SUNAC 融創中國 | 15th

2017 ANNUAL REPORT 年度報告

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

STOCK CODE 股票代碼：01918.HK

ABOUT SUNAC
融創中國控股有限公司

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

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

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

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

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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 (appointed as Executive Director with effect from 25 May 2017)
Mr. Li Shaozhong (retired as Executive Director with effect from 22 May 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Poon Chiu Kwok
Mr. Zhu Jia
Mr. Li Qin
Mr. Ma Lishan
Mr. Tse Chi Wai (resigned with effect from 19 December 2017)

Joint Company Secretaries

Mr. Gao Xi
Ms. Mok Ming Wai

Authorized Representatives

Mr. Wang Mengde
Ms. Mok Ming Wai

Audit Committee

Mr. Poon Chiu Kwok *(Chairman)*
Mr. Zhu Jia
Mr. Li Qin
Mr. Ma Lishan
Mr. Tse Chi Wai (resigned with effect from 19 December 2017)

Remuneration Committee

Mr. Zhu Jia *(Chairman)*
Mr. Sun Hongbin
Mr. Poon Chiu Kwok
Mr. Li Qin
Mr. Ma Lishan
Mr. Tse Chi Wai (resigned with effect from 19 December 2017)

Nomination Committee

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

Principal Place of Business in Hong Kong

36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Headquarters and Principal Places of Business in the PRC

Beijing Office

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

Tianjin Office

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

CORPORATE INFORMATION

Registered Office

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

Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Legal Advisers

As to Hong Kong law:
Sidley Austin

As to PRC law:
Jincheng Tongda & Neal Law Firm

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Principal Bankers

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

Stock Code

HKEx: 01918

Company's Website

www.sunac.com.cn

Financial Calendar

2017 Annual Results Announcement	29 March 2018
Closure of Register of Members for Determining Rights to Attend 2018 Annual General Meeting	7 June 2018-12 June 2018
2018 Annual General Meeting	12 June 2018
Closure of Register of Members for Determining Entitlement to Final Dividend	19 June 2018-22 June 2018
Distribution of Final Dividend	8 August 2018

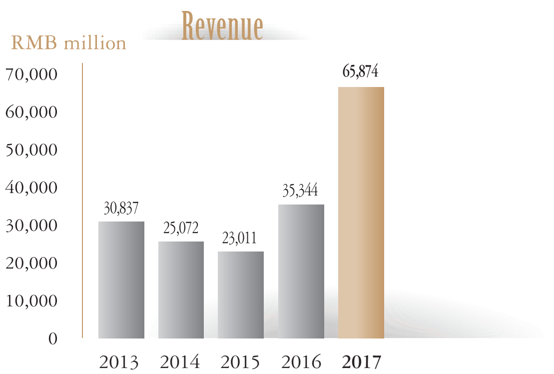
FINANCIAL SUMMARY

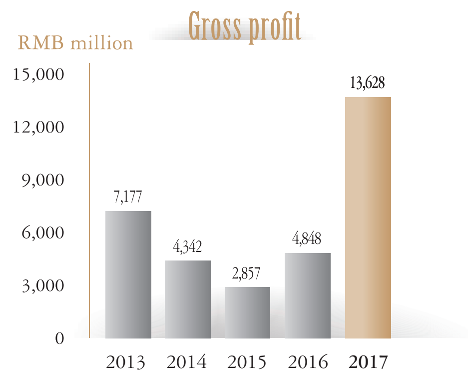
CONSOLIDATED RESULTS

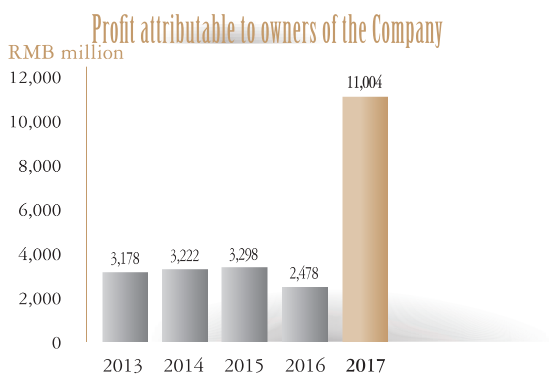
	2017	2016	2015	2014	2013
Revenue (RMB million)	**65,874**	35,344	23,011	25,072	30,837
Gross profit (RMB million)	**13,628**	4,848	2,857	4,342	7,177
Gross margin (%)	**20.7%**	13.7%	12.4%	17.3%	23.3%
Profit for the year (RMB million)	**11,664**	2,938	3,608	3,233	3,494
Profit attributable to owners of the Company (RMB million)	**11,004**	2,478	3,298	3,222	3,178
Cash and cash equivalents (including restricted cash) (RMB million)	**96,719**	69,813	27,058	25,041	16,009
Dividend per share (RMB)	**0.501**	0.257	0.194	0.19	0.191
Dividends (RMB million)	**2,200**	991	660	646	636

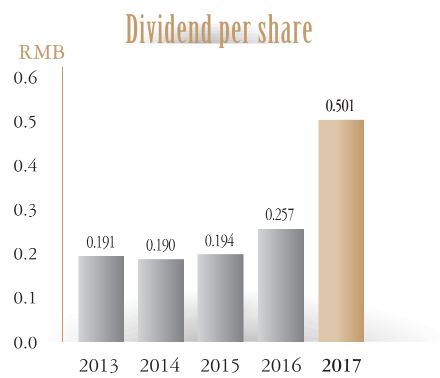
CONSOLIDATED FINANCIAL POSITION

	2017	2016	2015	2014	2013
Total assets (RMB million)	**623,102**	293,183	115,509	13,914	9,840
Total liabilities (RMB million)	**562,464**	257,772	96,089	10,807	5,550
Total equity (RMB million)	**60,638**	35,411	19,420	3,107	4,290









Dear Shareholders,

I am pleased to present to you the business review of the Group for the year ended 31 December 2017 and outlook for 2018.

Review of 2017

In 2017, the government continued to implement proactive fiscal policies and prudent monetary policies, put forth effort to adjust and optimize the economic structure, and thus achieved high-quality economic growth. In 2017, the government adhered to the policy idea in respect of the real estate industry that housing is for people to live in, implemented differentiated market regulation, and accelerated the establishment and improvement of the long-term mechanism to promote the stable and healthy development of the real estate market; meanwhile, under the macroeconomic environment of overall economic deleveraging, the credit policies for the real estate industry have been continuously tightened. The government's regulation on the overheated real estate market was conducive to the long-term healthy and stable development of the industry, and had achieved remarkable results. The rapid increase in housing prices in most cities had been effectively suppressed since the second quarter, and housing prices in some cities had begun to experience reasonable adjustments since the second half of the year, although the overall market volume remained relatively stable. In terms of the land market, the government also took measures to cool down the furious bidding, auction and listing market, and the increase in land prices had been gradually controlled in the second half of the year. However, due to the better destocking level in the industry and the strong desire of many companies to supplement their land bank, land prices remained relatively high.

In 2017, the Group achieved significant growth in operating results with revenue amounted to approximately RMB65.87 billion, representing an increase of approximately 86.4% year-on-year, and gross profit was approximately RMB13.63 billion, representing an increase of approximately 181.1% year-on-year. Gross profit margin also recovered remarkably and increased significantly to 20.7% from 13.7% in 2016, representing an increase of approximately 7 percentage points. Profit attributable to owners of the Company reached approximately RMB11.00 billion, representing a substantial growth of 344% year-on-year. Core net profit amounted to approximately RMB11.12 billion, representing a significant increase of 259.1% year-on-year. As the Group's profits increased rapidly, its financial performance became more stable and had more abundant liquidity. As of 31 December 2017, carrying amount of cash of the Group reached approximately RMB96.72 billion, representing an increase of approximately 38.5% year-on-year, the short-term debt coverage reached more than 1.2 times. Since the beginning of second half of the year, with the realization of profits and the high quality of equity financing, the Group's net assets increased significantly to RMB60.64 billion, representing an increase of approximately 71.2%. With a prudent investment strategy adopted in 2017, Group's net gearing ratio at the end of the year dropped by about 60 percentage points as compared to that of 30 June 2017, and its leverage ratio also decreased significantly. Given the remarkable performance of the Group and to bring better return for our Shareholders, the Board proposed to declare a final dividend of RMB0.501 per share for 2017, representing an increase of approximately 94.9% year-on-year.

In 2017, with the support from the Group's adequate and high-quality land bank, the Group continued to increase its sales efforts, and achieved a contracted sales amount of approximately RMB362.01 billion for the year, representing an increase of approximately 140.3% year-on-year; as a result, the industry ranking of the Group leaped up from seventh to fourth. Attributable contracted sales value also reached approximately RMB265.60 billion, representing a year-on-year increase of approximately 155.5%. Meanwhile, the Group continued to maintain its leading market position in key cities where it operates, and ranked among the top ten in terms of sales in 27 core cities such as Beijing, Shanghai, Tianjin, Chongqing, Hangzhou, and Wuhan. The Group's operating history in nearly 20 of the aforesaid core cities was less than 3 years, which demonstrated its outstanding market competitiveness and development potential.

CHAIRMAN'S STATEMENT

As the Group had seized upon market opportunities to replenish its land bank with high quality land resources in 2016, the Group calmly responded to the overheated land market in 2017 and adopted more prudent land acquisition strategies in the open market to control investment risks. Meanwhile, by fully leveraging its advantages of brand and reputation in respect of mergers and acquisitions as well as in the cooperation field, the Group acquired more high-quality projects through mergers and acquisitions, which further replenished the Group's land bank with quality land reserves and reinforced the strategic presence of the Group in key markets. In 2017, the Group enlarged its land bank by approximately 67.64 million sq. m. and its attributable land bank by approximately 52.53 million sq. m. As of the date hereof, taking into account of the land under agreement of urban redevelopment, the Group has total land bank of approximately 218 million sq.m., with total asset value amounting to approximately RMB3 trillion, of which over 96% were located in first-tier and second-tier cities and surrounding cities of tier 1 cities. Our adequate and high-quality land bank will strongly support the Group's rapid, healthy and steady development.

With regard to new business layout, the Group completed the layout of its cultural and tourism sector from a high starting point through its cooperation with 13 cultural and tourism projects of Dalian Wanda Commercial, thus it is expected that the Group will become one of the largest operators of high quality cultural and tourism real estate in the future. Looking forward to the promising prospect of China's economy, amidst the backdrop of rapid and high-quality economic growth, continuous increase in household disposable income and accelerating consumption upgrading, the Group sees great potentials in the cultural and tourism sector in the long run.

In 2017, based on the principle of prudence, having due regard to the impairment provision for our investment in Leshi and losses under equity method, notwithstanding their significant impacts on the Group's profits in 2017, the Group is still optimistic about the development outlook of the large-screen operation and content fields, and believes that New Leshi Zhijia and Leshi Pictures will gradually eliminate external impacts, step out of the stage difficulty and speed up their business recovery and growth.

Furthermore, the Group made strategic investments respectively in Dalian Wanda Commercial, an enterprise that is very competitive in the commercial market, and Ziroom, a leading enterprise in the long-term lease apartment market, both of which are quality investment subjects and there will be vast room for potential synergy with our business.

In 2017, the Group's overall operations reached a new height, with the competitive advantages of our core property development business having been consolidated and reinforced, and various promising explorations and layout in respect of new businesses having been undertaken, which have laid a good foundation for the Group's continuous and healthy development in the future.

Outlook for 2018

In 2018, the Group anticipates that the possibility of the government loosening its regulating policies in respect of the real estate industry is remote. In addition, the government will continue to accelerate the establishment and improvement of a long-term mechanism to promote the steady and healthy development of the real estate market. At the same time, the increasingly tightened liquidity will continue to have a material effect on the industry. Under such circumstances, the Group will remain cautious about the real estate market in 2018, but anticipate that the core cities with healthy supply and demand will remain stable, and there will not be major fluctuations in the overall market. Meanwhile, the real estate market that tends to be steady and normal, together with the increasingly tightened liquidity, will further improve the land market towards rationality, in particular the merger and acquisition market may present better opportunities, which will further promote the integration of the industry.

In 2018, the Group will have over 340 projects under sales during the year, and it is expected that the total saleable resources will be approximately RMB674.5 billion. Adequate and high-quality available-for-sale resources will support the stable growth of the Group's sales. In addition, in terms of sales strategy, the Group will also adhere to the idea of accelerating turnover and steadfast destocking, with ample sales receipts which will allow the Group to maintain sufficient liquidity, so as to face market volatility with ease, and at the same time be able to grasp opportunities in the land market. In terms of land acquisition strategy, the Group will also remain cautious, pay close attention to changes in the market and track various opportunities. It will fully utilize its brand advantage in the merger and acquisition market and seize opportunities to select quality projects, so that under the absolute safety of cash flow, the Company can replenish high-quality land reserves in a reasonable manner to maintain and further strengthen the Group's competitive advantage in terms of land bank.

In 2018, in addition to paying high attention on and maintaining sufficient liquidity as usual, the Group will continue to further reduce its leverage level through measures such as continuously delivering sales and financial performance and more prudent investment strategies for new projects.

In 2018, the Group will set up an independently operated cultural and tourism group and is committed to improving the operating capabilities and profitability of the Group's cultural and tourism projects that have been deployed from a high starting point. The long-term goal of the cultural and tourism group is to become one of the most competitive operators of cultural and tourism real estate in the industry of the PRC, so as to become the new growth point of the Group in the future.

In respect of new businesses layout, the Group will focus on managing its current strategic investment projects to secure and facilitate the release of long-term value. Meanwhile, under the premise of not affecting the competitive advantages and development in the core real estate business, the Group will continue to explore market opportunities in consumption upgrading with prudence. The Group will strive to become a benchmark enterprise in providing high-quality housing, family entertainment and cultural and tourism products, and a quality operator and service provider that contributes to a better life for Chinese families.

Sunac China Holdings Limited
SUN Hongbin
Chairman of the Board

28 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

1. Financial review

1.1 REVENUE

For the year ended 31 December 2017, most of the Group's revenue came from sales of residential and commercial properties, with a small proportion of the Group's revenue from property management, cultural and tourism business and other services.

For the year ended 31 December 2017, the Group's real estate development business covered all tier-1 cities, tier-2 cities and surrounding cities of tier-1 cities in the PRC. They were divided into 8 major regions for management, namely the Beijing region (including cities of Beijing, Jinan, Qingdao and Taiyuan, etc.), the North China region (including cities of Tianjin, Xi'an, Zhengzhou and Harbin, etc.), the Shanghai region (including cities of Shanghai, Suzhou, Nanjing and Wuxi, etc.), the Southwestern China region (including cities of Chongqing, Chengdu and Kunming, etc.), the Southeastern China region (including cities of Hangzhou, Hefei, Ningbo and Xiamen, etc.), the Guangzhou-Shenzhen region (including cities of Shenzhen, Guangzhou, Foshan, and Dongguan, etc.), the Central China region (including cities of Wuhan and Changsha, etc.) and the Hainan region (including cities of Sanya, Haikou and Qionghai).

Total revenue of the Group for the year ended 31 December 2017 amounted to RMB65,874 million, representing a significant increase of 86.4% compared with the total revenue of RMB35,343 million for the year ended 31 December 2016.

For the year ended 31 December 2017, the total revenue from subsidiaries, joint ventures and associates of the Group (excluding Leshi Internet Information & Technology Corp (Beijing) ("Leshi Internet"), New Leshi Zhijia Electronic Technology (Tianjin) Limited ("New Leshi Zhijia") and Le Vision Pictures (Beijing) Co., Ltd. (hereinafter collectively referred to as "Leshi Companies"), Jinke Property Group Co., Ltd. and Homelink Real Estate Agency Co., Ltd., the same below) was RMB140,470 million, representing a significant increase of RMB64,230 million (approximately 84.2%) compared with the total revenue of approximately RMB76,240 million for the year ended 31 December 2016, of which approximately RMB100,360 million was profits attributable to owners of the Company, representing a significant increase of RMB44,190 million (approximately 78.7%) as compared to RMB56,170 million for the year ended 31 December 2016.

The following table sets forth certain details of the Group's revenue:

	Year ended 31 December			
	2017		2016	
	RMB billion	**%**	RMB billion	%
Revenue from sales of properties				
– Revenue from sales of properties delivered	**59.75**	**90.70**	34.60	97.90
– Revenue from sales of properties to be delivered	**2.82**	**4.29**	—	—
Sub-total	**62.57**	**94.99**	34.60	97.90
Property management income	**0.90**	**1.37**	0.73	2.07
Cultural and tourism business and other income	**2.40**	**3.64**	0.01	0.03
Total	**65.87**	**100.00**	35.34	100.00
Total gross floor area ("GFA") delivered (in million sq.m.)	**4.86**		2.16	
Average selling price sold (RMB per sq.m.)	**12,294**		16,006	

For the year ended 31 December 2017, revenue from sales of properties increased by approximately RMB27,973 million (or 80.9%) as compared with the amount for the year ended 31 December 2016. Recognised revenue from sales of properties delivered increased by RMB25,149 million (or 72.7%) as compared with the amount for the year ended 31 December 2016. Total area of delivered properties for the year ended 31 December 2017 increased by 2.699 million square meters (or 124.9%), mainly due to the fact that for the year ended 31 December 2017, the Group acquired the interest in certain Wanda cultural and tourism projects, which delivered properties with an area of approximately 1.827 million square meters in total during the period from the acquisition date to 31 December 2017. Apart from this, the area of delivered properties of the Group's projects located in Chongqing, Nanjing and Wuhan for the year ended 31 December 2017 increased as compared with that of the year ended 31 December 2016.

Average unit price of sales of properties dropped from RMB16,006 per sq. m. for the year ended 31 December 2016 to RMB12,294 per sq. m. for the year ended 31 December 2017. This is mainly due to the fact that for the year ended 31 December 2017, areas of delivered properties with comparatively lower average unit price (mainly located in Chongqing, Chengdu and Qingdao) increased, sales income represented a more significant portion of total properties sales income.

For the year ended 31 December 2017, total area of delivered properties of the Group's subsidiaries, joint ventures and associates reached 8.522 million sq. m. (with the corresponding average unit price of sales being RMB15,214 per sq. m.), representing an increase of 4.367 million sq. m. (or 105.1%) as compared to 4.155 million sq. m. for the year ended 31 December 2016.

1.2 COST OF SALES

Cost of sales includes the Group's costs incurred in respect of delivered properties in the direct property development business and property management business and other services costs.

For the year ended 31 December 2017, the Group's cost of sales was RMB52,246 million, representing an increase of RMB21,751 million (or 71.3%) as compared to the cost of sales of RMB30,495 million for the year ended 31 December 2016. Increase in cost of sales was mainly due to increase in area of delivered properties.

1.3 GROSS PROFIT

For the year ended 31 December 2017, the Group's gross profit was RMB13,628 million, which was RMB8,780 million (or 181.1%) higher than the gross profit of RMB4,848 million for the year ended 31 December 2016. Increase in gross profit was mainly due to increased sales revenue and higher gross profit margin of the Group.

For the year ended 31 December 2017, the Group's gross profit margin was 20.7%, representing a substantial increase of approximately 7 percentage points as compared to 13.7% for the year ended 31 December 2016. This was mainly due to increase in gross profit margin of sales income from properties in Shanghai, Hangzhou and Nanjing for the year ended 31 December 2017 as compared with the year ended 31 December 2016.

Besides, for the year ended 31 December 2017, total gross profit of the Group's subsidiaries, joint ventures and associated companies was RMB31,521 million, with a gross profit margin of 22.4%, of which RMB21,971 million was gross profit attributable to owners of the Company. For the year ended 31 December 2016, total gross profit of the Group's subsidiaries, joint ventures and associated companies was only RMB12,619 million, with a gross profit margin of 16.6%, of which RMB8,840 million was gross profit attributable to owners of the Company.

1.4 SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

The Group's sales and marketing costs increased by 273.2% from RMB916 million for the year ended 31 December 2016 to RMB3,419 million for the year ended 31 December 2017. The Group's administrative expenses increased by 315.0% from RMB1,339 million for the year ended 31 December 2016 to RMB5,559 million for the year ended 31 December 2017. Among these, the Group made prudent impairment provisions for loss arising from bad debts of RMB2,102 million in respect of amounts due from Leshi Companies and their related parties. Excluding those factors, administrative expenses of the Group increased by 158.1% as compared to that of the year ended 31 December 2016.

The increase in sales and marketing costs was mainly due to substantial increase in the number of properties and business scale of the Group for the year ended 31 December 2017 after the Group has completed the layout in all tier-1 cities, tier-2 cities and surrounding cities of tier-1 cities in China in the year ended 31 December 2016, resulting in substantial increase in staff costs, advertisement and marketing costs.

1.5 OTHER INCOME AND GAINS

The Group's other income and gains increased by RMB24,636 million from RMB3,280 million for the year ended 31 December 2016 to RMB27,916 million for the year ended 31 December 2017 mainly due to the increase in the Group's gains from business combination of RMB23,414 million, which mainly included income from the Group's acquisition of interests in certain Wanda cultural and tourism projects, Tianjin Xingyaowuzhou Project, Hefei Raycom City Project and Wuhan Raycom Celestial Heights Project etc.

1.6 OTHER EXPENSES AND LOSSES

The Group's other expenses and losses increased by RMB10,666 million from RMB23 million for the year ended 31 December 2016 to RMB10,689 million for the year ended 31 December 2017, which was mainly due to the prudent impairment provisions totalling RMB9,983 million made by the Group for its investment in and financial guarantees provided for Leshi Companies for the year ended 31 December 2017.

1.7 OPERATING PROFIT

Concluding from the above analysis, the Group's operating profit increased substantially by RMB16,026 million from RMB5,850 million for the year ended 31 December 2016 to RMB21,876 million for the year ended 31 December 2017, mainly due to the following reasons:

(i) Gross profit increased by RMB8,780 million; and

(ii) Other income and gains increased by RMB24,636 million; other expenses and losses increased by RMB10,666 million; sales and marketing costs and administrative expenses increased by RMB6,723 million.

