**585,888**	—
Donations	**452,174**	46,220
Fair value losses on derivative financial instruments	**247,328**	68,426
Impairment provisions for goodwill	**137,394**	58,337
Losses from disposals of subsidiaries (note 42)	**32,504**	—
Impairment provisions for investments in associates	**—**	766,475
Others	**741,370**	282,675
	2,196,658	1,222,133

32 Finance income and expenses

	2020 RMB'000	2019 RMB'000
Finance expenses:		
Interest expenses	**28,898,895**	25,955,887
Interest expenses for lease liabilities	**63,378**	61,391
Less: capitalised finance costs	**(27,801,604)**	(22,087,063)
	1,160,669	3,930,215
Net exchange losses	**—**	878,035
	1,160,669	4,808,250
Finance income:		
Interest income on bank deposits	**(1,287,797)**	(1,183,244)
Net exchange gains	**(4,164,365)**	—
	(5,452,162)	(1,183,244)
	(4,291,493)	3,625,006

The capitalisation rate used to determine the amount of the interests incurred eligible for capitalisation in 2020 was 8.16% (2019: 8.11%) per annum.

33 Income tax expenses

	2020 RMB'000	2019 RMB'000
Corporate income tax ("CIT")		
Current income tax	**13,405,071**	13,696,078
Deferred income tax		
– Increase in deferred tax assets (note 12)	**(2,792,921)**	(5,103,209)
– Increase/(decrease) in deferred tax liabilities (note 12)	**238,593**	(1,403,390)
	10,850,743	7,189,479
Land appreciation tax ("LAT")	**7,135,253**	7,200,786
	17,985,996	14,390,265

33 Income tax expenses *(Continued)*

(A) CIT

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

	2020 **RMB'000**	2019 RMB'000
Profit before income tax	**57,535,425**	42,546,323
Income tax calculated at the PRC tax rate 25% (2019: 25%)	**14,383,856**	10,636,581
Difference in overseas tax rates	**(1,423,563)**	1,002,898
Difference in tax rates change	**(488,907)**	(368,065)
LAT	**(1,783,813)**	(1,800,196)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
– Entertainment expenses	**57,005**	139,870
– Staff welfare	**18,888**	4,831
– Penalty	**5,554**	1,127
– Gains from business combination	**(154,096)**	(1,153,178)
– Gain from disposal of an associate	**451,701**	—
– Others	**221,071**	324,612
Share of profits of investments accounted for using equity method, net	**(1,000,005)**	(2,036,580)
Tax on losses for which no DTA were recognised	**80,504**	74,802
Utilisation of tax losses with no DTA recognition	**(63,669)**	(237,623)
Dividends tax for distributable profits of PRC subsidiaries	**546,217**	600,400
	10,850,743	7,189,479

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

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

Income tax expense is recognised based on management's estimate of the weighted-average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ended 31 December 2020 was 25% (2019: 25%).

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

33 Income tax expenses *(Continued)*

(B) TAX LOSSES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Unused tax losses for which no deferred tax asset has been recognised	**1,598,470**	2,439,822
Potential tax benefit	**399,616**	609,956

DTA are recognised for tax losses carry-forward to the extent that the realisation of the related benefit through the taxable profits for the deduction periods according to the PRC tax laws and regulations is probable. Therefore, the Group did not recognise DTA of RMB400 million (2019: RMB610 million) in respect of accumulated losses amounting to RMB1,598 million (2019: RMB2,440 million) as the Group estimates that the related subsidiaries will not have sufficient tax income to utilise the tax deduction benefits in the future deduction period. Within these accumulated losses, amounts of RMB251 million, RMB280 million, RMB567 million, RMB179 million and RMB321 million, as at 31 December 2020 will expire respectively in 2021, 2022, 2023, 2024 and 2025.

(C) UNRECOGNISED TEMPORARY DIFFERENCES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Temporary difference for which DTA have not been recognised	**10,304,950**	17,486,349
Unrecognised DTA	**2,576,238**	4,371,587

As of 31 December 2020, the Group has deductible temporary differences of RMB10,305 million (2019: RMB17,486 million) in respect of which no DTA have been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(D) LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. LAT is included in the income statement as income tax expense.

34 Earnings per share

(A) BASIC

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the year, excluding shares purchased for the Share Award Scheme (note 22).

	2020	2019
Profit attributable to owners of the Company (RMB'000)	**35,643,778**	26,027,505
Weighted-average number of ordinary shares in issue (thousand)	**4,646,371**	4,433,303
Adjusted for purchase of shares for share award scheme (thousand)	**(89,981)**	(87,891)
Weighted-average number of ordinary shares for basic earnings per share (thousand)	**4,556,390**	4,345,412

(B) DILUTED

Diluted earnings per share are calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2020	2019
Profit attributable to owners of the Company (RMB'000)	**35,643,778**	26,027,505
Weighted-average number of ordinary shares in issue (thousand)	**4,646,371**	4,433,303
Adjusted for purchase of shares for share award scheme (thousand)	**(89,981)**	(87,891)
Adjusted for share options and awarded shares (thousand)	**46,935**	54,139
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	**4,603,325**	4,399,551

The Company has two categories of dilutive potential ordinary shares:

(i) share options – the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration.