1.8 FINANCE COSTS

The Group's finance costs increased by RMB2,068 million from RMB3,191 million for the year ended 31 December 2016 to RMB5,259 million for the year ended 31 December 2017 mainly due to the following reasons:

(i) As the scale of financing increased resulting in increased total interest costs, interest expenses increased by RMB2,870 million to RMB5,342 million for the year ended 31 December 2017 from RMB2,472 million for the year ended 31 December 2016; and

(ii) Due to changes in the trend of exchange rate fluctuation, the Group recorded an exchange gain of RMB83 million for the year ended 31 December 2017, compared with an exchange loss of RMB719 million for the year ended 31 December 2016.

The Group's weighted average effective interest rate edged up from 5.98% for the year ended 31 December 2016 to 6.24% for the year ended 31 December 2017, due to rising interest rates in the general market as a result of tightening monetary policies.

1.9 SHARE OF RESULTS OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

For the year ended 31 December 2017, the Group recognised a net loss of RMB1,994 million with respect to its share of results of investments accounted for using equity method. While for the year ended 31 December 2016, the Group recognised a net profit after tax of RMB1,357 million with respect to its share of results of investments accounted for using equity method. The change was mainly due to the fact that the Group recorded a loss of RMB4,476 million with respect to its share of results of investments accounted for using equity method in the Leshi Companies for the year ended 31 December 2017. Excluding those factors, the Group recognised a net profit after tax of RMB2,482 million with respect to its share of results of investments accounted for using equity method.

1.10 OPERATIONAL STATUS OF THE LESHI COMPANIES AND IMPLICATIONS FOR IMPAIRMENT PROVISION

As stated in the Company's announcement dated 13 January 2017, through the investments in the Leshi Companies, the Group would be interested in 8.61% equity interest in Leshi Internet, 33.4959% equity interest in Leshi Zhixin and 15% equity interest in Leshi Pictures, and the total consideration for the investments was approximately RMB15,041 million.

As stated in the Company's circulated dated 31 August 2017, the above-mentioned equtiy investments were completed and settled on 13 April 2017.

Prior to the completion and settlement of such investments, there was no obvious indication that the key financial performance indicators of the Leshi Companies would decline and that their operational environment would deteriorate.

Following the completion and settlement of such investments, with reference to the announcements published by Leshi Internet on 20 April, 27 April, 4 July, 14 July, 16 August and 29 August 2017, respectively, the operations of Leshi Internet had changed from a slowdown in growth to operating loss, there was judicial freeze in shareholding, and increasing numbers of breach of loan covenant with financial institutions and litigation cases. The Company became increasingly alerted to the deteriorating financial performance and operating environment of Leshi Internet and the other Leshi Companies.

I. Leshi Internet and Leshi Zhixin

(i) Financial performance and causes

According to the "Advance briefing of 2017 annual results" published by Leshi Internet on 27 February 2018:

"During the reporting period, the Company realized total operating income of approximately RMB7.46 billion, representing a decrease of 66.06% as compared with the previous year; operating loss was approximately RMB15.76 billion, decreased by 4,569.40% as compared with the previous year; net loss was approximately RMB15.74 billion, decreased by 4,688.90% as compared with the previous year; net loss attributable to shareholders was approximately RMB11.61 billion, decreased by 2,192.53% as compared with the previous year; basic loss per share was RMB2.9146, decreased by 2,151.09% as compared with the previous year."

Reasons for the deterioration in financial performance were as follows:

During the reporting period, due to the continuing impacts of the cash flow and liquidity problems faced by its related parties, public opinion continued to ferment and grow in scope, causing relatively significant impact to the reputation and creditbility of Leshi Internet, leading to relatively material drop in its business such as advertisement income, terminal income and membership income. At the same time, the daily operating expense (such as CDN expense and amortization expenses) as well as finance cost continued to rise.

As at the end of the reporting period, taking into account the impact of various factors including the risk of related party debts and their collectibility, based on its preliminary estimate, Leshi Internet expected to make an impairment provision of approximately RMB4.4 billion for its related party receivables.

As at the end of the reporting period, management of Leshi Internet, out of prudence, identified and determined that there existed impairment risk for its long term assets such as intangible assets including royalty rights for movie and video contents and available for sale financial assets. Based on its preliminary estimate, Leshi Internet expected to make an impairment provision of approximately RMB3.5 billion for part of its long term assets.

(ii) Operating environment

With reference to the annoucements published by Leshi Internet on 19 January, 25 January, 30 January, 2 February, 7 February, 8 February, 23 February, 19 March and 19 April 2018, respectively, the operating risks of Leshi Internet have primarily materialised in eight aspects, and the details of such risks and their causes have been set out in these announcements of Leshi Internet. In brief, these eight risk factors included:

A. risk of possible change in the actual controller of Leshi Internet;

B. risk of collectibility of part of the related party receivables;

C. risk of cash flow difficulties faced by Leshi Internet arising from non-performance of loan convenant by Mr. Jia Yueting and Ms. Jia Yuefang;

D. risk of further cash flow restriction of Leshi Internet due to maturity of existing debts of Leshi Internet;

E. risk of existence of material uncertainty concering the performance of part of Leshi Internet's business;

F. risk of external investments made by Leshi Internet;

G. risk of change in use of proceeds raised from fund raising activities; and

H. risk of share pledge over subsidiaries and guarantee provided in favour of external parties.

(iii) Valuation method and impairment assessment

A. Valuation method and impairment assessment in respect of the value of the shareholding in Leshi Internet

The independent valuer engaged by the Company assessed the fair value of the Company's investments in the Leshi Companies as at 31 December 2017, and the valuation method was based on the higher of market value and utility value, among which the market value was determined with reference to the trading prices of the shares of Leshi Internet in the secondary market, while the utility value was determined based on the discounted cash flow of the Leshi Companies as well as the value of their non-operating payables and receivables.

a. **Market value**: As trading in the shares of Leshi Internet on the Shenzhen Stock Exchange was suspended as of the valuation date, the valuer had made reference to the announcements in relation to valuation adjustment for shares in Leshi Internet as published by 21 fund management companies including China Post & Capital Fund (中郵創業基金), Harvest Fund (嘉實基金), Caitong Fund (財通基金), E Fund (易方達基金) and HuaAn Funds (華安基金) in November 2017, with an average valuation of approximately RMB3.91 per share, and determined that the Company's relevant shareholding in Leshi Internet had a market value of approximately RMB1.3 billion.

b. **Utility value**: The discounted cash flow is estimated primarily based on an estimate on the core operational parameters, such as number of units of television terminals sold and headcount of subscription fee payers, and is discounted based on an annual discount rate of 18%. The estimate on the core operational parameters is based on the historical operating data of Leshi Internet and their trend of changes, and has taken into account the prospects of future business development. The changes in the two above-mentioned core parameters during 2015 to 2017 were as follows:

	2015	2016	**2017**
Number of television terminals sold (in million units)	2.48	4.30	**1.28**
Year-on-year growth rate (%)	—	73%	**-70%**

	2015	2016	**2017**
Headcount of subscription fee payers (in million headcounts)	9.4	21.3	**16.8**
Year-on-year growth rate (%)	—	127%	**-21%**

In terms of either the number of television terminals sold or headcount of subscription fee payers, there was a relatively material growth in 2016 as compared to 2015. At the time of the Company's investments in Leshi which took place in January 2017, the Company assessed the discounted cash flow of Leshi Internet based on such historical data and trend and did not discover any trace of impairment. However, as stated above, the financial performance and operating environment of Leshi Internet deteriorated in 2017, causing those two parameters to decline acutely as compared to 2016. As a result, upon re-assessment by the end of 2017, when the discounted cash flow was being assessed with reference to those two core parameters, there was downward adjustment to both parameters of over 60% as compared to the assessment made as of the time of investment. In addition, Leshi Internet made impairment assessment for non-operating receivables due from related parties in the amount of approximately RMB 4.4 billion, which caused the assessed value of Leshi Internet to be correspondingly downward adjusted. Based on the two points above, the valuer assessed the utility value of the relevant equity in Leshi Internet was lower than RMB 1.3 billion.

With reference to the (a) and (b) above, the valuer had determined that the higher of the two, being the market value of approximately RMB1.3 billion, shall determine the fair value of the relevant equity investments in Leshi Internet.

B. Valuation method and impairment assessment in respect of the value of the shareholding in Leshi Zhixin

As Leshi Zhixin is not a listed company, its fair value could not be obtained from the open market, and both the fair value and utility value has to be obtained through assessment, with the valuation method being the same as that adopted for Leshi Internet. As the fair value that could be determined by assessment would not be materially higher than the utility value, the value of the shareholding in Leshi Zhixin was determined based on its utility value.

Leshi Zhixin was a subsidiary owned as to approximately 40% by Leshi Internet, its financial results had been consolidated into the financial statements of Leshi Internet, and Leshi Zhixin was also the most important business entity of Leshi Internet, hence its business and that of Leshi Internet had a high degree of integration and overlap. As a result, when assessing the discounted cash flow of Leshi Zhixin, the estimated future trend of its core parameters was consistent with that of Leshi Internet. With reference to the above-mentioned logic for the adjustments made to the valuation of Leshi Internet as a whole, the valuer had correspondingly downward adjusted the level of discounted cash flow of Leshi Zhixin in the year-end impairment assessment.

II. Leshi Pictures

(i) Financial performance and causes

In 2017, revenue of Leshi Pictures was approximately RMB0.481 billion representing a decrease of over 50% as compared to the previous year; its net profit also showed a significant decrease as compared to the previous year.

The causes for the deterioration in its financial performance were as follows.

In 2017, due to the ongoing effect of the cash flow problems and liquidity crisis of its related parties, and also the growing liquidity strains faced by Leshi Pictures itself, the movie production and distribution schedule for 2017 had to be adjusted, leading to a drop in the number of movies and dramas premiered, thereby causing a relatively significant drop in its revenue. At the same time, although there was control over the daily expenses of Leshi Pictures, the fixed operating costs (such as staff expenses) remained relatively high, and further the movie sales performance was lower than expected, which contributed to the relatively significant drop in net profits.

During 2017, after taking into account factors such as the risk of related party debts and collectability, Leshi Pictures expected to make an impairment provision for its related party receivables.

(ii) Operating environment

The operating risks of Leshi Pictures have primarily materialised in four aspects, namely:

A. risk of possible change in the actual controller;

B. risk of collectability of part of the related party receivables;

C. risk of uncertainty in respect of profitability due to the characteristics of the movie industry in which the principal business belongs; and

D. operating risk arising from the gradual transformation of Leshi Pictures into an intellectual property operating entity.

(iii) Valuation method and impairment assessment in respect of the value of the shareholding in Leshi Pictures

As Leshi Pictures is not a listed company, its fair value could not be obtained from the open market, and both the fair value and utility value has to be obtained through assessment, with the valuation method being the same as that for Leshi Internet. As the fair value that could be determined by assessment would not be materially higher than the utility value, the value of the shareholding in Leshi Pictures was determined based on its utility value.

As the principal business of Leshi Pictures was the production and distribution of movies and dramas, hence the box office receipts of its movies and dramas constitute the core operational parameters for Leshi Pictures. The valuer had estimated such parameters with reference to Leshi Pictures' historical operating data and their trend. Movement in the revenue of Leshi Pictures for 2015 to 2017 was as follows:

	2015	2016	**2017**
Revenue (RMB billion)	1.143	1.098	**0.481**
Growth rate	—	-4%	**-56%**

In line with the trend of change of the core operational parameters of Leshi Pictures, the revenue of Leshi Pictures dropped significantly in 2017. As a result, the valuer had downward adjusted the value of such parameters adopted for the year-end assessment by over 30% as compared to that adopted for the assessment made upon the initial investment and determined the fair value of the relevant equity investments in Leshi Picture.

1.11 PROFITS

For the year ended 31 December 2017, based on the principle of prudence, the Group had sufficiently considered the impairment provisions made for the relevant investments in the Leshi Companies and the losses recorded under the equity method as set out above in 1.4, 1.6 and 1.9 respectively, and the total amount of impairment provisions was RMB16,561 million. Please refer to notes 11.2(c), 17, 27 and 32 to the consolidated financial statements of the Group for details of the impairment provisions made. Although the impairment has a relatively large impact on the profit of the Company for 2017, the Company still holds a positive view about the development prospects of large-screen operation and content area in the long run, and believes that New Leshi Zhijia and Leshi Pictures will accelerate its business development gradually by eliminating the external adverse effects and overcoming this stage of difficulties.

Although affected by the above factors, the Group's profits attributable to owners of the Company significantly increased by 344.0% from RMB2,478 million for the year ended 31 December 2016 to RMB11,004 million for the year ended 31 December 2017 due to the increase in Group's gross profits and increase in gains from business combination.

The table below sets out profits attributable to the Company's owners and non-controlling interests as at the stated dates:

	Year ended 31 December	
	2017	2016
	RMB billion	RMB billion
Profits during the year	**11.66**	2.94
Attributable to:		
Owners of the Company	**11.00**	2.48
Perpetual bond holders	**0.68**	0.30
Non-controlling interests	**(0.02)**	0.16
	11.66	2.94

Excluding the impact of net exchange gain and changes in fair values of both derivative financial instruments and investment properties, the Group's core profit attributable to owners of the Company amounted to RMB11,120 million for the year ended 31 December 2017, representing a substantial increase of 259.1% as compared with RMB3,100 million for the year ended 31 December 2016.

1.12 CASH STATUS

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

The Group's cash and cash equivalents (including restricted cash) increased by 38.5% to RMB96,719 million as at 31 December 2017 from RMB69,813 million as at 31 December 2016, of which non-restricted cash increased to RMB68,433 million as at 31 December 2017 from RMB52,086 million as at 31 December 2016.

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

(i) RMB75,099 million of net cash inflow from operating activities was due to increased revenue from pre-sale of the Group's properties;

(ii) RMB120,169 million of net cash outflow used in investment activities was mainly caused by the new projects obtained by the Group through direct investments or acquisition of equities; and

(iii) RMB61,364 million of net cash inflow from financing activities was mainly attributed to RMB61,320 million of net borrowings inflow (including conversion between non-restricted cash and restricted cash due to borrowings).

Currently, the Group has sufficient operating capital which remains at healthy and safe level and is sufficient to resist risks besides supporting business growth in the foreseeable future.

1.13 BORROWINGS AND SECURITIES

Due to the requirement for continuous business expansion of the Group, total borrowing increased by RMB106,426 million to RMB219,270 million as at 31 December 2017 from RMB112,844 million as at 31 December 2016.

As at 31 December 2017, RMB187,604 million (as at 31 December 2016: RMB84,372 million) of the Group's total borrowings were secured or jointly secured by the Group's restricted cash, properties under development, completed properties held for sale, investment properties, fixed assets and intangible assets (total amount was RMB164,408 million (as at 31 December 2016: RMB82,180 million)) and equities (including those legally transferred as collateral) of certain of the Group's subsidiaries.

1.14 NET DEBT TO TOTAL ASSET RATIO AND GEARING RATIO

Net debt to total asset ratio is calculated by dividing the total net liabilities with total asset amount. Net debt is calculated by deducting cash and cash equivalents (including restricted cash) from total borrowings (including current and long-term borrowings). As at 31 December 2017, the Group's net debt to total asset ratio was 19.7%, representing a decrease as compared to 21.0% as at 30 June 2017.

Gearing ratio is calculated by dividing the net debt with total capital. Total capital is calculated by adding total equities and net debt. As at 31 December 2017, the Group's gearing ratio was 66.9%, representing a decrease as compared to 72.2% as at 30 June 2017.

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

1.15 INTEREST RATE RISK

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

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

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

	As at 31 December 2017 RMB billion	As at 31 December 2016 RMB billion
Floating interests		
Less than 12 months	**30.17**	12.95
1-5 years	**40.97**	14.08
Over 5 years	**5.32**	0.02
Subtotal	**76.46**	27.05
Fixed interests		
Less than 12 months	**48.50**	19.69
1-5 years	**91.29**	53.11
Over 5 years	**3.02**	12.99
Subtotal	**142.81**	85.79
Total	**219.27**	112.84

As at 31 December 2017, the Group did not use any interest rate swaps to hedge its exposure to interest rate risk. The Group monitors its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

1.16 FOREIGN EXCHANGE RISKS

As all the Group's operating entities are located in China, the Group operates its business mainly in RMB. Some of the Group's bank deposits and senior notes are denominated in US dollar, Euro or Hong Kong dollars, meaning that the Group is exposed to foreign exchange risks. For the year ended 31 December 2017, the Group recorded a net exchange gain in the amount of RMB83 million. As such, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. The Group will continue to closely track and manage its exposure to the fluctuation in foreign exchange rates.

1.17 CONTINGENT LIABILITIES

The Group provides guarantees to banks for the mortgage loans obtained by certain property buyers to ensure that the buyers perform their obligations of mortgage loan repayment. The amount was RMB49,780 million as at 31 December 2017 as compared with RMB11,379 million as at 31 December 2016. The guarantees shall terminate at the earliest occurrence of either of the following: (i) transfer of property ownership certificate to the buyer. Such certificate is generally transferred within 6 months from the date of property delivery; or (ii) full repayment of mortgage loan by the property buyer. The period of guarantee provided by the Group starts from the date when the mortgage is granted.

2. Business Highlights

2.1 SUMMARY OF PRINCIPAL PROPERTIES

As at 31 December 2017, the Group was engaging in a total of 340 property development projects across 70 cities in the PRC, with a total site area of approximately 74.0244 million square meters, an estimated total GFA of approximately 182 million square meters and an estimated saleable or rentable GFA of approximately 152 million square meters.

The table below sets forth the breakdown of our property development projects by regions and cities:

Region	City	Total site area	Estimated aggregate GFA	Estimated saleable/ rentable GFA
		'000 sq.m.	'000 sq.m.	'000 sq.m.
Beijing region	Beijing	1,247.7	2,543.1	2,053.3
	Ji'nan	3,109.8	8,527.5	6,973.0
	Qingdao	6,177.3	13,614.7	11,838.3
	Taiyuan	339.4	1,622.5	1,188.8
	Shijiazhuang	360.8	1,396.2	1,322.1
	Zhangjiakou	54.9	176.7	126.5
	Langfang	393.5	1,239.2	1,132.5
	Chengde	117.5	377.6	318.4
	Yantai	279.2	769.1	749.4
	Subtotal	**12,080.1**	**30,266.6**	**25,702.3**
North China region	Tianjin	5,870.6	13,187.7	12,308.3
	Xi'an	1,631.9	6,069.0	5,538.5
	Zhengzhou	674.1	2,482.3	1,936.0
	Shenyang	568.7	1,760.5	1,616.7
	Dalian	553.4	1,809.2	1,700.9
	Harbin	971.3	3,624.8	2,973.7
	Daqing	222.0	514.2	500.0
	Subtotal	**10,492.0**	**29,447.7**	**26,574.1**
Shanghai region	Shanghai	1,659.6	4,583.5	3,970.8
	Suzhou	1,239.4	2,690.8	2,052.8
	Nanjing	628.3	1,198.9	1,027.9
	Wuxi	4,672.6	10,100.5	8,537.8
	Changzhou	449.1	1,191.6	1,072.3
	Zhenjiang	123.5	192.0	162.2
	Nantong	412.9	644.6	543.6
	Yangzhou	286.7	932.4	854.8
	Xuzhou	534.1	1,096.5	960.0
	Yancheng	29.4	83.5	82.6
	Taizhou	193.4	465.9	373.0
	Wuhu	118.8	315.8	269.4
	Ma'anshan	30.3	65.4	59.5
	Subtotal	**10,378.1**	**23,561.4**	**19,966.7**

Region	City	Total site area '000 sq.m.	Estimated aggregate GFA '000 sq.m.	Estimated saleable/ rentable GFA '000 sq.m.
Southwestern China region	Chongqing	9,062.6	22,914.4	16,171.4
	Chengdu	4,309.5	9,951.0	8,047.6
	Nanning	309.4	1,820.8	1,720.3
	Kunming	1,455.3	4,830.6	4,000.4
	Guilin	1,565.1	1,952.9	1,494.7
	Guiyang	294.0	1,183.6	1,167.6
	Liuzhou	34.8	120.3	115.3
	Beihai	334.3	955.6	913.2
	Xishuangbanna	3,166.8	3,370.5	2,987.7
	Subtotal	**20,531.8**	**47,099.7**	**36,618.2**
Southeastern China region	Hangzhou	2,086.5	6,497.7	4,666.4
	Hefei	2,335.6	6,474.7	5,315.3
	Xiamen	32.5	141.9	95.9
	Ningbo	364.1	873.2	625.2
	Jiaxing	524.7	884.3	795.8
	Huzhou	398.4	822.3	661.5
	Shaoxing	322.4	632.5	508.1
	Putian	45.2	149.3	133.7
	Quanzhou	70.5	376.5	299.0
	Zhoushan	146.0	471.8	353.9
	Taizhou	165.3	419.6	322.0
	Wenzhou	44.9	209.4	206.1
	Subtotal	**6,536.1**	**17,953.2**	**13,982.9**
Guangzhou-Shenzhen region	Shenzhen	17.7	140.6	63.2
	Guangzhou	1,848.3	5,093.0	4,100.7
	Foshan	455.2	2,021.8	1,932.8
	Dongguan	125.1	387.3	375.5
	Huizhou	401.7	1,200.1	1,077.9
	Zhongshan	329.0	994.7	978.9
	Zhuhai	18.1	127.8	91.4
	Qingyuan	586.4	1,603.7	1,603.2
	Jiangmen	748.9	2,627.1	2,514.1
	Zhaoqing	262.0	904.3	872.3
	Subtotal	**4,792.4**	**15,100.4**	**13,610.0**

Region	City	Total site area '000 sq.m.	Estimated aggregate GFA '000 sq.m.	Estimated saleable/ rentable GFA '000 sq.m.
Central China region	Wuhan	1,503.1	6,125.8	5,249.6
	Changsha	694.0	2,291.2	1,819.7
	Nanchang	2,862.5	4,998.2	4,310.9
	Yichang	100.0	450.4	424.9
	Jingdezhen	148.8	312.0	292.6
	Subtotal	**5,308.4**	**14,177.6**	**12,097.7**
Hainan region	Sanya	750.1	578.5	295.9
	Haikou	435.9	1,089.4	987.1
	Wanning	856.1	973.2	832.1
	Qionghai	1,647.5	1,708.7	1,600.7
	Ding'an	215.9	201.4	93.3
	Subtotal	**3,905.5**	**4,551.2**	**3,809.1**
	Total	**74,024.4**	**182,157.8**	**152,361.0**

As at 28 March 2018, the total site area, estimated aggregate GFA, and estimated saleable or rentable GFA of the Group's properties projects under development are approximately 75.86 million sq. m., 188 million sq. m. and 157 million sq. m., respectively.