(ii) awarded shares – the number of shares granted under the Share Award Scheme less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the proceeds equal to unamortised fair value is the number of shares issued for no consideration.

The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

35 Cash flow information

(A) CASH GENERATED FROM OPERATIONS

	Note	2020 RMB'000	2019 RMB'000
Profit before income taxes		**57,535,425**	42,546,323
Adjustments for:			
– Finance costs		**21,808,627**	25,808,952
– Net gains from business combinations	30	**(616,384)**	(4,612,713)
– Net losses/(gains) from disposals of subsidiaries		**32,504**	(15,550)
– Interest income	30	**(4,479,021)**	(4,835,206)
– Net gains from disposal of joint ventures and associates	30	**(2,578,243)**	(14,494)
– Gains from disposal of financial assets at FVPL		**(136,362)**	—
– Net fair value gains on financial assets at FVPL	30	**(9,656,342)**	(780,859)
– Fair value changes and expense on derivative financial instruments		**247,328**	17,980
– Net fair value changes on investment properties		**585,888**	(1,235,159)
– Impairment provisions of investments in an associate	31	**—**	766,475
– Impairment of goodwill	31	**137,394**	58,337
– Net impairment losses on financial and contract assets		**235,056**	1,894,122
– Amortisation of intangible assets	10	**149,568**	78,288
– Depreciation		**2,576,559**	1,742,845
– Losses on disposal of PP&E		**164,413**	10,087
– Share of profits of joint ventures and associates	11	**(4,000,018)**	(7,983,523)
– Value of employee services	29	**570,621**	577,987
– Gains from acquisitions of investments in joint ventures and associates	11	**—**	(162,798)
– Dividends from financial assets at FVPL		**(288,787)**	(188,593)
Changes in working capital			
– Restricted cash		**10,934,065**	2,395,232
– Properties under development and completed properties held for sale, net		**(17,040,726)**	(95,612,991)
– Inventories		**(167,786)**	(136,844)
– Trade and other receivables and prepayments		**3,372,860**	(2,194,952)
– Contract assets		**(1,780,449)**	(1,127,569)
– Contract liabilities		**(19,139,737)**	35,132,609
– Trade and other payables		**45,288,774**	44,142,631
– Amount due from/to related companies, net		**7,729,250**	4,186,850
Cash generated from operations		**91,484,477**	40,457,467

(B) NON-CASH INVESTING AND FINANCING ACTIVITIES

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of right-of-use assets (note 9)
- Shares granted to employees under the Share Award Scheme for no cash consideration (note 22).

35 Cash flow information *(Continued)*

(C) NET DEBT RECONCILIATION

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

	Note	2020 RMB'000	2019 RMB'000
Cash and cash equivalents	19	**98,710,644**	77,943,661
Borrowings – repayable within one year	25	**(91,607,425)**	(135,732,857)
Borrowings – repayable after one year	25	**(211,831,470)**	(186,542,102)
Lease liabilities	9	**(659,845)**	(613,347)
Net debt		**(205,388,096)**	(244,944,645)
Cash and cash equivalents		**98,710,644**	77,943,661
Gross debt – fixed interest rates	3	**(236,099,740)**	(249,753,426)
Gross debt – variable interest rates	3	**(67,999,000)**	(73,134,880)
Net debt		**(205,388,096)**	(244,944,645)

	Other assets	Liabilities from financing activities				
	Cash RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Leases RMB'000	Sub-total RMB'000	Total RMB'000
Net debt as at 1 January 2019	76,181,041	(92,045,543)	(137,363,520)	(433,162)	(229,842,225)	(153,661,184)
Cash flows	14,261,605	(42,073,519)	(35,478,760)	120,353	(77,431,926)	(63,170,321)
Changes arising from business combination	(12,212,797)	(1,613,795)	(16,765,150)	—	(18,378,945)	(30,591,742)
Changes arising from disposal of subsidiaries	(402,357)	—	4,225,400	—	4,225,400	3,823,043
Acquisition – leases	—	—	—	(300,538)	(300,538)	(300,538)
Foreign exchange adjustments	116,169	—	(1,160,072)	—	(1,160,072)	(1,043,903)
Net debt as at 31 December 2019	77,943,661	(135,732,857)	(186,542,102)	(613,347)	(322,888,306)	(244,944,645)
Cash flows	22,130,919	43,819,366	(29,513,981)	203,790	14,509,175	36,640,094
Changes arising from business combination (note 41)	(1,854,444)	(10,004)	(288,858)	(19,690)	(318,552)	(2,172,996)
Changes arising from disposal of subsidiaries (note 42)	827,675	316,070	—	—	316,070	1,143,745
Acquisition – leases	—	—	—	(230,598)	(230,598)	(230,598)
Foreign exchange adjustments	(337,167)	—	4,513,471	—	4,513,471	4,176,304
Net debt as at 31 December 2020	98,710,644	(91,607,425)	(211,831,470)	(659,845)	(304,098,740)	(205,388,096)