2.2 SUMMARY OF LAND BANK

As at 31 December 2017, the Group had a total land bank of approximately 141.73 million sq.m. and attributable land bank of approximately 107.12 million sq.m., and the breakdown of land bank by region and city is as follows:.

Region	City	Total land bank '000 sq.m.	Attributable land bank '000 sq.m.
Beijing region	Beijing	918.4	507.5
	Ji'nan	7,879.3	5,856.2
	Qingdao	11,731.6	10,024.0
	Taiyuan	1,622.5	1,040.6
	Shijiazhuang	1,396.2	693.5
	Zhangjiakou	176.7	137.9
	Langfang	1,239.2	644.4
	Chengde	377.6	377.6
	Yantai	629.9	629.9
	Subtotal	**25,971.4**	**19,911.6**
North China region	Tianjin	9,715.2	6,590.8
	Xi'an	5,559.5	3,108.3
	Zhengzhou	2,190.2	1,457.6
	Shenyang	1,760.0	1,217.3
	Dalian	1,625.0	1,598.3
	Harbin	2,806.7	2,554.1
	Daqing	256.6	256.6
	Subtotal	**23,913.2**	**16,783.0**
Shanghai region	Shanghai	3,657.6	2,095.1
	Suzhou	2,232.8	1,462.4
	Nanjing	1,015.1	617.5
	Wuxi	4,958.9	4,425.4
	Changzhou	684.6	635.0
	Zhenjiang	192.0	192.0
	Nantong	644.6	540.7
	Yangzhou	932.4	353.8
	Xuzhou	1,096.5	735.0
	Yancheng	83.5	27.6
	Taizhou	465.9	181.2
	Wuhu	315.8	315.8
	Ma'anshan	65.4	32.1
	Subtotal	**16,345.1**	**11,613.6**

Region	City	Total land bank '000 sq.m.	Attributable land bank '000 sq.m.
Southwestern China region	Chongqing	14,880.6	11,651.7
	Chengdu	6,990.7	6,153.7
	Nanning	1,820.8	1,201.7
	Kunming	4,354.4	3,282.5
	Guilin	1,952.9	1,777.2
	Guiyang	1,183.6	603.7
	Liuzhou	120.3	120.3
	Beihai	955.6	430.0
	Xishuangbanna	2,598.7	2,364.8
	Subtotal	**34,857.6**	**27,585.6**
Southeastern China region	Hangzhou	3,933.5	2,318.5
	Hefei	3,306.0	2,979.3
	Xiamen	141.9	141.9
	Ningbo	873.2	600.2
	Jiaxing	884.3	613.5
	Huzhou	799.9	527.7
	Shaoxing	632.5	351.9
	Putian	149.3	149.3
	Quanzhou	376.5	359.9
	Zhoushan	471.8	160.4
	Taizhou	308.3	237.4
	Wenzhou	209.4	29.3
	Subtotal	**12,086.6**	**8,469.3**
Guangzhou-Shenzhen region	Shenzhen	140.6	140.6
	Guangzhou	4,229.4	3,340.7
	Foshan	1,922.1	1,205.6
	Dongguan	387.3	332.0
	Huizhou	960.3	655.1
	Zhongshan	994.7	947.6
	Zhuhai	127.8	63.9
	Qingyuan	1,603.7	1,503.7
	Jiangmen	2,627.1	2,310.7
	Zhaoqing	904.3	904.3
	Subtotal	**13,897.3**	**11,404.2**

Region	City	Total land bank '000 sq.m.	Attributable land bank '000 sq.m.
Central China region	Wuhan	5,177.2	4,205.0
	Changsha	1,503.4	1,486.1
	Nanchang	3,301.4	2,987.6
	Yichang	450.4	247.7
	Jingdezhen	211.7	211.7
	Subtotal	**10,644.1**	**9,138.1**
Hainan region	Sanya	504.8	331.2
	Haikou	1,089.4	667.3
	Wanning	972.3	486.1
	Qionghai	1,248.7	624.4
	Ding'an	201.4	102.7
	Subtotal	**4,016.6**	**2,211.7**
	Total	**141,731.9**	**107,117.1**

As at 28 March 2018, the total land bank[1] and attributable land bank of the Group amounted to approximately 147 million sq. m. and 110 million sq. m., respectively. Taking the contracted land reserve (such redevelopment of old residential properties) into account, the total land bank[1] of the Group amounted to approximately 218 million sq.m..

Note 1: The land bank is as of 31 December 2017 and also includes the land acquired from 1 January 2018 to 28 March 2018.

2.3 CONTRACTED SALES

For the year ended 31 December 2017, the Group achieved a contracted sales area of approximately 22.033 million sq.m. and a contracted sales amount of approximately RMB362.01 billion, representing an increase of approximately 140.3% as compared with the year ended 31 December 2016, and its industry ranking in the PRC real estate industry leaped to the fourth[1] in terms of contracted sales amount.

Region	City	Contracted sales area '000 sq.m.	Contracted sales amount RMB billion
Beijing region	Beijing	187	15.28
	Ji'nan	859	12.94
	Qingdao	1,277	19.18
	Taiyuan	541	5.88
	Shijiazhuang	262	5.11
	Zhangjiakou	62	0.55
	Langfang	74	0.46
	Chengde	45	0.43
	Yantai	127	0.82
	Subtotal	**3,434**	**60.65**

Region	City	Contracted sales area '000 sq.m.	Contracted sales amount RMB billion
North China region	Tianjin	1,242	28.34
	Xi'an	1,614	20.62
	Zhengzhou	904	12.44
	Shenyang	187	1.47
	Dalian	95	0.88
	Harbin	529	5.55
	Daqing	114	0.65
	Subtotal	**4,685**	**69.95**
Shanghai region	Shanghai	159	8.78
	Suzhou	651	13.98
	Nanjing	276	7.15
	Wuxi	1,472	23.46
	Changzhou	322	4.35
	Nantong	223	4.01
	Yangzhou	320	3.61
	Xuzhou	127	1.85
	Taizhou	65	0.50
	Wuhu	114	0.81
	Ma'anshan	54	0.36
	Subtotal	**3,783**	**68.86**
Southwestern China region	Chongqing	1,919	23.01
	Chengdu	1,189	13.65
	Nanning	597	6.64
	Kunming	386	4.04
	Guilin	183	1.53
	Guiyang	149	1.56
	Liuzhou	9	0.08
	Xishuangbanna	346	3.49
	Subtotal	**4,778**	**54.00**

Region	City	Contracted sales area '000 sq.m.	Contracted sales amount RMB billion
Southeastern China region	Hangzhou	1,036	31.02
	Hefei	491	8.65
	Ningbo	263	7.48
	Jiaxing	12	0.20
	Huzhou	105	1.35
	Shaoxing	93	1.75
	Putian	14	0.27
	Zhoushan	19	0.32
	Taizhou	21	0.21
	Subtotal	**2,054**	**51.25**
Guangzhou-Shenzhen region	Guangzhou	310	6.57
	Foshan	562	8.07
	Dongguan	126	2.10
	Huizhou	104	1.18
	Zhongshan	134	1.40
	Jiangmen	3	0.03
	Zhaoqing	16	0.10
	Subtotal	**1,255**	**19.45**
Central China region	Wuhan	713	16.95
	Changsha	207	1.81
	Nanchang	434	5.68
	Jingdezhen	111	0.76
	Subtotal	**1,465**	**25.20**
Hainan region	Sanya	27	2.30
	Haikou	291	4.46
	Wanning	117	3.17
	Qionghai	144	2.72
	Subtotal	**579**	**12.65**
	Total	**22,033**	**362.01**

Note 1: The ranking in respect of contracted sales amount were co-released by CRIC China and China Real Estate Appraisal Center.

Executive Directors

Mr. SUN Hongbin, aged 55, is the Group's founder, the chairman of the board (the "Board") of directors (the "Directors") of the Company, an executive Director, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Sun Hongbin commenced his real estate business in 1994 and has accumulated over 20 years of ample experience in the real estate industry in the PRC over the years. Mr. Sun Hongbin obtained a master's degree in engineering from Tsinghua University in the PRC in 1985 and completed an advanced management program at Harvard Business School in the United States in 2000. Mr. Sun Hongbin is the father of Mr. Sun Kevin Zheyi, an executive Director of the Company and an assistant to the president of the Group.

Mr. WANG Mengde ("Mr. Wang"), aged 47, is an executive Director of the Company and the chief executive officer of the Group. Mr. Wang has about 20 years of experience in the real estate industry in the PRC. He joined the Group in 2006 and acted as the chief financial officer and the vice president of the Group. He has been the executive president and chief executive officer of the Group since 2011 and September 2015, respectively. Prior to joining the Group, Mr. Wang was the chief operating officer and chief financial officer of Sunco China Holdings Limited ("Sunco China"), a company engaged in the business of property development in the PRC from 2005 to 2006, and the general manager of a subsidiary of Sunco China in East China region from 2003 to 2005. Mr. Wang graduated from Nankai University in the PRC with a bachelor's degree in auditing in 1997.

Mr. JING Hong ("Mr. Jing"), aged 56, is an executive Director of the Company and the executive president of the Group and the president of the Beijing regional branch of the Group. Mr. Jing graduated from the Beijing Jiaotong University (previously known as Northern Jiaotong University) in the PRC in 1984 with a bachelor's degree in engineering. From October 2002 to 2006, Mr. Jing served as a vice president of Sunco China. Mr. Jing has extensive experience in real estate development. He joined the Group in January 2007. Since then, he has been the general manager of Beijing Sunac Hengji Real Estate Co., Ltd. and has been responsible for overall business operations.

Mr. CHI Xun ("Mr. Chi"), aged 45, is an executive Director of the Company, the executive president of the Group and the president of the North China regional branch of the Group, with over 10 years of experience in real estate development and sales management. He joined the Group in 2004 and held the position of deputy general manager of Tianjin Sunac Zhidi Co., Ltd. ("Sunac Zhidi") from 2004 to 2005. Since 2005, he has been the general manager of Sunac Zhidi. Prior to joining the Group, Mr. Chi worked at various property companies where he was primarily responsible for project development, design and sales. Mr. Chi graduated from Harbin Institute of Technology in the PRC in 1997 with a bachelor's degree in architecture.

Mr. TIAN Qiang ("Mr. Tian"), aged 41, is an executive Director of the Company, the executive president of the Group and the president of the Shanghai regional branch of the Group. Mr. Tian joined the Group in 2007 and acted as a deputy general manager of Tianjin Xiangchi Investment Co., Ltd.. In 2007, he held the position of a general manager of Wuxi Sunac Real Estate Co. Ltd.. He has been the general manager of the Shanghai regional branch of the Group since 2012, and has been the executive president of the Group since 2015. Prior to joining the Group, Mr. Tian has been a sales manager, deputy general sales manager and general manager between 2002 and 2007 at Sunco China. Mr. Tian graduated from the Tianjin Institute of Urban Construction in 1999 with a bachelor's degree in engineering specializing in construction project management.

Mr. SHANG Yu ("Mr. Shang"), aged 39, is an executive Director of the Company, the executive president of the Group and the president of the Southwest regional branch of the Group. Mr. Shang has over 10 years of experience in the real estate industry in the PRC. He joined the Group in 2003 and was the deputy general manager of Tianjin Sunac Ao Cheng Investment Co., Ltd. ("Sunac Ao Cheng") and Chongqing Olympic Garden Real Estate from 2003 to 2004. Since 2006, he has become the general manager of Chongqing Olympic Garden Real Estate. Mr. Shang graduated from Tianjin Institute of Urban Construction in the PRC with a bachelor's degree in property development and management in 2001 and then obtained a master's degree in business administration from the China Europe International Business School in 2008.

Mr. HUANG Shuping ("Mr. Huang"), aged 37 is an executive Director of the Company, the executive president of the Group and the president of the Guangzhou and Shenzhen regional branch of the Company. He joined the Group in 2007 and acted successively as a supervisor and the general manager of the capital operations centre, the deputy general manager of the finance management department and the assistant to chief executive officer. He served as the vice president of the Group from 2011 to 2015, and the chief financial officer and Board secretary of the Group from 2012 to 2015. He has been the executive president of the Group since 2015. Prior to joining the Group, Mr. Huang was an assistant to the president of Sunco China with responsibilities in capital management from 2005 to 2007, and a project manager of the assets management department of the Capital Securities Co., Ltd. from 2004 to 2005. 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 28, is an executive Director of the Company and an assistant to the president of the Group. Mr. Sun Kevin Zheyi joined the Group in 2014 and served various roles relating to capital market, land acquisition and project operation in the Group's headquarters and different regional branches. Prior to joining the Group, Mr. Sun Kevin Zheyi worked in Snow Lake Capital L.P. (雪湖資本有限合夥) and Charm Communications Inc. (昌榮傳播股份有限公司). Mr. Sun Kevin Zheyi graduated from Boston College in 2011 with a dual bachelor's degree in business management and history. Mr. Sun Kevin Zheyi is the son of Mr. Sun Hongbin, who is the chairman of the Board and an executive Director of the Company.

Independent Non-executive Directors

Mr. POON Chiu Kwok ("Mr. Poon"), aged 55, is an independent non-executive Director of the Company. Mr. Poon possesses many years of accounting and relevant financial management experience. 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), a non-executive director of Chong Kin Group Holdings Limited (stock code: 1609), whose shares are listed on the Main Board of the Stock Exchange and an independent non-executive director of Yuanda China Holdings Limited (stock code: 2789), Changan Minsheng APLL Logistics Co., Ltd. (stock code: 1292), Tonly Electronics Holdings Limited (stock code: 1249), AUX International Holdings Limited (stock code: 2080), TUS International Limited (stock code: 872), Sany Heavy Equipment International Holdings Company Limited (stock code: 631), Greentown Service Group Co. Ltd. (stock code: 2869), Jinchuan Group International Resources Co. Ltd (stock code: 2362), Honghua Group Limited (stock code: 196) and Yanzhou Coal Mining Company Limited (stock code: 1171) respectively, the shares of each of which are listed on the Main Board of the Stock Exchange. Mr. Poon is a Fellow member of CPA Australia, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and a member of its Technical Consultation Panel, Mainland China Focus Group, Audit Committee and Professional Development Committee. He is also a Fellow member and Associate Instructor of Hong Kong Securities and Investment Institute. He obtained a master's degree in international accounting, a post-graduate diploma in laws, a bachelor's degree in laws and a bachelor's degree in business studies. Mr. Poon has been an independent non-executive Director of the Company since June 2011.

Mr. ZHU Jia ("Mr. Zhu"), aged 55, an independent non-executive Director of the Company. Mr. Zhu is a Juris Doctorate degree holder from Cornell Law School in the United States and is currently a managing director of Bain Capital Private Equity (Asia), LLC. Mr. Zhu has solid and extensive experience in a broad range of cross border mergers and acquisitions as well as international financing transactions involving PRC companies. Before joining Bain Capital Private Equity (Asia), LLC in 2006, he was the chief executive officer of the PRC business of Morgan Stanley Asia Limited. Mr. Zhu is currently a non-executive director of each of Clear Media Limited (stock code: 100) and Greatview Aseptic Packaging Company Limited (stock code: 468), the shares of which are listed on the Main Board of the Stock Exchange. He served as a non-executive director of SinoMedia Holding Limited (stock code: 623) (whose shares are listed on the Main Board of the Stock Exchange) from November 2006 to May 2013 and GOME Electrical Appliances Holding Limited (stock code: 493) (whose shares are listed on the Main Board of the Stock Exchange) from August 2009 to January 2015. Mr. Zhu has been a non-executive director of the Company since 30 September 2009 and has been re-designated to an independent non-executive Director since 24 November 2016.

Mr. LI Qin ("Mr. Li"), aged 77, is an independent non-executive Director of the Company. He is also the chairman of the board of supervisors of Legend Holdings Corporation, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3396). Mr. Li has extensive experience in business management, formulation of comprehensive business plans and strategies and their implementation. Mr. Li graduated from Beijing Institute of Mechanical Engineering (北京機械學院) (presently known as the Xi'an University of Technology (西安理工大學)) in the PRC with a bachelor's degree in Automatic Control Engineering in 1965. From 1965 to 1984, Mr. Li worked for the Technological Research Institute of Chinese Academy of Sciences. Since 1985, Mr. Li co-founded New Technology Development Company (the predecessor of Legend Holdings), and held the position of executive vice president of Legend Holdings over a long period of time until his retirement in 2009. From 2001 to December 2007, Mr. Li was also the chairman of the board of directors of Digital China Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 861). Mr. Li has been an independent non-executive Director of the Company since August 2009.

Mr. MA Lishan ("Mr. Ma"), aged 66, is an independent non-executive Director of the Company. Mr. Ma graduated from Beijing Foreign Studies University in the PRC in 1975. Mr. Ma has extensive experience in corporate operation and management of modern large enterprises and listed companies. Mr. Ma has served various positions such as chairman, executive director and general manager in certain large-scale joint ventures under COFCO (Group) Limited (中國糧油食品(集團)有限公司), as well as Great Wall Wine Industrial Company (長城葡萄酒實業公司). From January 1996, Mr. Ma served as executive director of China Foods Holdings Limited (中國食品集團有限公司) (stock code: 506). From May 1997 to June 2003, Mr. Ma served as executive director and general manager of China Foods Holdings Limited. In 2000, Mr. Ma served as the deputy general manager of China Foods Import and Export (Group) Co., Ltd. (中國糧油食品進出口(集團)有限公司). From April 2002 to June 2003, Mr. Ma served as the executive director and general manager of COFCO International Limited (now renamed China Foods Limited). Mr. Ma was the deputy chairman of Top Glory International Holdings Limited (鵬利國際集團有限公司) (controlling shareholder of COFCO PROPERTY (GROUP) CO., LTD. from June 2003 to July 2005. Mr. Ma was executive director of Sino Resources Limited from 7 June 2008 to 16 January 2009, whose shares are listed on the Main Board of Stock Exchange (stock code: 223). From May 2008 to present, he is an independent non-executive director of Silver Base Group Holdings Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 886). From September 2010 to August 2012, he was also the executive director, managing director and chairman of Hao Tian Resources Group Limited (now renamed Hao Tian Development Group Limited), whose shares are listed on the Main Board of the Stock Exchange (stock code: 474). From March 2016 to present, Mr. Ma is an independent non-executive director of SRE Group Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 1207). From June 2016 to present, Mr. Ma is an independent non-executive director of China Minsheng Drawin Technology Group Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 726). From August 2016 to present, Mr. Ma is an independent non-executive director of Huarong International Financial Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 993). Mr. Ma has been an independent non-executive Director of the Company since August 2009.

Senior Management

Mr. WANG Peng ("Mr. Wang"), aged 37, is the executive president of the Group and the president of the Southeast regional branch of the Group. Mr. Wang joined the Group in 2004, and served as the legal manager of the Group from 2004 to 2008 and the general manager of Tianjin Sunac Business Management Company (天津融創商業管理公司) and Tianjin Sunac Property Management Co. Ltd. from 2009 to 2011. He also acted as the project general manager of Tianjin Sunac Zhidi Co., Ltd. in 2012. He has been the general manager of the Hangzhou Company of the Group since 2013. He has been the vice president of the Group from 2015 to 2016, and has been the executive president of the Group since 2016. Mr. Wang graduated from Tianjin Polytechnic University in 2003 with a bachelor's degree in law.

Ms. MA Zhixia ("Ms. Ma"), aged 45, is the executive president and the chief operation officer of the Group and responsible for the overall management of the business operations of the Group. Ms. Ma joined the Group in 2003, and acted as the general manager of Tianjin Sunac Zhidi Co., Ltd. from 2003 to 2005 and the vice president of the Group from 2005 to 2015. She has been the executive president and the chief operation officer of the Group since 2015. Prior to joining the Group, Ms. Ma joined Sunco China in 1998, and acted as the deputy general manager of Tianjin Sunco Construction Company Limited (天津順馳建設有限公司), a subsidiary of Sunco China, from 2000 to 2003. Ms. Ma graduated from Nankai University with a bachelor's degree in economics in 1995.

Ms. CAO Hongling ("Ms. Cao"), aged 43, is the executive president and chief financial officer of the Group. Ms. Cao possesses more than 10 years of experience in financial management. Since joining the Group in 2007, she has been working in the positions as manager and subsequently as general manager of the Group's financial management center. Prior to joining the Group, Ms. Cao was a manager of the accounting department of Sunco Real Estate, a subsidiary of Sunco China since 2002 and was appointed as the manager of the financial management department of Sunco China in 2006, a company engaged in the business of property development in the PRC. 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 45, is the executive president of the Group and primarily responsible for human resources, administration and legal affairs of the Group. Ms. Xue joined the Company in 2004, and has been the general manager of the Legal Affairs Department, the Human Resources Department and the Administration and Management Department of the Company. Prior to joining the Company, Ms. Xue served successively as a practicing lawyer at China Hualian Law Firm (中國華聯律師事務所) and Ruining Law Firm (瑞寧律師事務所). Ms. Xue graduated from China University of Political science and Law in 1996 with a bachelor's degree in international economic law. Ms. Xue is a member of All China Lawyers Association.

Mr. LU Peng ("Mr. Lu"), aged 42, is the executive president of the Group and primarily responsible for investment development of the Group. Mr. Lu joined the Company in 2003, and served successively as the deputy general manager of Sunac Zhidi with responsibilities in research and development, the general manager of Chongqing Olympic Garden Real Estate, the general manager of APEV Project, the general manager of Horizon Capital Project in Tianjin and the general manager of TEDA Project in Tianjin. Mr. Lu graduated from the School of Materials of Tianjin University in 1999, majoring in welding technology and equipment.

Mr. WANG Yingjia ("Mr. Wang"), aged 47, is the executive president of the Group and the president of the Central China regional branch. Mr. Wang joined the Group since 2004. Since 2012, he has served as a director and general manager of the Group, development department. He has been the president of Central China regional branch since 2015. He has served as vice president and executive president of the Group since 2016. Mr. Wang has accumulated more than 20 years of experience in real estate development and civil engineering management. Mr. Wang graduated from Nankai University in 2004 with a master's degree in management.

Mr. SHI Yu ("Mr. Shi"), aged 41, is the vice president of the Group. Mr. Shi is responsible for the management of the Group research and development design and the product standardization work. Mr. Shi joined the Company 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 37, is the vice president and joint company secretary of the Group. Since joining the Group in 2007, he has held different positions in various departments of the Group, including the capital operations centre, financial management center and financing management department. Since 2011, he has acted successively as the manager, director and general manager of the investor relations department of the Company. Mr. Gao has participated in the preparation work in relation to the Company's initial public offering and the listing of the shares of the Company on the Stock Exchange in 2010. He also contributed to the establishment of the investor relations department, where he is mainly responsible for listing compliance, corporate governance, investor relations and offshore financing related matters. Mr. Gao graduated from Shanxi University of Finance & Economics in 2008 with a master's degree in quantitative economics.

Mr. ZHONG Liansheng ("Mr. Zhong"), aged 44, is the vice president of the Group and the general manager of the Hainan regional branch. Mr. Zhong joined the Group since 2003, and served successively as the director of project manager of the Group, the project general manager of the Tianjin branch of the Group, the regional senior project general manager of Northern China regional branch of the Group. He served as general manager of the Hainan regional branch of the Group since 2016, and served as the vice president of the Group since 2017. Mr. Zhong graduated from Tianjin Chengjian University in 1998 with a bachelor's degree in real estate operation and management.

Mr. LI Shaozhong ("Mr. Li"), aged 54, is the executive president of the Group and the executive general manager of Guangzhou-Shenzhen region branch. Mr. Li has over 20 years of extensive experience in property development and civil engineering. He joined the Group in December 2003 and acted as the general manager of Sunac Ao Cheng and the vice president of the Group. Mr. Li has accumulated over 23 years of experience and knowledge through holding different positions in real estate companies in the major cities of the PRC such as Shanghai and Tianjin. Mr. Li graduated from the Graduate School of Tianjin University in the PRC with a master's degree in engineering in 1987 and obtained his doctorate degree in management in March 2007.

Mr. WANG Hongbin ("Mr. Wang"), aged 50, is an executive president of the Group and the chairman of the regional group in Shanghai. Mr. Wang joined the Group in 2004 and has been chiefly responsible for the development of regional projects in Shanghai. He served various positions successively including an executive general manager of Greentown Real Estate Group Co., Ltd., the general manager of Shanghai Greentown Woods Golf Villas Development Co., Ltd., the general manager of Suzhou Greentown Rose Garden Real Estate Development Co., Ltd., the general manager of Suzhou Greentown Yuyuan Real Estate Development Co., Ltd. and the general manger of Shanghai Greentown Plaza Development Co., Ltd. Mr. Wang graduated from Tongji University in 1989 with a bachelor's degree in civil engineering.

Mr. CHEN Hengliu ("Mr. Chen"), aged 64, is the vice president of the Group and the chairman of the Southeast regional group. Mr. Chen joined the Group in 2006 and has been the vice president of the Group. Prior to joining the Group, Mr. Chen worked for Lenovo Group Limited, China Sciences Group (Holding) Co., Ltd. (中科實業集團（控股）有限公司) and Sina.com. Mr. Chen graduated from Beijing Normal University in 1982 with a bachelor's degree in physics, and graduated from the Post-graduate School of University of Science and Technology of China in 1985 with a master's degree in science.

CHANGES IN INFORMATION OF DIRECTORS

Mr. Li Shaozhong retired as an executive director of the Company with effect from 22 May 2017.

Mr. Sun Kevin Zheyi has been appointed as an executive director of the Company with effect from 25 May 2017. The biography of Mr. Sun Kevin Zheyi is set out under "Biographies of Directors and Senior Management" of this report.

Mr. Tse Chi Wai resigned as an independent non-exeutive Director of the Company with effect from 19 December 2017.

Mr. Poon Chiu Kwok ("Mr. Poon"), independent non-executive Director, was appointed as a non-executive director of Chong Kin Group Holdings Limited (stock code: 1609) on 5 January 2018, an independent non-executive director of Honghua Group Limited (stock code: 196) on 15 June 2017 and Yanzhou Coal Mining Company Limited (stock code: 1171) on 29 June 2017, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Poon has become a Fellow member of CPA Australia.

Save as disclosed in this report, there is no change in Directors' information that is required to be disclosed in accordance with Rule 13.51(B) (1) of the Listing Rules since the publication of the interim report for the period ended 30 June 2017 by the Company.

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

Corporate Governance Practices

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the guidelines for the directors' dealings in the securities of the Company. Following specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2017 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 2017, complied with all applicable Code Provisions under the Corporate Governance Code.

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

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

TRAININGS OF THE DIRECTORS

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

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

The company secretaries of the Company keep and update records of training received by Directors.

For the year ended 31 December 2017, trainings received by each Director are summarized as follows:

Name of Director	Attending seminar(s)/ program(s)/ conference(s) relevant to the business or Directors' duties	Reading materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements
Mr. Sun Hongbin	√	√
Mr. Wang Mengde	√	√
Mr. Jing Hong	√	√
Mr. Chi Xun	√	√
Mr. Tian Qiang	√	√
Mr. Shang Yu	√	√
Mr. Huang Shuping	√	√
Mr. Li Shaozhong (Note 1)	√	√
Mr. Sun Kevin Zheyi (Note 2)	√	√
Mr. Poon Chiu Kwok	√	√
Mr. Zhu Jia	√	√
Mr. Li Qin	√	√
Mr. Ma Lishan	√	√
Mr. Tse Chi Wai (Note 3)	√	√

Notes: 1. Mr. Li Shaozhong retired as executive Director with effect from 22 May 2017.

2. Mr. Sun Kevin Zheyi was appointed as executive Director with effect from 25 May 2017.

3. Mr. Tse Chi Wai resigned as independent non-executive Director with effect from 19 December 2017.

The Board

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

BOARD COMPOSITION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Sun Kevin Zheyi is the son of Mr. Sun Hongbin, the controlling shareholder, chairman of the Board and executive Director of the Company. Save for the above, there is no relationship (including financial, business, family or other material relationship) among any members of the Board. The Directors' respective biographical information is set out on pages 27 to 29 of this report. The Board members have extensive experience in corporate finance and management both in Hong Kong and the PRC. Mr. Poon Chiu Kwok, an independent non-executive Director, possesses accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The independent non-executive Directors currently represent one-third of the composition of the Board and they bring an element of independence to the Board. The diversified experiences and backgrounds of Directors contribute to good corporate governance and performance of standards by the Group, and in turn generate long-term benefits for shareholders of the Company.

During the year ended 31 December 2017, the Board had complied with the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate qualification, or accounting or related financial management expertise (in compliance with Rule 3.10 of the Listing Rules). The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

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

BOARD MEETINGS

The Board convened four regular meetings during the year ended 31 December 2017 to discuss corporate strategies, business plans and other significant issues of the Group. Details of the attendance at the Board meetings convened are set out as follows:

Name of Director	Attendance/ Number of meetings required to be attended
Executive Directors	
Mr. Sun Hongbin *(Chairman)*	4/4
Mr. Wang Mengde *(Chief Executive Officer)*	4/4
Mr. Jing Hong	4/4
Mr. Chi Xun	4/4
Mr. Tian Qiang	4/4
Mr. Shang Yu	4/4
Mr. Huang Shuping	4/4
Mr. Li Shaozhong (retired as Executive Director with effect from 22 May 2017)	1/1
Mr. Sun Kevin Zheyi (appointed as Executive Director with effect from 25 May 2017)	3/3
Independent Non-executive Directors	
Mr. Poon Chiu Kwok	4/4
Mr. Zhu Jia	4/4
Mr. Li Qin	4/4
Mr. Ma Lishan	4/4
Mr. Tse Chi Wai (resigned with effect from 19 December 2017)	3/3

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

2017	Subject matter
January	Acquisition of entire equity interest in Chengdu Zixi Commercial Management Co., Ltd. and 10% equity interest in Chengdu Shunyu Properties Co., Ltd.
January	Subscription of increased registered capital in Homelink Real Estate Agency Co., Ltd. to obtain its 6.25% equity interest
January	Acquisition of 8.61% equity interest in Leshi Internet Information & Technology Corp (Beijing), 33.4959% equity interest in Leshi Zhixin Electronic Technology (Tianjin) Limited and 15% equity interest in Le Vision Pictures (Beijing) Co. Ltd.
January	Further acquisition of 6.17% equity interest in Jinke Property Group Co., Ltd.
March	Acquisition of 30% equity interest and debt interest in Beijing Rongzhi Ruifeng Investment Co., Ltd. and 49% equity interest in Chengdu Lianchuang Rongjin Investment Co., Ltd.
May	Acquisition of 80% equity interest and debt interest in Tianjin Xingyao Investment Co., Ltd.
May	Appointment of Mr. Sun Kevin Zheyi as an Executive Director of the Company
May	Acquisition of 60% equity interest and debt interest in Chongqing Huacheng Fuli Property Development Limited Company
June	Acquisition of the entire equity interest and debt interest in Dalian Runde Qiancheng Real Estate Development Co., Ltd.
June	Approval of RMB1 billion loan of Shining View Investments Limited, an indirect subsidiary of the Company
July	Acquisition of 91% equity interest in the project companies holding 13 cultural and tourism projects from Dalian Wanda Commercial Properties Co., Ltd.
July	Top-up placing of 220 million shares under general mandate
August	Issuance of US$400 million 6.875% senior notes due 2020 and US$600 million 7.950% senior notes due 2022
November	Consent solicitation in respect of 8.75% senior notes due 2019
November	Provision of loans and guarantees to Leshi Internet Information & Technology Corp (Beijing) and Leshi Zhixin Electronic Technology (Tianjin) Limited
December	Resignation of Mr. Tse Chi Wai as an independent non-executive director, a member of the audit committee and a member of the remuneration committee of the Company
December	Top-up placing of 251.5 million shares under general mandate
December	Grant of share options under the share option scheme adopted by the Company on 19 May 2014

Board Committees

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

AUDIT COMMITTEE

The primary duties of the Audit Committee are, among other things, to review the completeness of the policies and procedures on internal control and the effectiveness of the risk management system of the Company, and to review the financial statements of the Group. The Audit Committee currently consists of four independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr Zhu Jia, Mr. Li Qin and Mr. Ma Lishan. Mr. Poon Chiu Kwok acts as the chairman of the Audit Committee. The terms of reference of the Audit Committee were adopted by the Board on 27 November 2009 and amended on 29 March 2012 and 24 August 2015 respectively, and are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn). During the year ended 31 December 2017, the Audit Committee convened two meetings in total, and the individual attendance of each member during the period is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Poon Chiu Kwok *(Chairman)*	2/2
Mr. Zhu Jia	2/2
Mr. Li Qin	2/2
Mr. Ma Lishan	2/2
Mr. Tse Chi Wai (ceased to be a member of the Audit Committee with effect from 19 December 2017)	2/2

The Audit Committee has reviewed the remuneration of the Company's auditor for the year ended 31 December 2017 and has recommended the Board to re-appoint PricewaterhouseCoopers as the auditor of the Company for the year ending 31 December 2018, subject to approval by the shareholders of the Company at the forthcoming annual general meeting, which is expected to be held on or about 12 June 2018.

The work performed by the Audit Committee during 2017 included, among others, the following:

1. reviewed the annual consolidated financial statements and the interim condensed consolidated financial information of the Group for the year ended 31 December 2016 and the six months ended 30 June 2017, respectively;

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

3. reviewed the 2017 cash flow projections and monitored the Group's overall financial condition;

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

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

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

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

REMUNERATION COMMITTEE

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

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

The Remuneration Committee held two meetings during the year ended 31 December 2017, and the individual attendance of each member during the period is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Zhu Jia *(Chairman)*	2/2
Mr. Sun Hongbin	2/2
Mr. Poon Chiu Kwok	2/2
Mr. Li Qin	2/2
Mr. Ma Lishan	2/2
Mr. Tse Chi Wai (ceased to be member of the Remuneration Committee with effect from 19 December 2017)	2/2

The major work performed by the Remuneration Committee in 2017 included (among others) reviewing and making recommendation to the Board regarding of the Directors' remuneration for the year ending 31 December 2018 and the terms of service contracts for newly appointed directors.

NOMINATION COMMITTEE

The primary duties of the Nomination Committee are, among other things, to identify and to nominate suitable candidates for Directors and senior management of the Company. Criteria adopted by the Nomination Committee in considering whether the relevant personnel are suitable for Directors include their qualifications, experience, expertise and knowledge as well as provisions of the Listing Rules. The terms of reference of the Nomination Committee has been adopted by the Board on 27 November 2009 and amended on 29 March 2012 and 26 August 2013, and has been uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn).

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

The work performed by the Nomination Committee during 2017 included (among others) the following:

1. identified suitable candidates for directorships and made recommendations to the Board;

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

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

4. assessed and recommended to the Board the designation of Mr. Sun Kevin Zheyi as an executive Director; and

5. reviewed and assessed the implementation of the Board Diversity Policy during 2017 (as defined below).

The Nomination Committee reviewed and recommended to the Board the Board diversity policy ("Board Diversity Policy") and the Board, in the Board meeting held on 25 August 2015, adopted such policy to assess the Board composition. In reviewing the composition of the Board, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. Based on the Nomination Committee's review for the year ended 31 December 2017, the Nomination Committee considers that these measurable objectives have been satisfactorily implemented and that there is sufficient diversity in the Board for the Company's corporate governance and business development needs.

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 before making recommendation to the Board.

The Nomination Committee held two meetings during the year ended 31 December 2017, and the individual attendance of each member during the period is set out as follows:

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

ANNUAL REMUNERATION PAYABLE TO THE MEMBERS OF SENIOR MANAGEMENT

The annual remuneration of the members of the senior management by band for the year ended 31 December 2017 is as follows:

Remuneration Bands (RMB)	Number of Individuals
2,000,001-3,000,000	3
3,000,001-4,000,000	1
4,000,001-5,000,000	4
5,000,001-6,000,000	2
6,000,001-7,000,000	1
9,000,001-10,000,000	1

AUDITOR'S REMUNERATION

During the year ended 31 December 2017, the remunerations paid or payable to the auditor of the Group, PricewaterhouseCoopers, in respect of its statutory audit services and non-audit services are RMB21.2 million and RMB6.5 million, respectively. The non-audit services provided was mainly related to issuance of domestic corporate bonds and major acquisitions 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 2017 which give a true and fair view of the state of affairs of the Group and of the results and cash flow for the period. The Directors consider that the financial statements have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

The statements of the auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group is set out in the section headed "Independent Auditor's Report" on pages 94 to 101 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.

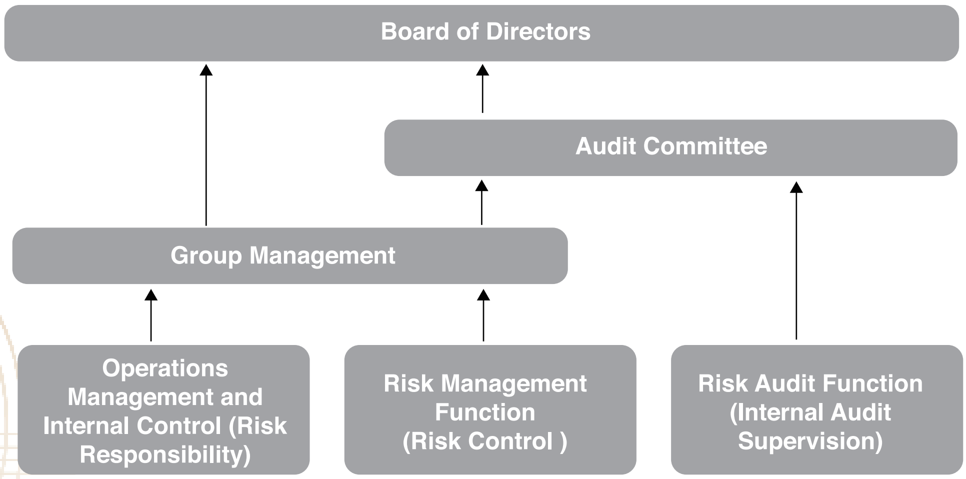
RISK MANAGEMENT RESPONSIBILITY

The Board of Directors, as the main body responsible for risk management 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 Company has established internal control measures led by the Board of Directors whereby the management is responsible for assisting 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.

RISK MANAGEMENT STRUCTURE OF THE COMPANY

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

The risk management structure of the Company is as follows:



RISK MANAGEMENT PROCEDURE

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

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

RISK MANAGEMENT AND INTERNAL CONTROL REVIEW

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

The annual review has considered, in respect of the year ended 31 December 2017, whether the Company's resources were adequate, whether the risk management and internal control measures and procedures were sound and effective, 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, and 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, and the results were basically satisfactory.

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

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

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

INFORMATION DISCLOSURE

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

COMMUNICATION WITH SHAREHOLDERS

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

With reference to the aforesaid, the AGM held on 22 May 2017 was chaired by Mr. Sun Hongbin (executive Director of the Company and the chairman of the Board) and attended by, among others, Mr. Poon Chiu Kwok (independent non-executive Director, chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee) and representatives of the auditor.

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 Department 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, to require an extraordinary general meeting to be called by the Board for any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

Investor Relations Department
Sunac China Holdings Limited
26/F, Block B, Rongke Wangjing Center
Wangjing Dong Yuan, Chaoyang District
Beijing
PRC
Fax: 86-10-60905858
Email: ir@sunac.com.cn

Joint Company Secretaries

Mr. Gao Xi and Ms. Mok Ming Wai, director of TMF Hong Kong Limited, are joint company secretaries of the Company. Ms Mok's primary corporate contact person at the Company is Mr. Gao Xi, the vice president and the joint company secretary of the Company. In compliance with Rule 3.29 of the Listing Rules, each of Mr. Gao and Ms. Mok has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2017.

Constitutional Documents

There was no change in the Company's constitutional documents during the year ended 31 December 2017.

INVESTOR RELATIONS REPORT

The Company's investor relations team aims to ensure shareholders of the Company (including individual and institutional shareholders), investment institutions and related persons to be provided with comprehensive, identical and timely access to easily understandable information about the Company in a timely manner, so as to enhance investors' understanding and recognition of the Company. On one hand, it enables our shareholders to exercise their rights in an informed manner, hence effectively enhancing shareholders' value. On the other hand, it is an effective channel which allows the shareholders and the investment community (including the Company's potential investors and analysts who publish analysis and reports on the Company's performance) to maintain smooth communications with the Company with an aim to establish a long-term, stable and healthy relationship.

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

During the year ended 31 December 2017, the Company's investor relations team proactively organized and participated in a series of activities such as investor meetings and non-deal road shows which were held in Hong Kong, Singapore, Taiwan, Macau, Beijing, Shanghai and Shenzhen by securities firms. Meanwhile, it also keeps close ties with the capital market through organizing teleconferences and inviting domestic and foreign investors and analysts to the Group's headquarters and cities where our projects are located to have meetings or on-site visits as well as communication with the Group and the management of various regions and various projects. During the year ended 31 December 2017, the investor relations team organized a total of 506 meetings with investment institutions and analysts and received 88 on-site project visits with investment institutions and analysts.

In the future, the Company's investor relations team will continuously dedicate itself to establishing a highly-efficient communication mechanism between the Company and the capital market, promoting and organizing more investment institutions to establish long-term connections with the Company, which will not only enable the capital market to have an in-depth understanding of the Company, but also enable the Company to understand the requirements of the capital market towards the operations of the Company in a timely manner so as to achieve a win-win situation.