36 Commitments

(A) Property development expenditures at the balance sheet date but not yet incurred is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contracted but not provided for		
– PUDs and CPHFS	**147,779,020**	123,306,975
– PP&E	**16,687,239**	7,649,631
– Investment properties	**612,701**	2,140,531
– Right-of-use assets	**58,972**	7,028
	165,137,932	133,104,165

(B) EQUITY INVESTMENTS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contracted but not provided for	**1,478,349**	92,507

37 Financial guarantee

(A) GUARANTEE ON MORTGAGE FACILITIES

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**139,137,672**	120,496,713

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months of the properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

37 Financial guarantee *(Continued)*

(A) GUARANTEE ON MORTGAGE FACILITIES *(Continued)*

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the mortgage. The directors consider that the likelihood of default of payments by purchasers is minimal.

In addition, the Group had provided guarantees for certain joint ventures and associates for their borrowings amounted to RMB42.73 billion (2019: RMB41.78 billion) together with the equity investment partners on pro rata basis.

38 Assets pledged as security

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Current-		
PUDs	**140,235,399**	176,619,852
Completed properties held for sale	**9,433,178**	11,419,501
Restricted cash	**6,068,690**	2,995,550
Total current assets pledged as security	**155,737,267**	191,034,903
Non-current-		
PP&E	**32,806,555**	39,020,278
Investment properties	**19,761,660**	27,020,400
Right-of-use assets	**7,152,715**	10,047,799
Total non-current assets pledged as security	**59,720,930**	76,088,477

39 Financial instruments by category

	31 December 2020 RMB'000	31 December 2019 RMB'000
Financial assets at amortised cost		
– Trade and other receivables	**61,054,686**	47,202,324
– Restricted cash	**33,935,611**	47,787,028
– Cash and cash equivalents	**98,710,644**	77,943,661
– Amounts due from related companies	**38,928,928**	40,858,593
Financial assets at FVPL	**31,382,112**	15,788,783
Derivative financial instruments	**—**	31,629
	264,011,981	229,612,018

	31 December 2020 RMB'000	31 December 2019 RMB'000
Financial liabilities at amortised costs		
– Borrowings	**303,438,895**	322,274,959
– Amounts due to related companies	**68,896,873**	58,933,995
– Trade and other payables	**193,368,589**	140,877,465
– Lease liabilities	**659,845**	613,347
Derivative financial instruments	**220,219**	14,358
	566,584,421	522,714,124

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

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

40 Transactions with non-controlling interests

In January 2020, the Group entered into an agreement with the non-controlling shareholders of its non-wholly owned subsidiaries to acquired additional equity interests from the non-controlling shareholders. The consideration comprised of assets consideration which included certain properties, investments and other assets and cash consideration of RMB1,084.97 million. The fair value of the assets consideration totalled RMB4,081.95 million. This transaction resulted in a decrease in non-controlling interest of RMB5,267.42 million and a increase in net assets attributable to the owners of the Company of RMB100.50 million.

Beside above transaction, the Group has acquired additional equity interests of its non-wholly owned subsidiaries and disposed of certain equity interests to its non-controlling shareholders through certain transactions with non-controlling interests which resulted in the net increase in non-controlling interests of RMB306.63 million and net decrease in net assets attributable to the owners of the Company of RMB1.28 million during the year ended 31 December 2020.

41 Business combination

(A) ACQUISITIONS OF SUBSIDIARIES

In the year ended 31 December 2020, the major acquisitions of new subsidiaries are summarised as follows:

	NCPM Group RMB'000 (note(i))	Others RMB'000 (note(ii))	Total RMB'000
Fair value of total interests acquired	467,336	1,594,478	2,061,814
Considerations for acquisition of equity interests			
– Cash considerations	1,091,763	1,277,803	2,369,566
– Contingent considerations	395,789	—	395,789
Gains from acquisition of new subsidiaries	—	616,384	616,384
Goodwill from acquisition of new subsidiaries	1,020,216	299,709	1,319,925

Note:

(i) Acquisition of NCPM Group

On 25 April 2020, a subsidiary of the Group, Tianjin Rongyue Management Consultancy Co., Ltd.("Tianjin Rongyue"), entered into agreements to acquire 94.97% equity interest in NCPM from its then shareholders, New Century Holdings Group Co., Ltd. ("New Century Holdings"), Hangzhou Junjian Shengyang Investment Management Partnership Enterprise (Limited Partnership) ("Hangzhou Junjian") and Mr. Xie Jianjun ("Mr. Xie") at fixed consideration of RMB819 million and contingent consideration up to RMB605 million in aggregate. The contingent consideration will be paid by instalments. The Group has right to adjust the consideration if conditions precedent, mainly operating profit targets for the years ended 31 December 2019, 2020 and 2021, are not fulfilled. As at 31 December 2020, approximately contingent consideration of RMB210 million has been paid as the condition precedent of operating profit target for 2019 was fulfilled. As set out in the relevant agreement, the performance target of operating profits is at least RMB100 million and RMB115 million for the years ended 31 December 2020 and 2021, respectively.