INVESTOR RELATIONS REPORT

Below are the highlights of some investor relations activities during the year ended 31 December 2017:

No.	Month	Activities	Place	Securities firms
1	January	BNP Paribas Asia Pacific Financials & Property Day	Hong Kong	BNP
2	January	17th UBS Greater China Forum	Shanghai	UBS
3	January	Industrial Securities Investor Conference	Shanghai	Industrial Securities
4	April	Macquarie 2017 Greater China Forum	Hong Kong	Macquarie
5	May	DBS Pulse of Asia Conference	Hong Kong	DBS
6	May	3rd Morgan Stanley China Forum	Beijing	Morgan Stanley
7	June	Haitong Securities Real Estate Corporate Day 2017	Hong Kong	Haitong International
8	June	Haitong Securities Interim Strategy Conference 2017	Qingdao	Haitong Securities
9	June	CIMB Hong Kong/China Property Corporate Day 2017	Hong Kong	CIMB
10	June	Essence International Interim Strategy Conference 2017	Shenzhen	Essence International
11	June	CICC Interim Strategy Conference 2017	Shanghai	CICC
12	June	GF Securities Investor Conference	Shenzhen	GF Securities
13	June	Industrial Securities 2017 Greater China Interim Investment Conference	Shanghai	Industrial Securities
14	June	Citi's Asia Pacific Property Conference 2017	Hong Kong	Citi
15	June	CSC Interim Strategy Conference 2017	Beijing	China Securities
16	September	Orient Securities Xia'men CEO Forum	Xiamen	Orient Securities
17	September	Haitong Securities 2017 Autumn Listed Company Forum	Shenzhen	Haitong Securities
18	October	CICC Investment Forum 2017	Beijing	CICC
19	October	12th Citi China Investor Conference 2017	Macao	Citi
20	November	Merrill Lynch 2017 China Summit	Beijing	Merrill Lynch
21	November	Morgan Stanley 16th Annual Asia Pacific Summit	Singapore	Morgan Stanley
22	November	Nomura Asian High Yield Corporate Day	Hong Kong	Nomura
23	November	Guotai Jun'an Securities Investment Strategy Conference 2018	Shenzhen	Guotai Junan
24	November	Industrial Securities Investment Strategy Conference 2018	Shanghai	Industrial Securities
25	November	China Merchants Securities Investment Strategy Conference 2018	Shenzhen	China Merchants Securities
26	December	Tianfeng Securities Investment Strategy Conference 2018	Beijing	TF Securities
27	December	Haitong Securities Investment Strategy Conference 2018	Shanghai	Haitong Securities
28	December	CSC Investment Strategy Conference 2018	Shenzhen	China Securities

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 2017.

PRINCIPAL ACTIVITIES

As specialised in integrated development of residential and commercial properties, the Group is one of the leading real estate developers in the PRC.

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

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of comprehensive income of the Group on page 104.

LAND BANK

For the year ended 31 December 2017, the Company acquired 115 land plots in total and increased its land bank by 67.642 million sq.m., with all projects located at tier 1 and tier 2 cities and surrounding cities of tier 1 cities in the PRC. An expanded land bank of the Group has laid a solid foundation for the Group's future development.

MERGERS AND ACQUISITIONS

The following sets forth the material acquisitions and disposals of subsidiaries, associates and joint ventures undertaken by the Group during the year ended 31 December 2017 up to the latest practicable date prior to the printing of this annual report:

(I) ACQUISITION OF THE EQUITY AND DEBT INTEREST IN CHENGDU ZIXI COMMERCIAL MANAGEMENT CO., LTD. ("CHENGDU ZIXI") AND CHENGDU SHUNYU PROPERTIES CO., LTD. ("CHENGDU SHUNYU")

On 6 January 2017, Chengdu Rongchuang Hongchang Properties Development Co., Ltd. ("Chengdu Rongchuang"), an indirect wholly-owned subsidiary of the Company, as Purchaser, entered into (1) an equity transfer agreement with Huoerguosi Chenghui Tantu Investment Co., Ltd., Huoerguosi Bochen Investment Co., Ltd. and Huoerguosi Kaige Investment Co., Ltd. (collectively, the "First Vendors"); and (2) an equity transfer agreement with Xiao Miaomiao and Xiao Yongqiong (collectively, the "Second Vendors") and Chengdu Zixi, respectively, pursuant to which: (i) Chengdu Rongchuang agreed to acquire and the First Vendors agreed to dispose of the entire equity interest in Chengdu Zixi for a total consideration of RMB1,352,584,598.19 (the "First Acquisition"); and (ii) Chengdu Rongchuang agreed to acquire and the Second Vendors agreed to dispose of 10% equity interest in Chengdu Shunyu and the related shareholder's loan owed to one of the Second Vendors by Chengdu Shunyu in the amount of RMB7,079,768.74 at the aggregate consideration of RMB157,366,946.32 (the "Second Acquisition", together with the First Acquisition, the "Acquisitions"). Hence, the total consideration for the Acquisitions was RMB1,509,951,544.51. Please refer to the Company's announcement dated 8 January 2017 for details.

(II) SUBSCRIPTION OF INCREASED REGISTERED CAPITAL IN HOMELINK REAL ESTATE AGENCY CO., LTD. ("HOMELINK")

On 9 January 2017, Sunac Real Estate Group Co., Ltd., an indirect wholly-owned subsidiary of the Company, entered into a capital increase agreement with Homelink and certain shareholders of Homelink, pursuant to which Sunac Real Estate Group Co., Ltd. (or its designated affiliate) obtained 6.25% equity interest of Homelink by way of subscription of the increased registered capital of Homelink at the consideration of RMB2,600,000,000. Please refer to the Company's announcement dated 9 January 2017 for details.

(III) INVESTMENT IN SHARES (THE "LESHI TARGET SHARES") OF LESHI INTERNET INFORMATION & TECHNOLOGY CORP (BEIJING) ("LESHI INTERNET"), LE VISION PICTIRES (BEIJING) CO. LTD. ("LESHI PICTURES") AND LESHI ZHIXIN ELECTRONIC TECHNOLOGY (TIANJIN) LIMITED ("LESHI ZHIXIN") (COLLECTIVELY, THE "LESHI TARGET COMPANIES")

On 13 January 2017, (i) Tianjin Jiarui Huixin Corporate Management Co., Ltd. ("Tianjin Jiarui") entered into a sale and purchase agreement (the "Leshi Internet SP Agreement") with Mr. Jia Yueting ("Mr. Jia", the founder of the Leshi Target Companies) pursuant to which Mr. Jia conditionally agreed to sell, and Tianjin Jiarui (or its designees) conditionally agreed to acquire, 8.61% equity interest in Leshi Internet at a consideration of RMB6,041,466,076.73; (ii) Tianjin Jiarui entered into a sale and purchase agreement (the "Leshi Pictures SP Agreement") with Leshi Holding (Beijing) Co., Ltd. ("Leshi Holding") and Mr. Jia pursuant to which Leshi Holding conditionally agreed to sell, and Tianjin Jiarui (or its designees) conditionally agreed to acquire, 15% equity interest in Leshi Pictures at a consideration of RMB1,050,000,000; (iii) Tianjin Jiarui entered into two sale and purchase agreements (the "Leshi Zhixin SP Agreements") and a capital increase agreement in respect of Leshi Zhixin (the "Leshi Zhixin Capital Increase Agreement") with Leshi Internet, Xinle Asset Management (Tianjin) Partnership (Limited Partnership) ("Xinle Asset"), Mr. Jia and Leshi Zhixin pursuant to which Tianjin Jiarui (or its designees) conditionally agreed to acquire in aggregate 33.4959% equity interest in Leshi Zhixin upon completion of the capital increase at a consideration of RMB7,950,000,000. On 10 January 2017, Sunac Real Estate, an indirect wholly-owned subsidiary of the Company, entered into certain contractual arrangements with Tianjin Yingrui and/or Tianjin Jiarui and/or the registered shareholders of Tianjin Yingrui (namely, Mr. Wang Peng and Mr. Zheng Pu) pursuant to which Sunac Real Estate shall beneficially own the Leshi Target Shares to be acquired by Tianjin Jiarui under the Leshi Internet SP Agreement, the Leshi Pictures SP Agreement, the Leshi Zhixin SP Agreements and the Leshi Zhixin Capital Increase Agreement and the economic interest thereof. Please refer to the Company's announcement dated 13 January 2017, the Company's circular dated 31 August 2017 and the section headed "Contractual Arrangements" below for details.

(IV) ACQUISITION OF FURTHER SHARES IN JINKE PROPERTY GROUP CO., LTD. ("JINKE PROPERTY")

During the period from 11 November 2016 to 24 January 2017, the Group acquired an aggregate of 329,862,211 shares in the share capital of Jinke Property ("Jinke Shares"), a company listed on the Shenzhen Stock Exchange under stock code 000656), on the open market, representing approximately 6.17% of the then total issued shares of Jinke Property, at the total consideration of approximately RMB1,723,421,192.05. After the acquisition and taking into account the subscription of 907,029,478 Jinke Shares as set out in the Company's announcement dated 21 September 2016, the Company indirectly held a total of 1,236,891,689 Jinke Shares, representing approximately 23.15% of the total issued shares of Jinke Property. The total consideration paid by the Group for such Jinke Shares was approximately RMB5,723,421,190.03. Please refer to the Company's announcements dated 21 September 2016 and 24 January 2017 and the Company's circular dated 26 May 2017 for details.

(V) ACQUISITION OF EQUITY AND DEBT INTERESTS IN BEIJING RONGZHI RUIFENG INVESTMENT COMPANY LIMITED ("BEIJING RONGZHI RUIFENG") AND CHENGDU LIANCHUANG RONGJIN INVESTMENT LIMIED ("CHENGDU LIANCHUANG RONGJIN")

On 1 March 2017, Beijing Sunac Raycom Real Estate Company Limited ("Beijing Sunac"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Tianjin Bolian Investment Partnership Enterprise (Limited Partnership) ("Tianjin Bolian") and another equity transfer agreement with Lenovo (Beijing) Limited ("Lenovo Beijing"), pursuant to which (i) Beijing Sunac agreed to acquire 30% equity and debt interest in Beijing Rongzhi Ruifeng from Tianjin Bolian at a total consideration of approximately RMB686,812,439.55 and (ii) Beijing Sunac agreed to acquire 49% equity interest in Chengdu Lianchuang Rongjin from Lenovo Beijing at a total consideration of RMB1,617,330,459.59. Upon completion of the acquisitions, Beijing Rongzhi Ruifeng and Chengdu Lianchuang Rongjin has become indirect wholly-owned subsidiaries of the Company. Please refer to the Company's announcement dated 1 March 2017 for details.

(VI) ACQUISITION OF EQUITY AND DEBT INTERESTS IN TIANJIN XINGYAO INVESTMENT COMPANY LIMITED ("TIANJIN XINGYAO")

On 12 May 2017, Tianjin Sunac Aocheng Investment Company Limited ("Tianjin Sunac"), an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement with Kunming Xingyao ("Kunming Xingyao"), pursuant to which Tianjin Sunac (or the subsidiary designated by it) agreed to acquire 80% equity and debt interest in Tianjin Xingyao at a total consideration of RMB10,254,240,579.30. Upon completion of the acquisition, Tianjin Xingyao became a 80% owned subsidiary of the Company. Please refer to the Company's announcement dated 12 May 2017 and the Company's circular dated 31 August 2017 for details.

(VII) ACQUISITION OF EQUITY AND DEBT INTERESTS IN CHONGQING HUACHENG FULI PROPERTY DEVELOPMENT LIMITED COMPANY ("HUACHENG FULI")

On 31 May 2017, Chongqing Sunac ("Chongqing Sunac"), an indirect wholly-owned subsidiary of the Company, entered into (i) an equity transfer agreement with, among others, Chongqing International Trust Company Limited ("Chongqing Trust"), Chongqing Tiger Assets Operation and Management Limited Company ("Tiger Assets"), Chongqing Runjiang Infrastructure Investment Limited Company ("Runjiang Infrastructure") and Huacheng Fuli, pursuant to which Chongqing Sunac agreed to acquire 95% equity interest and relevant debts in Huacheng Fuli at the total consideration of RMB1,860,000,000, (ii) a cooperation agreement with China Construction Fifth Engineering Bureau Third Construction Corp., Ltd ("CCFEB") and Huacheng Fuli, pursuant to which Chongqing Sunac agreed to (a) pay RMB100,000,000 on behalf of Huacheng Fuli to CCFEB for settlement of part of the debts owed by Huacheng Fuli to CCFEB; and (b) undertake the joint guarantee liabilities for the remaining debts owed by Huacheng Fuli to CCFEB in the amount of RMB404,229,000; (iii) a financial advisory services agreement with Chongqing Trust, pursuant to which Chongqing Sunac agreed to settle the financial advisory fee of RMB140,000,000 owed by Huacheng Fuli to Chongqing Trust on behalf of Huacheng Fuli; and (iv) a cooperation development agreement with Chongqing Shangjin Property Planning and Design Consulting Limited Company ("Shangjin Property"), Tiger Assets and Huacheng Fuli, pursuant to which, among others, Chongqing Sunac agreed to dispose of 35% equity interest in Huacheng Fuli acquired under the equity transfer agreement to Shangjin Property at a consideration of RMB70,000,000 which was settled by the transfer of debt interest owed by Huacheng Fuli to Shangjin Property in the amount of RMB70,000,000 to Chongqing Sunac. The aggregate consideration paid by Chongqing Sunac was RMB2,100,000,000. Upon completion of the above transactions, the equity interest in Huacheng Fuli was held as to 60% by Chongqing Sunac, 35% by Shangjin Property and 5% by Tiger Assets, and Huacheng Fuli has become a joint venture of the Company. Please refer to the Company's announcement dated 31 May 2017 for details.

(VIII) ACQUISITION OF THE ENTIRE EQUITY AND DEBT INTERESTS IN DALIAN RUNDE QIANCHENG REAL ESTATE DEVELOPMENT CO., LTD. ("DALIAN RUNDE QIANCHENG")

On 5 June 2017, Dalian Sunac Real Estate Co., Ltd. ("Dalian Sunac Real Estate"), a wholly-owned subsidiary of the Company, entered into an equity transfer framework agreement with Runde Group Limited, Dalian Jinxin Group Limited, Glory Gain Pte. Ltd., Shanghai Fenghai Investment Co., Ltd., Dalian Runde Liangcheng Real Estate Development Co., Ltd. and Dalian Runde Qiancheng, pursuant to which Dalian Sunac Real Estate agreed to acquire the entire equity and debt interests in Dalian Runde Qiancheng at a consideration of RMB3,232,088,700. Upon completion of the acquisition, Dalian Runde Qiancheng has become an indirect wholly-owned subsidiary of the Company. Please refer to the Company's announcement dated 5 June 2017 for details.

(IX) ACQUISITION OF 91% EQUITY INTEREST OF THE PROJECT COMPANIES HOLDING 13 CULTURAL AND TOURISM PROJECTS (COLLECTIVELY, THE "WANDA TARGET COMPANIES") FROM DALIAN WANDA COMMERCIAL PROPERTIES CO., LTD. ("DWCP")

On 19 July 2017, Sunac Real Estate, a wholly-owned subsidiary of the Company, entered into an agreement with DWCP, pursuant to which Sunac Real Estate agreed to acquire 91% of the equity interest in the Wanda Target Companies at a total consideration of RMB43,844,000,000. The Wanda Target Companies are companies established in the PRC with limited liability which are principally engaged in the development of 13 cultural and tourism projects respectively. These projects are integrated real estate projects comprising a mix of "Wanda cultural and tourism city" (萬達文化旅遊城) and ancillary residences available for sale. "Wanda cultural and tourism city" (萬達文化旅遊城), abbreviated as "Wanda City", is an integrated cultural, tourism, sport and commercial development innovated by the Wanda Group which includes Wanda Mall (萬達茂), large-scale outdoor theme parks, stage shows, hotels, pub street and other development. Upon completion of the acquisition, the Wanda Target Companies are owned as to 91% by Sunac Real Estate and 9% by DWCP, and the Wanda Target Companies has become indirect non-wholly owned subsidiaries of the Company. Please refer to the Company's announcement dated 11 July 2017 and 19 July 2017 for details.

(X) ACQUISITION OF SHARES IN DWCP

On 29 January 2018, the Company entered into a strategic cooperation agreement with Dalian Wanda Group Co., Ltd. ("DWG") and DWCP, pursuant to which the Company agreed to utilize RMB9,500,000,000 or the HK$ equivalent amount to acquire approximately 3.91% of the shares in DWCP from DWCP's certain existing shareholders and/or DWG. Please refer to the Company's announcement dated 30 January 2018 for details.

CONTRACTUAL ARRANGEMENTS

INTRODUCTION

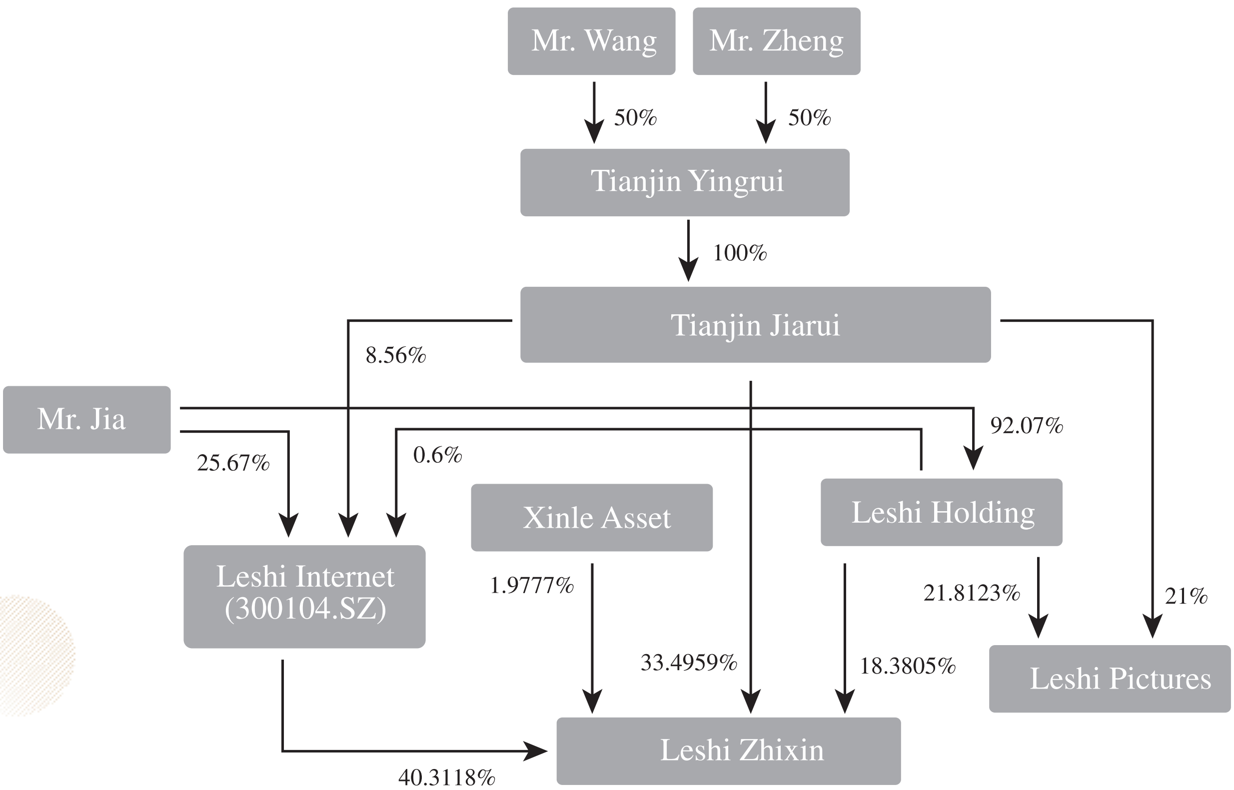
As set out in the Company's announcement dated 13 January 2017 and the Company's circular dated 31 August 2017, 融創房地產集團有限公司 (Sunac Real Estate Group Co., Ltd.*) ("Sunac Real Estate"), a wholly-owned subsidiary of the Company, has completed the investment (the "Investment") in the equity interest (the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

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

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

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

As at 31 December 2017, the shareholding structure of the Target Companies was as follows:



Notes:

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

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

3. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at 31 December 2017, each of Mr. Jia Yueting ("Mr. Jia"), Xinle Asset and Leshi Holding was independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

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

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

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

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

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

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

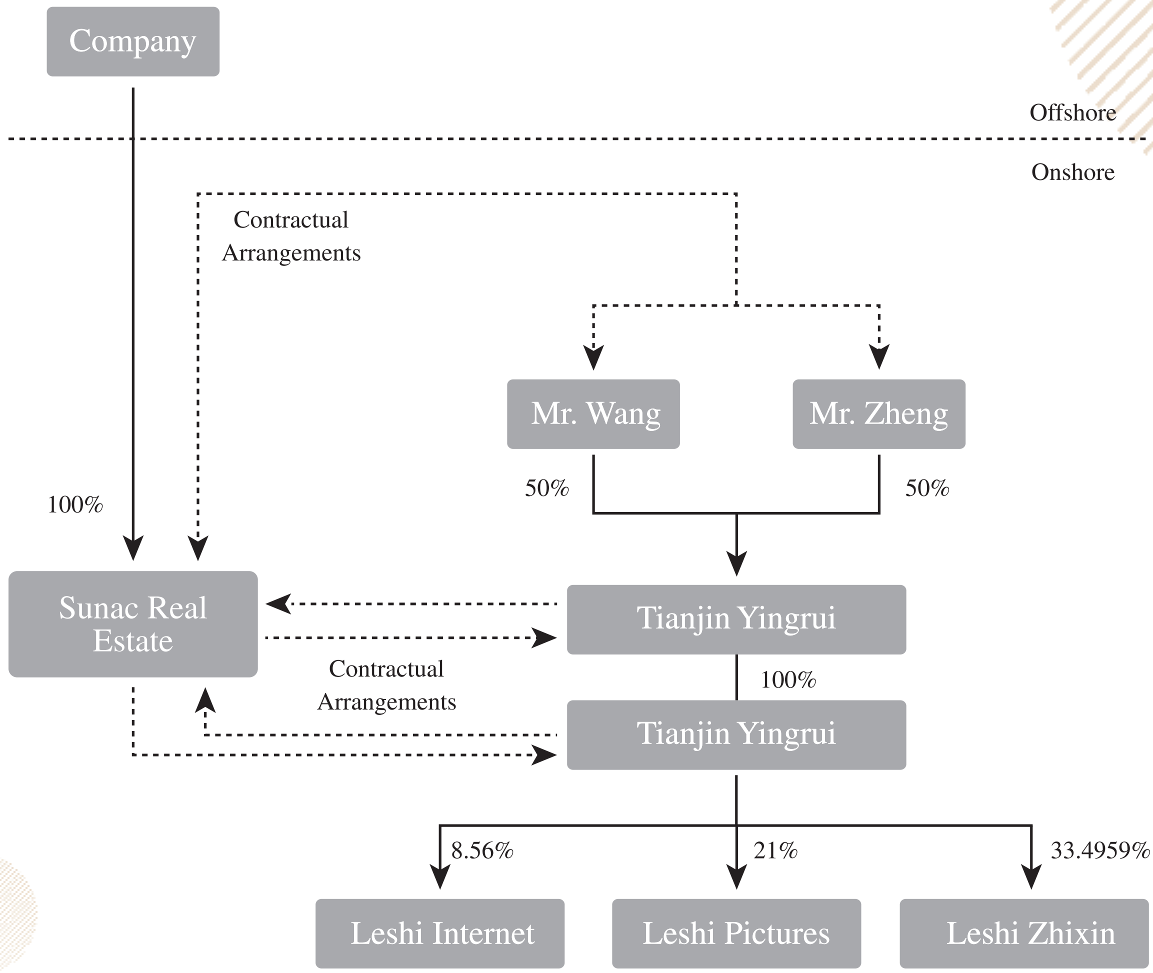
(iv) the loan agreements (the "Loan Agreements") with each of the Registered Shareholders as borrowers;

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

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

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

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



(i) Exclusive Technology Consulting and Services Agreement

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

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

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

(ii) Entrustment Agreements

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

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

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

(iii) Exclusive Option Agreements

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

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

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

(iv) Loan Agreements

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

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

(v) Equity Pledge Agreements

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

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

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

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

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

Manner of settlement of disputes which may arise from the Contractual Arrangements

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

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

No material change

Apart from the above, there are no other new Contractual Arrangements entered into or renewed during the year ended 31 December 2017. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2017.

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

Tianjin Yingrui and Tianjin Jiarui were the contracting entities (the "Contracting Entities") established in the PRC for the purpose of the Contractual Arrangements and were owned as to 50% by Mr. Wang and 50% by Mr. Zheng. As at 31 December 2017 and up to the latest practicable date prior to the printing of this report, the Contracting Entities were principally engaged in holding equity interests in the Target Companies. The Investment in the Target Companies are accounted for using the equity method and the results of operation and assets and liabilities of the Target Companies are not be consolidated into the consolidated financial statements of the Group. Meanwhile, the Contracting Entities are accounted for as consolidated affiliated entities of the Company and their results of operation and assets and liabilities are consolidated in the consolidated financial statements of the Group.

The table below sets out the revenue and loss for the year of the Contracting Entities for the year ended 31 December 2017 and the total assets and total liabilities of the Contracting Entities, including intercompany balances, as at 31 December 2017:

	For the year ended 31 December 2017 RMB million	Approximate percentage of contribution to the Group %
Revenue	—	—
Loss for the year	15,598.4	-133.7

	As at 31 December 2017 RMB million	Approximate percentage of contribution to the Group %
Total assets	2,692.5	0.4
Total liabilities	18,291.0	3.3

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:

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

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

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

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

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

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

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

1. requiring the nullification of the Contractual Arrangements;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mitigation actions taken by the Company

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year ended 31 December 2017 are set out in note 8 to the consolidated financial statements of the Group.

BORROWINGS

Details of borrowings during the year ended 31 December 2017 are set out in note 25 to the consolidated financial statements of the Group.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity.

As at 31 December 2017, the distributable reserve of the Company amounted to approximately RMB9,558,558,000.

FINANCIAL SUMMARY

A financial summary of the Group for the year ended 31 December 2017 is set out on page 4 of this annual report.

FINAL DIVIDEND

The Board proposed to declare a final dividend of RMB0.501 per share in cash, approximately RMB2,201 million in aggregate, for the year ended 31 December 2017, which is expected to be paid on or about 8 August 2018 to shareholders whose names appear on the register of members of the Company as at 22 June 2018, subject to shareholders' approval at the forthcoming annual general meeting of the Company expected to be held on 12 June 2018 (the "AGM"). The proposed final dividend will be paid in Hong Kong dollars, such amount to be calculated by reference to the central parity rate published by the People's Bank of China for the conversion of RMB to Hong Kong dollars as at 12 June 2018.

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 7 June 2018 to Tuesday, 12 June 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on Wednesday, 6 June 2018.

For the purpose of determining the shareholders' entitlement to the final dividend, the register of members of the Company will also be closed from Tuesday, 19 June 2018 to Friday, 22 June 2018 (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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on Friday, 15 June 2018.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, revenue attributable to the largest customer of the Group amounted to approximately 0.1% of the total revenue in the year and the five largest customers of the Group accounted for 0.36% of the Group's total revenue in the year.

For the year ended 31 December 2017, purchases attributable to the largest supplier of the Group amounted to approximately 2.97% of the total purchases in the year and the five largest suppliers of the Group accounted for 11.88% of the Group's total purchases in the year.

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

EQUITY LINKED AGREEMENTS

Save for the 2011 Share Option Scheme and 2014 Share Option Scheme as set out under the section "Share Option Schemes" of this Report of the Directors, for the year ended 31 December 2017, the Company did not enter into any equity linked agreements.

PLACING OF SHARES AND BONDS ISSUED DURING THE YEAR

Placing of shares under general mandate

On 3 August 2017, the Company completed the top-up placing of 220,000,000 ordinary shares having par value of HK$0.1 each at a price of HK$18.33 per share which represented a discount of approximately 8.81% to the closing price of HK$20.10 per share on 24 July 2017 (being the last full trading day immediately prior to the placing and subscription agreement), to not less than six independent placees, details of which are set out in the Company's announcement dated 25 July 2017. The net price was estimated as approximately HK$18.19 per share after deducting all related costs and expenses of the Company. The net proceeds after deducting related fees were approximately HK$3,998 million which had been fully utilized as intended as general working capital of the Company. The purposes of the aforementioned placing were to enlarge its shareholders' equity base, optimize its capital structure and support a healthier and sustainable development of the Company.

On 27 December 2017, the Company completed the top-up placing of 251,500,000 ordinary shares having par value of HK$0.1 each at a price of HK$31.1 per share which represented a discount of approximately 11.90% to the closing price of HK$35.3 per share on 14 December 2017 (being the last full trading day immediately prior to the placing and subscription agreement), to not less than six independent placees, details of which are set out in the Company's announcement dated 15 December 2017. The net price was estimated as approximately HK$30.904 per share after deducting all related costs and expenses of the Company. The net proceeds after deducting related fees were approximately HK$7,764 million which had been fully utilized as intended as general working capital of the Company. The purposes of the aforementioned placing were to further enlarge its shareholders' equity base, optimize its capital structure and support a healthier and sustainable development of the Company.

Issuance of bonds

On 8 August 2017, the Company issued the 6.875% senior notes due 2020 with a principal amount of US$400 million (the "2020 Notes") and the 7.950% senior notes due 2022 with a principal amount of US$600 million (the "2022 Notes"). The 2020 Notes and 2022 Notes are listed and traded on the Singapore Stock Exchange. The issue prices of the 2020 Notes and the 2022 Notes are 99.005% and 98.991% of their respective principal amount. Details of issuance of the 2020 Notes and the 2022 Notes are set out in the Company's announcements dated 2 August 2017, 3 August 2017 and 10 August 2017. The proceeds had been fully utilized as intended for re-financing the Group's existing indebtedness. The purposes of the aforementioned bond issuance were to optimize its debt structure and support a healthier and sustainable development of the Company.

Details of the issuance of bonds by the Company for the year are set out in note 25 to the consolidated financial statements of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 2017.

Details of movements during the year ended 31 December 2017 in the share capital of the Company are set out in note 20 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year ended 31 December 2017 and up to the date of this report 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 (appointed with effect from 25 May 2017)
Mr. LI Shaozhong (retired as Executive Director with effect from 22 May 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. POON Chiu Kwok
Mr. ZHU Jia
Mr. LI Qin
Mr. MA Lishan
Mr. TSE Chi Wai (resigned with effect from 19 December 2017)

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.

Pursuant to article 83(3) of the articles of association of the Company, Mr. SUN Kevin Zheyi shall hold office until the AGM and shall then be eligible for re-election. Mr. SUN Kevin Zheyi 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. SHANG Yu, Mr. POON Chiu Kwok and Mr. ZHU Jia shall retire by rotation at the AGM. Mr. CHI Xun, Mr. SHANG Yu, Mr. POON Chiu Kwok and Mr. ZHU Jia, being eligible, have offered themselves for re-election as Directors at the AGM.

PARTICULARS OF DIRECTORS' SERVICE CONTRACTS

EXECUTIVE DIRECTORS

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

Each of the executive Directors is entitled to a salary and bonus payment, allowance and benefits-in-kind, at the discretion of the Board, and social and 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 RMB76,476,000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of two years. the aggregate amount of annual fees payable to the four independent non-executive Directors currently holding office under the appointment letters is HK$1,700,000.

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2017 are set out in note 48 to the consolidated financial statements of the Group.

None of the Directors waived his emoluments nor has agreed to waive his emoluments for the year ended 31 December 2017.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the 2017 or at any time during the year ended 31 December 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2017, none of the Directors of the Company was considered to be interested in any businesses apart from the Group's businesses which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS AND DIRECTORS

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

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

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

The Covenantors further undertake:

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

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

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

Our independent non-executive Directors have reviewed, for the year ended 31 December 2017, 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 2017, 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 44 (Related party transactions) to the consolidated financial statements of the Group. None of these related party transactions constitute as a discloseable connected transaction for the Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION

On 1 March 2017, Beijing Sunac Raycom Real Estate Company Limited* (北京融創融科地產有限公司) ("Beijing Sunac"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Tianjin Bolian Investment Partnership Enterprise (Limited Partnership)* (天津博聯投資合夥企業 (有限合夥)) ("Tianjin Bolian"), pursuant to which Beijing Sunac agreed to acquire and Tianjin Bolian agreed to dispose of 30% of the equity and debt interest in Beijing Rongzhi Ruifeng Investment Company Limited* 北京融智瑞豐投資有限公司 ("Beijing Rongzhi Ruifeng") at the total consideration of RMB686,812,439.55 (the "Acquisition").

As Beijing Rongzhi Ruifeng was accounted for as a subsidiary of the Company and Tianjin Bolian was a substantial shareholder of Beijing Rongzhi Ruifeng, Tianjin Bolian was a connected person of the Company at subsidiary level, and the Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, the Acquisition was subject to the reporting and announcement requirements but was exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Acquisition would further increase the Company's land reserves and market share in Hefei and Wuhan and would further strengthen the Company's leading position and brand influence in Hefei and Wuhan.

For further details of the Acquisition and its terms, please refer to the announcement of the Company dated 1 March 2017.

SHARE OPTION SCHEMES

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

THE 2011 SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2017, the details and changes of the 2011 Share Options Scheme were as follows:

Date of grant	Vesting date	Percentage of vesting	Expiry date	Exercise price per share (HK$)	Closing price before the date of grant (HK$)	Number of grant	Accumulated exercised number from the date of grant to 31 December 2017	Accumulated cancelled number from the date of grant to 31 December 2017	Accumulated lapsed number from the date of grant to 31 December 2017	Outstanding as at 31 December 2017	Number exercised during the year ended 31 December 2017	Weighted-average closing price before the exercise date during the year ended 31 December 2017 (HK$)
30/9/2011	30/9/2011 29/4/2012 29/4/2013	30% 30% 40%	28/4/2017	1.484	1.44	39,900,000	39,333,800	339,000	227,200	—	11,108,600	9.00
21/5/2012	21/5/2012 29/4/2013 29/4/2014	30% 30% 40%	28/4/2018	2.33	2.22	29,100,000	24,531,000	651,000	52,000	3,866,000	7,685,000	12.66
2/5/2013	2/5/2013 29/4/2014 29/4/2015	30% 30% 40%	28/4/2019	6.32	6.26	30,900,000	19,316,976	731,404	1,368,000	9,483,620	14,279,110	18.32
		Total				99,900,000	83,181,776	1,721,404	1,647,200	13,349,620	33,072,710	

During the period for the year ended 31 December 2017, the 2011 Share Options granted to directors and employees and its changes under the 2011 Share Option Scheme were as follows:

Name of Grantee	Granted on 30 September 2011	Granted on 21 May 2012	Granted on 2 May 2013	Granted in aggregate	Outstanding as at 1 January 2017	Exercised during the year ended 31 December 2017	Cancelled during the year ended 31 December 2017	Lapsed during the year ended 31 December 2017	Outstanding options as at 31 December 2017
Directors									
Mr. Sun Hongbin	2,600,000	400,000	—	3,000,000	—	—	—	—	—
Mr. Wang Mengde	2,300,000	1,300,000	1,600,000	5,200,000	5,200,000	2,300,000	—	—	2,900,000
Mr. Jing Hong	2,600,000	1,200,000	1,300,000	5,100,000	4,650,000	3,750,000	—	—	900,000
Mr. Chi Xun	2,600,000	1,200,000	1,300,000	5,100,000	4,900,000	4,900,000	—	—	—
Mr. Tian Qiang	—	1,200,000	1,300,000	2,500,000	2,500,000	1,900,000	—	—	600,000
Mr. Shang Yu	2,300,000	1,200,000	1,300,000	4,800,000	3,650,000	1,150,000	—	—	2,500,000
Mr. Huang Shuping	2,100,000	770,000	950,000	3,820,000	950,000	—	—	—	950,000
Senior management and employees	25,400,000	21,830,000	23,150,000	70,380,000	24,982,330	19,072,710	—	410,000	5,499,620
Total	39,900,000	29,100,000	30,900,000	99,900,000	46,832,330	33,072,710	—	410,000	13,349,620

THE 2014 SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2017, the details and changes of the 2014 Share Options 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 2017	Accumulated cancelled number from the date of grant to 31 December 2017	Accumulated lapsed number from the date of grant to 31 December 2017	Outstanding as at 31 December 2017	Number exercised during the year ended 31 December 2017	Weighted-average closing price before the exercise date during the year ended 31 December 2017 (HK$)
5/6/2014	5/6/2014 5/6/2015 5/6/2016	30% 30% 40%	4/6/2019	4.07	3.96	33,267,000	20,703,500	1,363,400	359,000	10,841,100	15,229,650	15.52
9/7/2015	9/7/2015 9/7/2016 9/7/2017	30% 30% 40%	8/7/2020	7.27	6.34	33,267,000	11,002,300	900,280	876,120	20,488,300	11,002,300	20.00
20/6/2016	20/6/2016 20/6/2017 20/6/2018	30% 30% 40%	19/6/2021	4.62	4.56	39,920,000	8,370,000	530,000	30,000	30,990,000	7,911,000	17.25
22/12/2017	22/12/2017 22/12/2018 22/12/2019	30% 30% 40%	21/12/2022	30.25	30.25	59,920,246	—	—	—	59,920,246	—	—
		Total				166,374,246	40,075,800	2,793,680	1,265,120	122,239,646	34,142,950	

During the year ended 31 December 2017, movements in the share options granted to directors and employees under the 2014 Share Option Scheme were as follows:

Name of grantee	Granted on 5 June 2014	Granted on 9 July 2015	Granted on 20 June 2016	Outstanding as at 1 January 2017	Granted on 22 December 2017	Granted in aggregate	Exercised during the year ended 31 December 2017	Cancelled during the year ended 31 December 2017	Lapsed during the year ended 31 December 2017	Outstanding options as at 31 December 2017
Directors										
Mr. Sun Hongbin	1,300,000	—	—	1,300,000	—	1,300,000	—	—	—	1,300,000
Mr. Wang Mengde	1,200,000	1,300,000	2,000,000	4,500,000	2,800,000	7,300,000	—	—	—	7,300,000
Mr. Jing Hong	1,100,000	1,200,000	2,000,000	4,300,000	2,800,000	7,100,000	1,700,000	—	—	5,400,000
Mr. Chi Xun	1,100,000	1,200,000	2,000,000	4,300,000	2,800,000	7,100,000	1,100,000	—	—	6,000,000
Mr. Tian Qiang	1,100,000	1,200,000	1,800,000	4,100,000	2,600,000	6,700,000	1,100,000	—	—	5,600,000
Mr. Shang Yu	1,100,000	1,200,000	1,500,000	3,800,000	2,500,000	6,300,000	—	—	—	6,300,000
Mr. Huang Shuping	1,100,000	1,100,000	1,800,000	4,000,000	1,830,082	5,830,082	—	—	—	5,830,082
Senior management and employees	25,267,000	26,067,000	28,820,000	71,086,350	44,590,164	124,744,164	30,242,950	454,000	470,000	84,509,564
Total	33,267,000	33,267,000	39,920,000	97,386,350	59,920,246	166,374,246	34,142,950	454,000[1]	470,000	122,239,646

Note: (1) Among these 454,000 cancelled share options, the exercise price of 204,000 share options is HK$7.27 per share and the exercise price of 250,000 share options is HK$4.62 per share.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2017, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules, are set out below:

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

Name of Director	Nature of Interest	Number of Ordinary Shares of the Company [(2)]	Approximate percentage of interest in the Company [(3)]
Mr. Sun Hongbin	Interest in controlled corporations [(1)]	2,091,329,884 (L)	47.57%
	Beneficial interest	10,090,000 (L)	0.23%
Mr. Wang Mengde	Beneficial interest	6,948,000 (L)	0.16%
Mr. Jing Hong	Beneficial interest	6,406,000 (L)	0.15%
	Interest in spouse	609,000 (L)	0.01%
Mr. Chi Xun	Beneficial owner	4,384,000 (L)	0.10%
Mr. Tian Qiang	Beneficial interest	2,602,000 (L)	0.06%
Mr. Shang Yu	Beneficial interest	1,150,000 (L)	0.03%

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"). Sunac International and Tianjin Biaodi were controlled by Mr. Sun Hongbin. Mr. Sun Hongbin was deemed to be interested in all these Shares by virtue of the SFO.

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

(3) Calculated on the basis of 4,396,454,009 Shares in issue as at 31 December 2017.

(II) INTEREST IN THE UNDERLYING SHARES OF THE COMPANY

Name of Director	Number of outstanding Share Options [(1)]	Approximate percentage of interest in the Company [(2)]
Mr. Sun Hongbin	1,300,000	0.03%
Mr. Wang Mengde	10,200,000	0.23%
Mr. Jing Hong	6,300,000	0.14%
Mr. Chi Xun	6,000,000	0.14%
Mr. Tian Qiang	6,200,000	0.14%
Mr. Shang Yu	8,800,000	0.20%
Mr. Huang Shuping	6,780,082	0.15%

Notes:

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

(2) Calculated on the basis of 4,396,454,009 Shares in issue as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 31 December 2017, 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	2,042,623,884 (L)	46.46%
Ping An Bank Company Limited, Shanghai Pilot Free-Trade Zone Branch （平安銀行股份有限公司上海自貿試驗區分行）[2]	Security interest	1,589,549,451 (L)	36.16%
Ping An Bank Company Limited （平安銀行股份有限公司）[2]	Interest in a controlled corporation	1,589,549,451 (L)	36.16%
Ping An Insurance (Group) Company of China, Ltd. （中國平安保險（集團）股份有限公司）[2]	Interest in a controlled corporation	1,589,549,451 (L)	36.16%

Notes:

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

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

(3) Calculated on the basis of 4,396,454,009 Shares in issue as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

Save as disclosed above, as at 31 December 2017, 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 page 5 to 7 of this annual report. Also, the interest rate risk and foreign exchange risk of the Group are elaborated in the Management Discussion and Analysis on page 17 of this annual report, and the financial risk management objectives and policies of the Group can be found in Note 4 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2017 are provided in Note 46 to the consolidated financial statements. The Financial Summary and an analysis of the key financial indicators of the Group are provided on page 4 and pages 8 to 17 of this annual report, respectively. 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 Directors' Report on page 75 of this annual report, and our relationship with investors is stated in the Investor Relations Report on page 45 of this annual report.

ENVIRONMENTAL PROTECTION

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

As far as the Company is aware of, the Group has complied with all 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 must ensure that the conduct of business is in conformity with the applicable laws and regulations.

CHARITY AND DONATIONS

The Group is keenly aware of its corporate social responsibilities and has been actively involved in charitable activities. In August 2017, the Group donated RMB10 million as disaster relief fund for the earthquake area in Jiu Zhai Gou County, Sichuan Province, the PRC and to help local people rebuild their community. Please refer to the "Environmental, Social and Governance Report for 2017" in this annual report for further information on our charitable activities.

RELATIONSHIP WITH STAKEHOLDERS

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

The Company provides a fair and safe workplace, promotes diversity to our staff, 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 2017, the Group had a total of 19,271 employees in the PRC and Hong Kong. For the year ended 31 December 2017, the staff cost of the Group was approximately RMB2,937 million.

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

In order to attract and retain excellent talents, the Company adopted the 2011 Share Option Scheme on 29 April 2011, and the 2014 Share Option Scheme on 19 May 2014 for granting Share Options to eligible persons (including employees of the Group) entitling them the right to subscribe for shares of the Company, details of which are set out on pages 67 to 72 of this annual report. Furthermore, 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, nor did it experience any material loss in manpower or any material labour dispute during the year ended 31 December 2017.

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

PERMITTED INDEMNITY PROVISIONS

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

SUBSEQUENT EVENTS

Details of significant events after 31 December 2017 are set out in note 46 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

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

AUDITOR

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

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

Hong Kong, 28 March 2018

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

This is the second Environmental, Social and Governance Report ("ESG Report") issued by the Group. ESG report has been prepared by the Group through identifying and sorting vital stakeholders and the important issues they concerned about and collecting and sorting the relevant information and statistics. The purpose of this report is to disclose the management measures and the performance of the Group in the environmental, social and governance aspects during 2017.