41 Business combination *(Continued)*

(A) ACQUISITIONS OF SUBSIDIARIES *(Continued)*

Note: *(Continued)*

(i) Acquisition of NCPM Group *(Continued)*

On the same date, Tianjin Rongyue entered into another framework agreement with New Century Holdings intending to acquire the remaining equity interests in the NCPM up to 5.02% at the same price per share as set out in the aforementioned agreement entered into between New Century Holdings and the Group, subject to the result of execution of the New Century Holdings' right to repurchase the equity interests in NCPM held by its minority shareholders. On 14 May 2020, New Century Holdings had already repurchased 4.20% equity interests in NCPM from the minority shareholders and on the same date, Tianjin Rongyue entered into an agreement to acquire 4.20% equity interests in NCPM at a fixed consideration of RMB63 million from New Century Holdings.

Mr. Xie, who originally held 18.99% equity interest in NCPM, is legally restricted from disposing more than one-fourth of his equity interest in the NCPM to the Group during his employment as a senior management of the NCPM and from disposing any shares within a 6-month period from the date of the termination of his employment with the NCPM. On 8 May 2020, the Group also entered into a share entrustment agreement with him, pursuant to which, the Group is authorised and entrusted to exercise all rights in respect of the 14.25% equity interest in the NCPM still registered under his name, until the transfer of such equity interest by him to the Group is completed.

On 8 May 2020, the industrial and commercial change registration procedures in respect of 80.72% equity interests in NCPM were completed. Since that date, the Group has had control over NCPM.

Upon completion of above transactions, NCPM was owned as to 84.92% by the Group, 14.25% by the aforementioned equity holder who held such interest under above share entrustment arrangement on behalf of the Group and 0.83% by certain minority shareholders who are independent third parties.

As at 30 June 2020, Mr. Xie has resigned from his office as director and senior management of NCPM, so that the restriction shall cease to apply to him upon the expiry of six months from the date of his resignation.

The fair value of the contingent consideration payable was determined based on a valuation performed by an independent valuer applying probability weighted scenario analysis. According to the valuation results, the balance of the consideration is expected to be paid RMB226 million in 2021 and RMB170 million in 2022, respectively.

A valuation was performed by an independent valuer to determine the fair value of the identified assets, including brands and customer relationships. The valuation method used is the multi-period excess earnings method. The key assumptions in determining the fair value of property management contracts and customer relationships included revenue growth rate, profit margin and discount rate.

Goodwill from this acquisition of 99.17% equity interests in the NCPM in aggregate by the Group, amounting to RMB1,020 million. Goodwill was generated from business combination and allocated to a group of projects, which is expected to benefit from the synergies of the combination.

(ii) Acquisition of other companies

During the year ended 31 December 2020, the Company acquired the interest in property development companies and culture investment companies from third parties, which referred to such transactions as business combination. The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition dates was not disclosed.

A valuation was performed by an independent valuer to determine the fair value of the identified assets, including PPE, investment properties, land used rights, PUDs and other assets. The valuation techniques mainly include discounted cash flow method, income capitalisation method, direct comparison method and residual method. The key assumption adopted mainly include the future unit selling price, market rental price, profit rates, estimated future costs to finish the completion of the whole project development, capitalisation rates and discount rate.

The gains from certain acquisitions, amounting to RMB616 million, were due to the fact that consideration for the acquisition was lower than fair value of net identifiable assets acquired. The consideration is determined after arm's length negotiations between the parties.

41 Business combination *(Continued)*

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

	NCPM Group RMB'000	Others RMB'000	Total RMB'000
(1) Fair value of net assets			
Non-current assets			
PP&E	23,413	3,039,573	3,062,986
Investment properties	—	567,479	567,479
Intangible assets	247,396	2,691	250,087
Right-of-use assets	21,254	704,974	726,228
Investments accounted for using the equity method	47,198	—	47,198
Prepayment	6,733	—	6,733
DTA	12,465	536,669	549,134
Current assets			
PUDs	—	3,925,875	3,925,875
Inventory	7,303	109,985	117,288
Financial assets at fair value through profit of loss	226,136	—	226,136
Restricted cash	3,697	—	3,697
Cash and cash equivalents	58,679	45,034	103,713
Other current assets	275,684	513,285	788,969
Non-current liabilities			
Borrowings	—	(288,858)	(288,858)
Other non-current liabilities	(74,583)	—	(74,583)
Current liabilities			
Borrowings	—	(10,004)	(10,004)
Other current liabilities	(379,255)	(6,732,460)	(7,111,715)
Net assets	476,120	2,414,243	2,890,363
Less: Non-controlling interests	(8,784)	(819,765)	(828,549)
Fair value of the net assets acquired	467,336	1,594,478	2,061,814
(2) Cash impact			
Considerations settled by cash in current period	(941,762)	(1,016,395)	(1,958,157)
Cash and cash equivalents in the subsidiaries acquired	58,679	45,034	103,713
Net cash impact on acquisitions	(883,083)	(971,361)	(1,854,444)

41 Business combination *(Continued)*

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

	NCPM Group RMB'000	Others RMB'000	Total RMB'000
Revenue	701,004	52,288	753,292
Net profit/(losses)	72,277	(109,708)	(37,431)

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit for the year ended 31 December 2020 would have been RMB230,916 million and RMB39,582 million respectively.