PREPARATION BASIS

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

SCOPE OF THIS REPORT

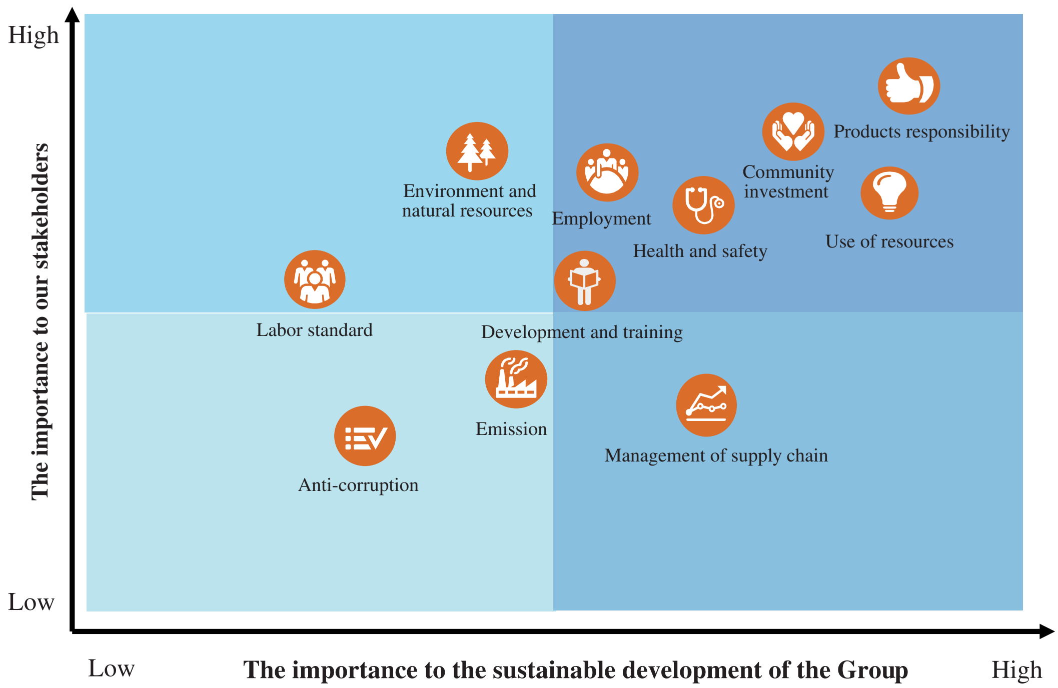
The scope of this report is the year of 2017 (from 1 January 2017 to 31 December 2017) (the "Reporting Period"). The scope of disclosure of this report covers the Group's real estate development and property management services business. The environmental performance indicators cover the emissions produced by and resources used by the direct operation of the headquarter of the Group, each of the companies at the regional and municipal levels as well as its real estate development projects and property management projects.

STAKEHOLDERS ENGAGEMENT

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

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

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



Management of Emission

The Group complies with the national and local laws and regulations such as the "Environmental Protection Law of the People's Republic of China", adheres to the concept of sustainable development comprehensively, push the implementation and development of green real estate so as to minimize the effects that will be caused by the operations of the Group. The Group has thoroughly identified the emission arising from own operations, mainly including greenhouse gas incurred directly (Scope 1) and indirectly (Scope 2) during the processes of operations and non-hazardous wastes.

THE OFFICE AREA

The Group vigorously promotes green office, adheres to the principle of recycling, reuse and waste reduction to reduce emission of carbon footprint from the office with an aim to enhance the utilization of resources and make continual progresses in the management of polluted emission. As such, the Group implements various green office measures as follows:

- Promote paperless working, adopt double-sided printing and copying if printing needed;
- Use and reuse recyclable products in the office;
- Set up garbage sorting bins to promote waste classification and recycling.

PROPERTY DEVELOPMENT PROJECTS

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

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

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

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

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

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

PROPERTY MANAGEMENT PROJECTS

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

EMISSIONS PERFORMANCE IN 2017

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

Emission Performance Table[1]

Indicator	Performance
Total Greenhouse Gas Emissions (Scope 1 and Scope 2) (tons)[2,3]	34,001
Greenhouse Gas Emission Density (Scope 1 and Scope 2) (tons/Million in RMB Income)	0.52
Total amount of non-hazardous waste (tons)[4]	10,723
Density of non-hazardous waste (kg/Million in RMB Income)	162.79

Notes:

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

USE OF RESOURCES

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

WORKPLACE

In order to achieve resource conservation in office space and reduce the impact on the environment, the Group promotes sustainable office methods such as:

- Use natural light, LED lights and other energy-saving and environmental protection methods for lighting, use of energy-efficient, low-energy appliances;

- Encourage employees to turn off the power after use, and post energy-saving signs in conspicuous places;
- Use water-saving faucets in toilets and post tips to remind employees to save water.

PROPERTY DEVELOPMENT PROJECTS

The Group has vigorously promoted new construction techniques and based on the rapid construction system, it has used a large number of prefabricated components to reduce the loss of building materials in the production process. Currently, 70% of the Group's projects are using the rapid construction system, and 20% are the PC industrialization projects.

On the construction sites, the Group actively promotes the application of prefabricated partition boards using industrial waste as raw materials and improves the energy efficiency of enclosure structure, and tries to use new materials to replace natural stone and natural wood. The Group has extensively promoted LED lighting to save energy. In the buildings and the basement of the construction area, LED energy-saving lighting lamp tubes are installed, and the wiring is reasonable and beautiful, which fully satisfies the light illuminance required for construction and traffic.

PROPERTY MANAGEMENT PROJECTS

In order to reduce the resource consumption in the property management region projects, the Group has formulated the "Energy Conservation Management Regulations", and various energy conservation products, energy conservation methods and water saving measures have been adopted in various property management projects, including:

- Use LED lighting in public areas and adjust the lighting time and brightness according to the change of day and night;
- Use water-saving systems and water-saving equipment in public areas.

PERFORMANCE OF USE OF RESOURCES IN 2017

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

Resources Utilization Performance Table

Indicators	Performance
Total integrated energy consumption (MWh)[1]	65,280
Integrated Energy Consumption Density (MWh/Million in RMB Income)	0.99
Direct energy consumption (MWh)[1]	24,271
Gasoline (Litre)	1,972,870
Diesel (Litre)	210,853
LPG (kg)	160,005
Natural gas (m^3)	262,810
Indirect energy consumption (MWh)[1]	41,009
Purchased electricity (MWh)	41,009
Water consumption (tons)	1,266,979
Water consumption density (tons/Million in RMB Income)	19.23

Note:

1. The data on energy consumption is based on the consumption of electricity and fuel and the conversion factors (including vehicle oil, natural gas and electricity) set out in the "General Principles of Comprehensive Energy Consumption Calculation (GB/T 2589-2008)" issued by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and Standardization Administration of the People's Republic of China.
2. The daily operation of the group does not involve the use of packaging.

ENVIRONMENT AND NATURAL RESOURCES

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

GREEN BUILDING MATERIALS

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

GREEN CONSTRUCTION

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

GREEN BUILDING

The Group actively implements the green concept and it is committed to the development of green buildings. At present, the mainstream architectures designed by the Group all have met the requirements of One-star Green Architecture Design under China Green Building Design Label. The Group's various projects in Shanghai, Chongqing, Hefei, Zhengzhou, Wuxi and other cities have been rated with Two-star or Three-star under the China Green Building label ("CGBL"). During the reporting period, the Group's Hefei No.1 Compound and Zhengzhou Zhongyuan No.1 Compound projects have applied for green Three-star design label, and Chongqing Eco-city and Wuxi Aiyi Bay have applied for green Two-star design label.

Case 1: No.1 Compound Project in Hefei

Hefei No.1 Compound is located in Hefei Municipal Administrative Area, west of Shitai Road, south of Swan Lake Road, east of Qiyunshan Road, and north of Huating Lake Road. Based on its own actual conditions and relevant regulatory requirements, the project adopts the following green key technologies in three aspects: energy saving, water saving, and renewable energy utilization:

- **Energy saving:** The project adopts an enclosure structure with good thermal performance and a heating and air conditioning system with high energy efficiency ratio, its heating and air conditioning load is 15% lower than the building without these enclosed structure and the air conditioning system.

- **Water saving:** The project adopts low elevation greenbelt and rainwater recycling system, enabling the annual total runoff control rate is greater than 70%, the annual total rainwater use (excluding landscape water supply) is 5,692.3 tons, and non-traditional water utilization rate is 10.8%.

- **Renewable energy utilization:** All domestic hot water are generated from solar hot water systems and air source hot water systems to make full use of renewable energy. The proportion of domestic hot water heated by renewable energy sources is 100%.

Case 2: Aiyi Bay Project in Wuxi

The project is located in Taihu New Town, Wuxi City, with Gaolang Road on the north, Xincheng Road on the east and Guanshan Road on the south. Based on its own actual conditions and relevant standards and regulatory requirements, the project adopts the following green key technologies in three aspects: energy saving, water saving, and green landscape:

- **Water saving:** The project adopts rainwater collection technology and mainly collects part of the rainwater on building roofs and roads, and uses it for irrigation and road watering inside the project.

- **Energy saving:** The project meets the energy-saving requirements of the "Thermal Environment and Energy-saving Design Standards for Residential Building in Jiangsu". The roofing adopts B1 extruded polystyrene board, and central shutter aluminum alloy casement windows (high-performance warm edge) are selected as the outer windows to provide better insulation and energy-saving effects.

- **Green landscape:** The landscape greening rate is 37.12%, which can effectively reduce the wind speed and wind speed amplification factor, block the cold wind in winter, and ensure a comfortable environment for outdoor activities. Taking into consideration the climatic conditions and natural distribution of plants in the region and the soil conditions of the project site, a variety of types of plants were cultivated to constitute multiple levels of plant communities.

EMPLOYMENT

The Group's rapid development is based on the unremitting efforts of every employee, and the employees are also the foundation of the Group's sustainable development. The Group complies with laws and regulations such as Labor Law of the People's Republic of China and Labor Contract Law of the People's Republic of China. It implements a labor contract system, attaches great importance to human resources management, and strives to provide a working environment with fairness, health, safety, comfort and harmony to employees. As of the end of 2017, the Group has been awarded the "Best Employer in China's Real Estate Industry" for three consecutive years.

EMPLOYEE RECRUITMENT AND PROMOTION

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

The Group has strictly complied with laws on prohibition of child and forced labour, and implemented stringent internal recruitment management system to prohibit any departments and employees from employment of child labour and forced labour. The Group did not identify any employment of child labour and forced labour in 2017.

REMUNERATION AND BENEFITS

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

The Group is committed to creating a superior welfare system for its employees. Addition to national statutory benefits (including endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing accumulation fund, and legal paid leave), all employees are entitled to additional benefits and care, including transportation subsidies, relocation subsidies, supplementary commercial insurance, team sports activities, free weekday meals and afternoon tea.

Attractive Festive Activities

WORKING HOURS

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

AN EQUAL AND MUTUAL-TRUST WORKING ENVIRONMENT

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

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

HEALTH AND SAFETY

The Group attaches importance to the occupational safety of its employees, strictly monitors and manages the health and safety hazards in all workplaces, also, it has established strict safety regulations.

HEALTH AND SAFETY IN OFFICE

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

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

SAFETY OF PROPERTY DEVELOPMENT PROJECTS

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

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

DEVELOPMENT AND TRAININGS

The Group provides posts that promote the personal growth of employees based on their work experience, professional direction and personal interests. It focuses on growing together with employees, and providing smooth dual-channel career development and comprehensive and multi-level trainings. It promotes and supports the full development of employees, and continuously improves the internal development capacities of the organization.

In 2017, approximately 120,000 person-time have participated in the Group's trainings. In order to effectively enhance the overall quality of the Company's talents, the Group has carried out centralized trainings according to the real conditions of various employees, such as:

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

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

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

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

2017 "Excellance Achievement"

SUPPLY CHAIN MANAGEMENT

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

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

PRODUCT RESPONSIBILITY

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

CONSTRUCTION PRODUCTS QUALITY

In order to guarantee the quality of construction products, the Group has formulated the Quality Internal Control System that is higher than the national quality standards, including more than 1500 sub-items of eight categories, such as the quality of civil engineering projects and the assessment of project risk sources, involving raw material selection, infrastructure construction, decoration and other aspects, to ensure that the products' excellent quality.

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

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

PROPERTY MANAGEMENT SERVICE QUALITY

The property service of the Group is based on the philosophy of "each time and moment, service by heart and passion"(每時每刻，用心用情) to provide high quality service for customers. In 2017, Sunac Property Management Service Group Co., Ltd ("Sunac Property Management Service Group"), a wholly owned subsidiary of the Company engaged in property management services in the PRC, has been awarded the honours of One of China's Property Service Top 100 Enterprises in 2017, China Property Service Special Branded Enterprise in 2017 and Top 10 Service Quality of China's Top 100 Property Services Companies.

Sunac Property Management Service Group has always adhered to integrating "firm foundation" and "compassionate service" into the instinct of each employee, by providing considerate services, it helps customers create a happy and heart-warming life. In 2017, Sunac Property Management Service Group has established a 2.0 management system centering on "concentration", "persistence" and "precision", improved work standards and management requirements, specified core management initiatives, and provided customers with quality services.

Sunac Property Management Service Group has established a sound quality supervision system and specified the content and frequency of supervisions at all levels so as to ensure the timely detection of various risk factors in the operation, and it has also implemented effective corrective and preventive measures. The Group's safety management system has passed the ISO9001:2015 standard certification in 2017 and it is in line with international best practice standards.

CUSTOMER COMMUNICATION AND INFORMATION PROTECTION

The Group attaches great importance to customer complaints and feedbacks, and has established a customer service system, a specialized customer complaints processing system, a complaint hotline, a complaints mailbox and an official microblog platform to deal with daily customer complaints in 24 hours. Sunac Property Management Service Group also regularly sends personnel to conduct overall surveys on customer opinions and analyzes, evaluates and adjusts the service quality in conjunction with customer opinions.

In respect of the protection of customers' privacy information, the Group has designated customer information privacy management specialists to manage the confidentiality of projects involving customer identity, telephone number and other personal privacy information. At the same time, the Group conducts regular checks on the implementation of the customer information confidentiality system to ensure that the relevant measures are implemented effectively and in compliance with relevant laws and regulations.

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

ANTI-CORRUPTION

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

THE PRINCIPLES OF INTEGRITY AND MORALITY

- No one should commit fraudulent, dishonest or other illegal activities in the ordinary course of business, and no one should act for the benefit of his personal interest in compensation of the interests of other parties, the Company and the shareholders; and

- Provision of false or intentionally misleading information to the Company internally or externally is forbidden, the information disclosure system of the Company should be observed strictly.

GIFTS AND ENTERTAINMENT

- Employees and their family members must not accept or give gifts and entertainment that may affect their business decisions and independent judgment, acceptance of cash or cash equivalent gifts is prohibited; and

- Employees shall strictly comply with laws, regulations and regulatory requirements on commercial acts relating to anti-bribery, distinguish between normal business dealings and improper trading behavior, firmly rectify and suppress improper trading behavior in operating activities in violation of commercial morality and market rules, and cooperate with regulatory authorities to investigate and handle illegal commercial bribery cases in accordance with the law.

INTEREST-RELATED PARTIES

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

- Employees should respect cooperative partners, any infringement against legitimate interest of cooperative partners is strictly prohibited.

The Group encourages and protects any employee who reveals illegal, non-compliant and dishonest acts within the Company. The risk management and control center of the Group is responsible for receiving reports on fraudulent behavior. Employees who have violated the relevant provisions will be penalized.

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

COMMUNITY INVESTMENT

In addition to creating a harmonious and healthy culture within the community, the Group also initiates a series of charitable activities to care for the underprivileged and demonstrate corporate social responsibilities. In view of the ongoing efforts in this area, the Group was awarded the "Corporate Social Responsibility Best Contribution Award in 2017" at the 2017 China Urban Development Summit.

1. WALKING FUTURE

The Group has been working hard to build beautiful and healthy communities. The Group hopes to work with owners within our property projects to realize quality life values. From 2013 onwards, the Group keeps on promoting "Walking future" (健走未來) activities in various regional projects in China. Through jogging, fluorescent night running and other fitness exercises, every owner is encouraged to exercise and promote interaction among themselves. Simultaneously, a healthy and positive community culture can be created and strengthened. In 2017, the Group launched a series of "Walking future" activities in 19 cities including Beijing, Shanghai, Tianjin, Chongqing, Hangzhou, Shenzhen and Suzhou with tens of thousands of owners involved.

At the scene of Walking Future in Chengdu

2. HEART OF CHARITY

"Heart of Charity (我心公益)" is a charitable activity participated jointly by the Group's staff and property owners to provide care and assistance to children in poverty areas, help poor children to grow healthily. As a sub-function of "Heart of Charity", the Group carried out "Saplings Charity Program (英苗助學)" from 2015, which provided charitable educational assistance to primary schools and students in poverty in the rural areas. In 2017, Saplings Charity Program's aid targets have expanded from poor students at Fangwu Elementary School in Nanjia Town, Jianhe County, Guizhou Province to more than 400 poor students in seven primary schools. In addition to increasing the number of books that have been donated for two years in Guizhou Fangwu Elementary School's "Yingmiao Libraries", the "Saplings Charity Program" has also donated tens of thousands of books to Heping Primary School, Peirong Primary School and Xiagedong Elementary School in Guizhou and Baojiashan Primary School, Zhangjiasi Primary School and Hongtupo Primary School in Gansu to establish "Yingmiao Libraries" at these six primary schools.

In addition to the donation of gifts, the Group has also recruited property owners across the PRC as volunteers under the Yingmiao education program to organize donation and supportive teaching activities for primary schools in poverty. While supporting education with cares, they have also brought the children in poverty from the mountain regions to visit Beijing, the capital city of the PRC, and carried out a series of meaningful activities. The Group hopes to raise the entire society's awareness on the summer vacation, physical and mental growth of children in poverty through corporate charitable actions.

Gifting educational and living necessities to poor students

Establishing "Yingmiao Library" in primary schools in poverty-stricken areas

3. SHELL PLANNING

Shell Planning (果殼計劃) is a series of activities organized by the Group specifically for children of property owners, The scheme consists of various fun activities and learning trainings. Its objectives are to promote family interactions and care for healthy physical and mental growth of children. In 2017, Shell Planning has been organizing diverse activities for projects in Beijing, Tianjin, Shanghai, Chongqing, Hangzhou and Wuxi to bring more interesting and enriched summer vacation for youngsters, with activities include"Children's Speech Contest", "Traditional Chinese Learning Summer Camp" and "Haibao Training Camp,""Haibei Project" and "Children's Soccer Summer Camp".

4. NEIGHBOURHOOD PLANNING

The Group also organized Neighbourhood Planning (鄰里計劃) which includes diverse series of activities in various communities of our projects. These activities had brought opportunities for building up friendship in the neighbourhood and the creation of a happy and harmonious community culture of Sunac. In 2017, a variety of activities were prepared by the Group for owners at all ages, including Film-watching Day, Picking Tour, 100-family Banquet, Fun Sports Meeting, Health Examination, etc., and a total of more than 30,000 owners across the country participated the Neighbourhood Planning.

Fun Sports Meeting

Autumn Picking Tour

Social Contributions

On the evening of August 8, 2017, a magnitude 7.0 earthquake occurred in Jiuzhaigou County, Aba Prefecture, Sichuan Province. The earthquake caused numerous casualties and property losses. After learning about the earthquake, on the morning of August 9, the Group donated RMB 10 million to the earthquake-stricken areas in Jiuzhaigou County through the Tianjin Charity Federation, which was earmarked for relieving the affected people and helping the people in the affected areas rebuild their homes. The Group hopes that by donating special funds for disaster relief, it can improve the situation of the affected people and help them restore confidence and courage to overcome difficulties and rebuild their homes.

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

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

Opinion

WHAT WE HAVE AUDITED

The consolidated financial statements of Sunac China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 102 to 208, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

INDEPENDENCE

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

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Key Audit Matters

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

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

- Gains on acquisitions of Wanda Companies
- Impairment assessment of Leshi Investments and estimation of provision loss in Leshi Guarantee
- Recognition of revenue from sales of properties over time

Key Audit Matter	How our audit addressed the Key Audit Matter
Gains on acquisitions of Wanda Companies	
Refer to Note 42 to the consolidated financial statements for the acquisitions of fourteen cultural and tourism project companies ("Wanda Companies") from Dalian Wanda Commercial Properties Co., Ltd. (the "Acquisitions") and gains arising on the Acquisitions. As at 31 December 2017, the Group has obtained the control of 91% equity interests in thirteen out of fourteen Wanda Companies for an aggregate consideration of RMB40,208 million. The Wanda Companies were principally engaged in property development, shopping malls, hotels and theme parks operation in China. The excess amounts of net of fair values of identifiable assets acquired and liabilities assumed on the date of the Acquisitions over the considerations paid of approximately RMB20,555 million were recognized as gains in the Group's consolidated statement of comprehensive income.	We interviewed with the management and checked the related acquisition agreements to understand the background and other related important information. We obtained the valuation reports as prepared by the independent valuer for the Assets acquired. We evaluated the competence, capabilities and objectivity of the independent valuer, and performed following procedures: a. We assessed the appropriateness of valuation model adopted, and to challenge the reasonableness of the key inputs and assumptions including assessing the reasonableness of the discount rate based on relevant market data of comparable companies where appropriate. b. We checked and tested the management's key assumptions in the valuations of the Assets, including the forecasted future unit selling prices of the properties, future costs estimated to complete the project development, the status of development of the properties, and the discount rate, through examination of the underlying evidence such as the selling price and unit cost of comparable projects in the market, historical records of development costs and cost of capital of the Group. c. We assessed the management's assessments of the fair values of identifiable assets (other than the Assets) and liabilities of Wanda Companies. d. We also checked the mathematical accuracy of the valuation calculations and the underlying data used in the calculations.