These amounts have been calculated using the subsidiaries' results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2020, together with the consequential tax effects.

42 Disposal of subsidiaries

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

	Total RMB'000
Cash considerations received or receivable	1,019,378
Fair value of retained equity interest become joint ventures or associates	382,179
Less: carrying value of the disposed subsidiary	(1,434,061)
Net losses on disposals (note 31)	(32,504)

42 Disposal of subsidiaries *(Continued)*

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

	Total
	RMB'000
Non-current assets	
PP&E	4,538
Investment properties	40,517
Right-of-use assets	273,248
Investments accounted for using the equity method	63,875
DTA	58,379
Current assets	
PUDs	5,103,000
Completed properties held for sale	46,172
Restricted cash	72,035
Cash and cash equivalents	191,703
Other current assets	4,254,682
Non-current liabilities	(2,392)
Current liabilities	
Borrowings	(316,070)
Other current liabilities	(8,348,222)
Net assets	1,441,465
Less: Non-controlling interests	(7,404)
Carrying value of the equity owned by the Group	1,434,061

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

	Total
	RMB'000
Cash considerations received as of 31 December 2020	1,019,378
Cash of the subsidiaries disposed	(191,703)
Net cash impact	827,675

43 Related party transactions

(A) NAME AND RELATIONSHIP WITH RELATED PARTIES

Name	Relationship with the Company
Sunac International	Immediate controlling shareholder of the Company
Mr. Sun Hongbin	Ultimate controlling party of the Company and the chairman of the Board of Directors of the Company

(B) TRANSACTIONS WITH RELATED PARTIES

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

(i) Cash (paid to)/received from related parties

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cash paid to joint ventures and associates	**(74,342,013)**	(87,503,460)
Cash received from joint ventures and associates	**95,394,371**	107,311,162
	21,052,358	19,807,702

(ii) Rendering of services and interest income

	Years ended 31 December	
	2020	2019
	RMB'000	RMB'000
Nature of transaction		
Joint ventures:		
– Interest income	**3,580,804**	4,026,740
– Fitting and decoration services	**2,406,928**	2,271,147
– Property management services	**674,986**	652,080
Associates		
– Interest income	**45,691**	526,684
– Fitting and decoration services	**120,439**	118,348
– Property management services	**49,622**	55,232

Interest income is charged at interest rates as specified in note 43(D) on the outstanding amounts.

Property management fee and Fitting and decoration income are charged at rates in accordance with respective contracts.

43 Related party transactions *(Continued)*

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Years ended 31 December 2020 RMB'000	2019 RMB'000
Salaries and other short-term benefits	**182,755**	167,053
Share Award Scheme	**261,158**	218,636
Share Option scheme	**—**	54,913
	443,913	440,602

(D) RELATED PARTIES BALANCES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Amounts due from joint ventures		
– Interest free	**31,341,580**	25,193,424
– Interest bearing	**1,853,306**	4,062,567
– Interest receivable	**533,963**	4,285,679
– Trade receivable	**2,505,352**	701,463
	36,234,201	34,243,133
Less: loss allowance (note 3.1 (b))	**(34,589)**	(38,519)
	36,199,612	34,204,614
Amounts due from associates		
– Interest free	**1,791,552**	3,832,612
– Interest bearing	**770,829**	8,994,240
– Interest receivable	**77,601**	540,755
– Trade receivable	**93,264**	27,150
	2,733,246	13,394,757
Less: loss allowance (note 3.1 (b))	**(3,930)**	(6,740,778)
	2,729,316	6,653,979
Amounts due to joint ventures	**63,373,133**	55,438,461
Amounts due to associates	**5,523,740**	3,495,534
	68,896,873	58,933,995

43 Related party transactions *(Continued)*

(D) RELATED PARTIES BALANCES *(Continued)*

The amounts due from joint ventures and associates almost have no fixed repayment date, bearing interest rate at 3.52% to 16% per annum for the year ended 31 December 2020 (2019: 4.35% to 15%).

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

44 Dividends

The dividends paid in 2020 and 2019 were RMB5,726 million (RMB1.232 per share) and RMB3,645 million (RMB0.827 per share) respectively. A dividend in respect of the year ended 31 December 2020 of RMB1.650 per share, amounting to RMB7,694 million, will be proposed at the upcoming annual general meeting of the Company, where the number of shares used for dividend calculation is the balance of the issued ordinary shares as at 31 December 2020. These financial statements did not reflect this dividend payable.

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Proposed final dividend of RMB1.650 (2019: RMB1.232) per ordinary share	**7,694,257**	5,726,051

45 Events after the balance sheet date

(A) ISSUANCE OF SENIOR NOTES

On 26 January 2021, the Company issued USD600 million 5.95% senior notes due 2024 (the "2024 Senior Notes") and USD500 million 6.5% senior notes due 2026 (the "2026 Senior Notes") on the Singapore Exchange Securities Trading Limited ("SEST"). The 2024 Senior Notes bear interest from and including 26 January 2021 at the rate of 5.95% per annum, payable semi-annually in arrears on 26 April and 26 October of each year, except that the first payment of interest, to be made on 26 October 2021, will be in respect of the period from and including 26 January 2021 to (but excluding) 26 October 2021. The 2026 Senior Notes will bear interest from and including 26 January 2021 at the rate of 6.5% per annum, payable semi-annually in arrears on 26 January and 26 July of each year, commencing on 26 July 2021.

On 2 March 2021, the Company issued an additional USD342 million 5.95% senior notes due 2024, with an effective rate of 5.85% (consolidated with the 2024 Senior Notes to form a single series) and an additional USD210 million 6.5% senior notes due 2025, with an effective rate of 6.3% (consolidated with the USD540 million 6.5% senior notes due 2025 to form a single series) on the SEST.

(B) REDEMPTION IN FULL OF SENIOR NOTES DUE 2022

On 22 January 2021, the Company announced to redeem the outstanding balance of the USD800 million 7.875% senior notes due on 15 February 2022 in full on 21 February 2021 (the "Redemption Date") at a redemption price equal to 102.0% of the principal amount thereof, plus accrued and unpaid interest to (but not including) the Redemption Date. The Company cancelled the notes early redeemed in accordance with the terms of the notes and indentures.

46 Balance sheet and reserve movement of the Company

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**28,855,661**	29,403,379
Financial assets at fair value through profit or loss		**368,133**	—
Derivative financial instruments		**—**	31,629
		29,223,794	29,435,008
Current assets			
Amounts due from subsidiaries		**41,393,682**	29,481,092
Other receivables		**4,098**	837,884
Financial assets at fair value through profit or loss		**295,288**	—
Restricted cash		**—**	1,744,050
Cash and cash equivalents		**506,562**	1,859,562
		42,199,630	33,922,588
Total assets		**71,423,424**	63,357,596
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**400,938**	382,339
Other reserves	(A)	**10,286,080**	8,193,085
Accumulated losses	(A)	**(10,176,843)**	(11,586,822)
Total equity/(net deficiency)		**510,175**	(3,011,398)
Liabilities			
Non-current liabilities			
Derivative financial instruments		**182,694**	169
Borrowings		**48,215,625**	39,461,894
		48,398,319	39,462,063
Current liabilities			
Borrowings		**7,188,621**	9,918,534
Derivative financial instruments		**23,336**	—
Other payables		**1,342,605**	1,045,085
Amounts due to subsidiaries		**13,960,368**	15,943,312
		22,514,930	26,906,931
Total liabilities		**70,913,249**	66,368,994
Total equity and liabilities		**71,423,424**	63,357,596

Sun Hongbin
Director

Wang Mengde
Director

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

(A) RESERVE MOVEMENT OF THE COMPANY

	Share premium RMB'000	Share option reserves RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Year ended 31 December 2019					
At 1 January 2019	9,336,620	760,970	1,416,348	(7,473,459)	4,040,479
Loss for the year	—	—	—	(4,113,363)	(4,113,363)
Employees share option schemes:					
– Value of employee services	—	117,021	—	—	117,021
– Proceeds from shares issued	462,104	—	—	—	462,104
Share award scheme:					
– Value of employee services	—	460,966	—	—	460,966
Purchase of shares for share award scheme	(716,306)	—	—	—	(716,306)
Dividends relating to 2018	(3,644,638)	—	—	—	(3,644,638)
At 31 December 2019	5,437,780	1,338,957	1,416,348	(11,586,822)	(3,393,737)
Year ended 31 December 2020					
At 1 January 2020	**5,437,780**	**1,338,957**	**1,416,348**	**(11,586,822)**	**(3,393,737)**
Profit for the year	**—**	**—**	**—**	**1,409,979**	**1,409,979**
Employees share option schemes:					
– Proceeds from shares issued	**206,624**	**—**	**—**	**—**	**206,624**
Share award scheme:					
– Value of employee services	**—**	**570,621**	**—**	**—**	**570,621**
Proceeds from placing of new shares	**7,041,801**	**—**	**—**	**—**	**7,041,801**
Dividends relating to 2019	**(5,726,051)**	**—**	**—**	**—**	**(5,726,051)**
At 31 December 2020	**6,960,154**	**1,909,578**	**1,416,348**	**(10,176,843)**	**109,237**

47 Benefits and interests of directors

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

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share Option expenses RMB'000	Share award expenses(i) RMB'000	Employer's contribution retirement benefit scheme RMB'000	Other benefits RMB'000
Year ended 31 December 2020:							
Directors:							
Sun Hongbin	**—**	**8,000**	**11,200**	**—**	**—**	**—**	**—**
Wang Mengde	**—**	**6,293**	**8,604**	**—**	**24,552**	**6**	**57**
Jing Hong	**—**	**5,990**	**8,000**	**—**	**24,552**	**40**	**95**
Chi Xun	**—**	**5,890**	**8,000**	**—**	**23,677**	**6**	**57**
Tian Qiang	**—**	**6,000**	**8,000**	**—**	**23,677**	**16**	**152**
Shang Yu	**—**	**5,500**	**11,000**	**—**	**27,630**	**7**	**80**
Huang Shuping	**—**	**4,860**	**4,000**	**—**	**14,252**	**5**	**61**
Sun Zheyi	**—**	**2,900**	**1,800**	**—**	**7,958**	**8**	**32**
Poon Chiu Kwoh	**379**	**—**	**—**	**—**	**—**	**—**	**—**
Zhu Jia	**379**	**—**	**—**	**—**	**—**	**—**	**—**
Ma Lishan	**337**	**—**	**—**	**—**	**—**	**—**	**—**
Yuan Zhigang	**84**	**—**	**—**	**—**	**—**	**—**	**—**
Li Qin	**281**	**—**	**—**	**—**	**—**	**—**	**—**
Year ended 31 December 2019:							
Directors:							
Sun Hongbin	—	8,000	8,400	—	—	—	—
Wang Mengde	—	7,479	7,500	5,533	22,310	35	59
Jing Hong	—	6,000	7,800	5,533	22,310	67	99
Chi Xun	—	6,770	7,569	5,533	20,079	35	59
Tian Qiang	—	6,000	6,600	5,137	20,079	87	131
Shang Yu	—	5,500	9,150	4,940	20,079	43	64
Huang Shuping	—	5,166	4,050	3,616	11,155	32	56
Sun Zheyi	—	1,800	1,260	—	6,693	50	38
Poon Chiu Kwoh	403	—	—	—	—	—	—
Zhu Jia	403	—	—	—	—	—	—
Li Qin	358	—	—	—	—	—	—
Ma Lishan	358	—	—	—	—	—	—

(i) As at 31 December 2020, accumulated 10.47 million award shares have been granted to seven executive Directors, of which 1.65 million award shares (accounting for 16%) have been released on 31 March 2020, 3.14 million award shares (accounting for 30%) will be released on 31 March 2021 and the remaining 5.68 million award shares (accounting for 54%) will be released in subsequent years. For the year ended 31 December 2020, expenses recognised by the Company in profit or loss for the year due to the grant of the award shares were RMB146.30 million.

47 Benefits and interests of directors *(Continued)*

For the year ended 31 December 2020 and 2019, no housing allowance, compensation for loss of office as director, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director, emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking were provided by the Group to directors or chief executive.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

48 Subsidiaries

The Group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business. The directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries as at 31 December 2020 which principally affect the results or assets of the Group.

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities and place of operation
			31 December 2020		31 December 2019		
			Directly	**Indirectly**	Directly	Indirectly	
Incorporated in the British Virgin Islands, limited liability company:							
Jujin Real Estate Investment Holdings Ltd.	06 September 2007	USD1	**100%**	**–**	100%	–	Investment holding in the British Virgin Islands
Dingsheng Real Estate Investment Holdings Ltd.	06 September 2007	USD1	**100%**	**–**	100%	–	Investment holding in the British Virgin Islands
Zhuoyue Real Estate Investment Holdings Ltd.	13 September 2007	USD1	**100%**	**–**	100%	–	Investment holding in the British Virgin Islands
Sunac Greentown Investment Holdings Limited	25 April 2013	RMB3,277 million	**100%**	**–**	100%	–	Investment holding in the British Virgin Islands
Elegant Trend Limited	17 July 2013	HKD15.6	**–**	**100%**	–	100%	Investment holding in the British Virgin Islands
Incorporated in Hong Kong, limited liability company:							
Lead Perfect (HK) Investment Limited	19 June 2018	USD333.33 million	**–**	**55%**	–	55%	Investment holding in Hong Kong
Creation Vast (HK) Investment Limited	01 August 2019	USD210.21 million	**–**	**100%**	–	100%	Investment holding in Hong Kong
Incorporated in the PRC, limited liability company:							
New Richport Property Development Shanghai Co., Ltd.**	17 July 2013	RMB2,500 million	**–**	**100%**	–	100%	Real estate development in Mainland China
Wuxi Sunac City Investment Co., Ltd	10 November 2017	RMB4,212 million	**–**	**100%**	–	100%	Real estate development in Mainland China
Shanghai Sunac Real Estate Development Co., Ltd.	18 December 2014	RMB2,000 million	**–**	**100%**	–	100%	Investment holding in Mainland China

48 Subsidiaries *(Continued)*

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities and place of operation
			31 December 2020		31 December 2019		
			Directly	Indirectly	Directly	Indirectly	
Incorporated in the PRC, limited liability company: (continued)							
Shanghai Xiangyuan Investment Holdings Limited	03 May 2016	RMB2,000 million	–	100%	–	100%	Investment holding in Mainland China
Hefei Wanda City Investment Co Ltd.	03 August 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Sunac Xinheng Investment Group Co., Ltd.	27 August 2013	RMB1,000 million	–	100%	–	100%	Investment holding in Mainland China
Sunac Oriental Movie Metropolis Investment Co., Ltd.	10 November 2017	RMB3,000 million	–	100%	–	100%	Real estate development in Mainland China
Qingdao Sunac Yacht Industry Investment Co., Ltd.	10 November 2017	RMB1,000 million	–	100%	–	100%	Real estate development in Mainland China
Jinan Wanda City Construction Co., Ltd.	10 November 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Beijing Sunac Construction Investment Real Estate Co., Ltd.	16 August 2010	RMB1,000 million	–	100%	–	100%	Investment holding in Mainland China
Qingdao Calxon Real Estate Development Co., Ltd.	31 December 2016	RMB1,623 million	–	100%	–	100%	Real estate development in Mainland China
Nanchang Wanda City Investment Co Ltd.	04 August 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Sunac Real Estate Group Co., Ltd.	31 January 2003	RMB15,000 million	–	100%	–	100%	Investment holding in Mainland China
Harbin Wanda City Investment Co., Ltd.	02 August 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Sunac Huabei Development Group Co., Ltd.	25 February 2003	RMB2,222 million	–	100%	–	100%	Investment holding in Mainland China
Zhengzhou Sunac Meisheng Real Estate Development Co., Ltd.	17 March 2016	RMB820 million	–	70%	–	70%	Real estate development in Mainland China
Tianjin Rongyao Real Estate Development Co., Ltd.	07 March 2013	RMB500 million	–	54%	–	54%	Real estate development in Mainland China
Guangzhou Wanda Cultural&Tourism City Investment Co., Ltd.	31 August 2017	RMB8,163 million	–	100%	–	100%	Real estate development in Mainland China
Shenzhen Sunac Real Estate Co., Ltd.	09 March 2015	RMB2,000 million	–	100%	–	100%	Investment holding in Mainland China
Chongqing Wanda City Investment Co., Ltd.	30 March 2018	RMB3,000 million	–	100%	–	100%	Real estate development in Mainland China
Chengdu Guojia Zhide Real Estate Co., Ltd.**	22 October 2015	RMB1,375 million	–	100%	–	100%	Real estate development in Mainland China
Chengdu Sunac Cultural&Tourism City Investment Co., Ltd.	05 September 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Kunming Sunac City Investment Co., Ltd.	10 November 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Guilin Sunac City Investment Co., Ltd.	28 August 2017	RMB1,500 million	–	100%	–	100%	Real estate development in Mainland China
Xishuangbanna International Tourism Resort Development Co., Ltd.	04 August 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Harbin Mingsheng Business Management Co., Ltd.	21 August 2017	RMB1,200 million	–	100%	–	100%	Cultural and tourism city construction and operation in Mainland China

48 Subsidiaries *(Continued)*

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities and place of operation
			31 December 2020		31 December 2019		
			Directly	Indirectly	Directly	Indirectly	
Incorporated in the PRC, limited liability company: (continued)							
Sunac (Shenzhen) Cultural Tourism Operation Management Co., Ltd.	25 October 2018	RMB2,000 million	–	100%	–	100%	Cultural and tourism city construction and operation in Mainland China
Tianjin Sunac Yuanhao Real Estate Co., Ltd.	25 February 2016	RMB100 million	–	100%	–	100%	Real estate development in Mainland China
Tianjin Sunac Qi'ao Real Estate Co., Ltd.**	21 May 2019	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Dalian Dalian Real Estate Development Co., Ltd.*	12 June 2019	RMB2,682 million	–	100%	–	100%	Real estate development in Mainland China
Shijiazhuang Jubang Real Estate Development Co., Ltd.	04 December 2019	RMB600 million	–	54%	–	54%	Real estate development in Mainland China
Fanhai Construction Holdings Co., Ltd.	15 March 2019	RMB9,000 million	–	100%	–	100%	Real estate development in Mainland China
Sunac (Xinan) Real Estate Development Co., Ltd.**	24 April 2003	RMB1,000 million	–	100%	–	100%	Investment holding in Mainland China
Guiyang Guanshanhu Big Data Technology Industry Park Construction Co., Ltd.	11 May 2017	RMB1,410 million	–	51%	–	51%	Real estate development in Mainland China
Wuhan Xinghai Yuantou Real Estate Development Co., Ltd.	02 February 2016	RMB200 million	–	100%	–	98%	Real estate development in Mainland China
Global Sunac Exhibition&Travel Group Co., Ltd.	19 December 2019	RMB604 million	–	70%	–	51%	Real estate development in Mainland China
Chengdu Times Global Industrial Co., Ltd.	19 December 2019	RMB100 million	–	70%	–	51%	Real estate development in Mainland China
Dalian Sunac Haoteng Real Estate Development Co., Ltd.	06 December 2017	RMB903 million	–	100%	–	100%	Real estate development in Mainland China

* Registered as wholly foreign owned enterprises under PRC laws.

** Registered as sino-foreign equity joint ventures under PRC laws.

As at 31 December 2020, the directors of the Company considered that none subsidiary that had non-controlling interests was material to the Group.

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