Key Audit Matter	How our audit addressed the Key Audit Matter
Gains on acquisitions of Wanda Companies (continued) In determination of the gains on the Acquisitions, management has: (a) reassessed the identification of the assets acquired and the liabilities assumed, as well as recognised any additional assets or liabilities that are identified on the date of the Acquisitions; (b) engaged an independent valuer to assist in estimation of the fair values of the following identifiable assets - properties under development, completed properties held for sale, investment properties, land use rights, constructions in progress. These assets were collectively referred to as the "Assets". Management exercised significant estimates and judgment in estimation of the fair values of the Assets which mainly based on the market information and future cash flows that involved a number of factors, including the future unit selling price, estimated future costs to complete the project development, estimated profit and discount rate. The fair value estimation of the Assets was an area of focus for us given it involved significant judgement and estimates and it has significant impact on gains on acquisitions of Wanda Companies.	We found the data used and the key assumptions adopted by management were consistent with the evidence we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of Leshi Investments and estimation of provision loss in Leshi Guarantee Refer to Note 11.2 to the consolidated financial statements for details of investments in Leshi Companies, Note 44 for Leshi Receivables, Note 17 for Leshi Prepaid Investments, and Note 27 for Leshi Guarantee. In 2017, the Group acquired 8.56% equity interest in Leshi Internet Information & Technology Corp (Beijing) ("Leshi Internet"), 33.5% equity interest in New Leshi Zhijia Electronic Technology (Tianjin) Limited ("Leshi Zhijia"; formerly known as Leshi Zhixin Electronic Technology (Tianjin) Limited) and 21% equity interest in Le Vision Pictures (Beijing) Co. Ltd. ("Leshi Pictures") for aggregate considerations of RMB15,461 million. Collectively, Leshi Internet, Leshi Zhijia and Leshi Pictures are referred to as "Leshi Companies", and have been accounted by the Group under the equity method of accounting. As at 31 December 2017, other than the investments in Leshi Companies mentioned above, the Group also has: (a) prepaid investments and contractually committed investments for additional equity interests in Leshi Zhijia and Leshi Pictures amounted to RMB1,300 million (collectively referred to as "Leshi Prepaid Investments"); (b) receivables due from Leshi Companies totalling RMB1,790 million ("Leshi Receivables"); and (c) provided a financial guarantee of RMB437 million to Leshi Internet in obtaining external bank borrowings ("Leshi Guarantee"). Investments in Leshi Companies, Leshi Receivables, Leshi Prepaid Investments are collectively referred to as "the Leshi Investments".	With respect to the determination of the recoverable amounts in the Leshi Investments and estimation of the provision loss in Leshi Guarantee, our procedures mainly included: a. We evaluated the Group's internal valuation process as well as the competence, capabilities and objectivity of independent external valuer. b. We assessed the appropriateness of the valuation models adopted in valuing different types of assets and estimation of the provision loss by reference to approaches commonly used in the market. c. For estimated future cash flows, we assessed and challenged the reasonableness of the key inputs and assumptions including future forecasted sales volume and amounts, cost structures, with reference to the historical results and current market conditions. d. For the discount rates adopted in calculating the present value of future cash flows, we assessed the reasonableness by comparing it with the costs of capital of comparable companies, or effective interest rates of bonds issued by comparable companies, as appropriate. e. We also tested management's sensitivity calculation focusing on those few key assumptions to which the calculation was most sensitive.

Key Audit Matter

Impairment assessment of Leshi Investments and estimation of provision loss in Leshi Guarantee (continued)

Due to the significant deterioration of the financial performance and operating environments of Leshi Companies in 2017, management of the Group considered there was an impairment indicator in the Leshi Investments, and as at 31 December 2017, the Group has made impairment provisions of RMB8,929 million for investments in Leshi Companies, RMB702 million for Leshi Prepaid Investments, RMB1,493 million for Leshi Receivables, and made a provision loss for Leshi Guarantee of RMB352 million after a detailed assessment with the assistance from an independent valuer engaged by the Group.

In relation to the above assessment, management adopted the following approach in determining the recoverable amounts in:

1. Investments in Leshi Companies, and Leshi Prepaid Investments – being the higher of fair value less cost of disposal and value-in-use;

2. Leshi Receivables – being the present value of the estimated future cash flows resulting from these financial assets discounted by the effective interest rate of Leshi Companies considering the incremental borrowing cost.

For Leshi Guarantee, the potential loss was estimated based on the estimated future cash outflows from the Group.

The above assessments involved complex and subjective judgements and assumptions, particularly when:

a. the estimation was made mainly from available and observable market information.

b. the estimation involved the present value of the future cash flow forecasts using revenue, gross margin and other operating costs projections, long-term growth rates of revenue, and discount rate.

The impairment assessment and estimation of provision loss was an area of focus for us given the size of amounts of impairment provisions and provision loss, the inherent uncertainties of the use of future forecast information, and that the overall assessment involved significant judgement and estimates.

How our audit addressed the Key Audit Matter

f. Where market information is used, we examined management's assumptions and evaluated their reasonableness by comparing them with the available and observable information.

g. We also checked the mathematical accuracy of the valuation calculations and on a sample basis the underlying data used in the calculations.

We found the data used and the key assumptions adopted in management in the impairment assessment and estimation of provision loss were consistent with the evidence we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of revenue from sales of properties over time	
Refer to Note 3 and Note 7 to the consolidated financial statements. Revenue from sales of properties 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, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2017, revenue from sales of properties, amounted to RMB 13,529 million, was recognised over time. For the revenue from sales of properties recognised over time, the Group recognised revenue by measuring the progress towards complete satisfaction of the performance obligation at the reporting date. The progress was measured by the percentage of the contract costs incurred up to the end of reporting period to the total estimated cost. Management used significant judgements and estimations to determine the progress towards complete satisfaction of the performance obligation at the reporting date. This was an area of our focus given the involvement of significant judgements and estimates during the recognition of revenue from sales of properties over time.	We understood, evaluated and tested the internal controls over the generation of cost data of the property projects. We selected some of the revenue from sales of properties recognised over time by sampling method and performed the following procedures: a. We assessed the reasonableness of the basis for estimated budget cost by checking the property development related contracts and comparing to the budgets prepared and the approval by management. b. We assessed the reasonableness of the basis for cost allocation by checking the scope of construction contracts. c. We tested the development costs incurred by tracing to the supporting documents and the survey reports from external supervising engineers, where applicable. d. We checked the mathematical accuracy of the calculation of cost allocation and completion progress of the property projects. e. We assessed the reasonableness of material adjustments to the projects budgeted costs during the construction period by checking the supporting documents including revised contracts or variation orders. We found the data used and the key estimations adopted by management were consistent with the evidence we obtained.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Brian Ming Yan Choi.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2018

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	**2017**	2016
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**39,262,620**	546,526
Investment properties	9	**12,821,611**	656,046
Intangible assets	10	**3,637,131**	421,353
Investments accounted for using the equity method	11	**58,613,221**	34,552,860
Deferred tax assets	12	**1,913,730**	2,385,982
Available-for-sale financial assets	13	**871,578**	160,000
Receivables	16	**915,750**	—
Amounts due from related companies	44(d)	**500,016**	—
Prepayments	17	**4,950,793**	1,657,285
Derivative financial instruments	26	**14,865**	105,359
		123,501,315	40,485,411
Current assets			
Properties under development	14	**271,514,992**	106,962,516
Completed properties held for sale	15	**42,242,613**	23,658,662
Inventories		**10,771**	—
Trade and other receivables	16	**18,411,699**	8,416,425
Contract assets	3	**263,936**	—
Amounts due from related companies	44(d)	**60,582,774**	37,919,092
Prepayments	17	**9,855,281**	5,928,319
Restricted cash	18	**28,285,601**	17,726,623
Cash and cash equivalents	19	**68,433,256**	52,086,050
		499,600,923	252,697,687
Total assets		**623,102,238**	293,183,098
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	**377,608**	331,408
Other reserves	22	**16,649,452**	6,737,203
Retained earnings		**26,775,180**	16,200,861
		43,802,240	23,269,472
Perpetual capital securities	23	**9,288,432**	9,957,036
Other non-controlling interests		**7,547,553**	2,184,645
Total equity		**60,638,225**	35,411,153

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2017** **RMB'000**	2016 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	25	**140,597,186**	80,199,682
Derivative financial instruments	26	**167,634**	187,776
Deferred tax liabilities	12	**34,498,436**	8,790,371
Other payables	24	**1,492,327**	—
		176,755,583	89,177,829
Current liabilities			
Trade and other payables	24	**68,789,140**	41,413,335
Advanced proceeds from customers	3	—	34,376,367
Contract liabilities	3	**131,190,587**	—
Amounts due to related companies	44(d)	**91,947,252**	51,671,111
Current tax liabilities		**14,411,985**	8,488,966
Borrowings	25	**78,672,660**	32,644,337
Derivative financial instruments	26	**53,839**	—
Provisions	27	**642,967**	—
		385,708,430	168,594,116
Total liabilities		**562,464,013**	257,771,945
Total equity and liabilities		**623,102,238**	293,183,098

The notes on pages 109 to 208 are an integral part of these consolidated financial statements.

The financial statements on pages 102 to 208 were approved by the Board of Directors on 28 March 2018 and were signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	7	**65,873,515**	35,343,492
Cost of sales	28	**(52,245,803)**	(30,495,461)
Gross profit		**13,627,712**	4,848,031
Selling and marketing costs	28	**(3,419,436)**	(916,229)
Administrative expenses	28	**(5,559,302)**	(1,339,442)
Other income and gains	31	**27,916,263**	3,280,274
Other expenses and losses	32	**(10,689,195)**	(22,690)
Operating profit		**21,876,042**	5,849,944
Finance income	33	**736,000**	392,232
Finance expenses	33	**(5,259,450)**	(3,190,588)
Finance expenses - net	33	**(4,523,450)**	(2,798,356)
Share of post-tax (losses)/profits of associates and joint ventures accounted for using the equity method, net	11	**(1,993,604)**	1,357,209
Profit before income tax		**15,358,988**	4,408,797
Income tax expense	34	**(3,694,608)**	(1,470,438)
Profit for the year		**11,664,380**	2,938,359
Other comprehensive income		**—**	—
Total comprehensive income for the year		**11,664,380**	2,938,359
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**11,003,863**	2,478,353
– Holders of perpetual capital securities	23	**679,084**	302,758
– Other non-controlling interests		**(18,567)**	157,248
		11,664,380	2,938,359
Earnings per share attributable to owners of the Company (expressed in RMB per share):	35		
– Basic earnings per share		**2.76**	0.71
– Diluted earnings per share		**2.70**	0.71

The notes on pages 109 to 208 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual Capital securities RMB'000	Other non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016		291,329	4,104,442	14,609,618	19,005,389	—	414,781	19,420,170
Total comprehensive income		—	—	2,478,353	2,478,353	302,758	157,248	2,938,359
Non-controlling interests arising on business combination		—	—	—	—	—	1,466,480	1,466,480
Capital contributions from non-controlling interests		—	—	—	—	—	147,900	147,900
Transactions with non-controlling interests		—	(74,492)	—	(74,492)	—	(1,764)	(76,256)
Issue of perpetual capital securities		—	—	—	—	9,827,900	—	9,827,900
Distributions to holders of perpetual capital securities		—	—	—	—	(173,622)	—	(173,622)
Employees share option schemes:								
– Value of employee services		—	57,890	—	57,890	—	—	57,890
– Proceeds from shares issued		449	12,289	—	12,738	—	—	12,738
Proceeds from private placement		39,630	2,409,530	—	2,449,160	—	—	2,449,160
Statutory reserve		—	887,110	(887,110)	—	—	—	—
Dividends relating to 2015		—	(659,566)	—	(659,566)	—	—	(659,566)
		40,079	2,632,761	(887,110)	1,785,730	9,654,278	1,612,616	13,052,624
Balance at 31 December 2016		331,408	6,737,203	16,200,861	23,269,472	9,957,036	2,184,645	35,411,153

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual Capital securities RMB'000	Other non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		331,408	6,737,203	16,200,861	23,269,472	9,957,036	2,184,645	35,411,153
Adjustment on adoption of HKFRS15, net of tax	3	—	—	451,560	451,560	—	6,978	458,538
Restated balance at 1 January 2017		331,408	6,737,203	16,652,421	23,721,032	9,957,036	2,191,623	35,869,691
Total comprehensive income/(loss)		—	—	11,003,863	11,003,863	679,084	(18,567)	11,664,380
Transactions with owners, recognised directly in equity								
Non-controlling interests arising on business combination	42(b)	—	—	—	—	—	7,510,460	7,510,460
Capital contributions from non-controlling interests		—	—	—	—	—	100,501	100,501
Disposal of subsidiaries	43	—	—	—	—	—	(1,536,459)	(1,536,459)
Transactions with non-controlling interests	41	—	(495,394)	—	(495,394)	—	(393,684)	(889,078)
Dividends to non-controlling interests		—	—	—	—	—	(306,321)	(306,321)
Capital increment from business partner	11.1	—	73,715	—	73,715	—	—	73,715
Issue of perpetual capital securities	23	—	—	—	—	1,376,000	—	1,376,000
Redemption of perpetual capital securities	23	—	—	—	—	(2,043,400)	—	(2,043,400)
Distributions to holders of perpetual capital securities	23	—	—	—	—	(680,288)	—	(680,288)
Employees share option schemes:								
– Value of employee services	22,30	—	210,370	—	210,370	—	—	210,370
– Proceeds from shares issued	20,22	5,972	263,044	—	269,016	—	—	269,016
Proceeds from private placement	20,22	40,228	9,970,751	—	10,010,979	—	—	10,010,979
Statutory reserve		—	881,104	(881,104)	—	—	—	—
Dividends relating to 2016	45	—	(991,341)	—	(991,341)	—	—	(991,341)
		46,200	9,912,249	(881,104)	9,077,345	(1,347,688)	5,374,497	13,104,154
Balance at 31 December 2017		377,608	16,649,452	26,775,180	43,802,240	9,288,432	7,547,553	60,638,225

The notes on pages 109 to 208 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	36	**83,163,789**	8,030,635
Income tax paid		**(8,064,420)**	(3,414,605)
Net cash generated from operating activities		**75,099,369**	4,616,030
Cash flows from investing activities			
Payments for business combinations, net	42	**(50,359,961)**	(9,092,613)
Disposal of subsidiaries	43	**271,954**	344,761
Payments for previous year equity investments		**(18,481,860)**	(436,753)
Prepayments of consideration for equity acquisitions		**(5,127,295)**	(2,198,587)
Cash advances to potential projects	16	**(1,849,082)**	(1,806,178)
Guarantee deposit for equity acquisitions	18	**(664,962)**	—
Proceeds from disposal of investment in a joint venture		**—**	60,000
Investments in joint ventures and associates		**(34,829,066)**	(15,087,121)
Dividend received from joint ventures and associates		**911,762**	49,423
Loans granted to joint ventures and associates		**(13,231,740)**	(10,047,720)
Loan repayments received from joint ventures and associates		**7,237,317**	3,472,515
Interests received		**1,487,455**	446,152
Loans to business partners		**(2,035,636)**	—
Payments for investment in available-for-sale financial assets	13	**(711,578)**	(160,000)
Purchases of property, plant and equipment ("PP&E") and intangible assets		**(2,238,045)**	(35,938)
Proceeds from disposals of PP&E		**54,300**	13,143
Purchases of investment properties		**(602,298)**	—
Net cash used in investing activities		**(120,168,735)**	(34,478,916)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**10,279,995**	2,461,898
Proceeds from issuance of perpetual capital securities		**1,376,000**	9,887,900
Redemption of perpetual capital securities		**(2,043,400)**	—
Proceeds from issue of corporate bonds and private domestic corporate bonds		**1,000,000**	18,935,300
Proceeds from borrowings		**123,017,209**	93,281,292
Repayments of borrowings		**(64,307,378)**	(51,043,865)
Payments for derivative financial instruments		**(61,630)**	(50,271)
Interest paid		**(4,006,299)**	(3,698,520)
Dividends paid to holders of perpetual capital securities		**(680,288)**	(173,622)
Dividends paid to Company's shareholders	45	**(991,341)**	(659,566)
Dividend or deemed dividend paid to non-controlling interests		**(4,362,445)**	—
Loans to non-controlling interests		**—**	(271,976)
Loans from non-controlling interests		**1,731,538**	—
Loan repayments to non-controlling interests		**(558,249)**	(170,277)
Acquisition of additional interests in subsidiaries		**(685,418)**	(111,619)
Restricted cash relieved/(guaranteed) for bank borrowings		**1,610,381**	(9,236,282)
Contribution from non-controlling interests		**54,001**	79,900
Others		**(9,045)**	—
Net cash generated from financing activities		**61,363,631**	59,230,292
Net increase in cash and cash equivalents		**16,294,265**	29,367,406
Cash and cash equivalents at beginning of year		**52,086,050**	22,687,280
Effects of exchange difference		**52,941**	31,364
Cash and cash equivalents at end of year	19	**68,433,256**	52,086,050

The notes on pages 109 to 208 are an integral part of these consolidated financial statements.

1 General information

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

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1- 9005, Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

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. 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 ("HKFRSs") 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 available-for-sale financial assets, derivative financial instruments and investment property that are measured at fair value.

(iii) Going concern

The Group meets its day-to-day working capital requirements mainly through its finance facilities from banks and other financial institutions. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's developed properties; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2 Summary of significant accounting policies *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

(iv) 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 2017:

- *Recognition of Deferred Tax Assets for Unrealised Losses – amendments to HKAS 12,*
- *Disclosure initiative – amendments to HKAS 7, and*
- *Disclosure of interest in other entities – amendments to HKFRS 12.*

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 36(b).

The Group has also elected to early adopt the following standard:

HKFRS 15 *Revenue from Contracts with Customers* as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") is effective for the financial year beginning or after 1 January 2018.

The Group, however, has elected to early adopt HKFRS 15 for its 2017 financial year. The Group has also elected to apply the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2017 and that prior period comparatives will not be restated. The effects of the adoption of HKFRS 15 are set out in Note 3 below.

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

HKFRS 9 *Financial instruments*

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

2 Summary of significant accounting policies *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

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

HKFRS 9 *Financial instruments (continued)*

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The majority of the Group's debt and equity instruments that are currently classified as available-for-sale financial assets will satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead will be reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, there was no transaction about disposal of available-for-sale financial assets occurred.

The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("FVPL"). The Group estimates that there is no significant impact on the Group's accounting for financial liabilities as the Group does not have any non-derivative liabilities that are measured at fair value. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group entered into certain currency derivative contracts which were not qualified as hedging accounting. These are currently accounted as derivative financial instruments at FVPL. The Group does not expect a significant impact on the accounting under HKFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects that there may be insignificant increase in the loss allowance for amounts due from debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2 Summary of significant accounting policies *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

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

HKFRS 9 *Financial instruments (continued)*

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard.

HKFRS 16 *Leases*

Nature of change

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB185.8 million (Note 37). The Group estimates that there may be insignificant impact relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory application date/Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

2 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.

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

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

(ii) Associates

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

(iii) Joint arrangements

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

(iv) Equity accounting

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.

2 Summary of significant accounting policies *(continued)*

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

(iv) Equity accounting *(continued)*

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.

Contingent consideration is classified either as equity or 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 income or other expenses.

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

2 Summary of significant accounting policies *(continued)*

2.6 FOREIGN CURRENCY TRANSLATION *(continued)*

(iii) Group companies

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

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

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

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

2.7 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

2 Summary of significant accounting policies *(continued)*

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.

2.9 INTANGIBLE ASSETS

(i) Goodwill

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

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

(ii) Land use rights

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

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

(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.

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 categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. See Note 40 for details about each type of financial asset.

a. Financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, ie are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables, amounts due from related companies, restricted cash and cash and cash equivalents (Notes 2.18 and 2.19).

2 Summary of significant accounting policies *(continued)*

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

(i) Classification *(continued)*

c. Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Reclassification

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

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

(iii) 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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

2 Summary of significant accounting policies *(continued)*

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(continued)*

(iv) Measurement

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

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

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

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

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

2.12 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 IMPAIRMENT OF FINANCIAL ASSETS

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

(i) Assets carried at amortised cost

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

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

(ii) Assets classified as available-for-sale

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

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

2 Summary of significant accounting policies *(continued)*

2.14 DERIVATIVES AND HEDGING ACTIVITIES

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

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

2.15 PROPERTIES UNDER DEVELOPMENT

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

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

2.16 COMPLETED PROPERTIES HELD FOR SALE

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

Cost comprises development costs attributable to the unsold properties.

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

2.17 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 Summary of significant accounting policies *(continued)*

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 fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.11 for further information about the Group's accounting for trade receivables and Note 2.13 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.

2.20 SHARE CAPITAL

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.

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 Summary of significant accounting policies *(continued)*

2.23 BORROWINGS

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

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

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

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

2.24 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.

2 Summary of significant accounting policies *(continued)*

2.24 BORROWING COSTS *(continued)*

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

2.25 CURRENT AND DEFERRED INCOME TAX

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

Current income tax

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

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.

2 Summary of significant accounting policies *(continued)*

2.25 CURRENT AND DEFERRED INCOME TAX *(continued)*

Deferred income tax *(continued)*

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.

2.26 EMPLOYEE BENEFITS

(i) Short-term obligations

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

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

(ii) Retirement benefits

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

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

(iii) Termination benefits

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

2 Summary of significant accounting policies *(continued)*

2.27 SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Company's share option schemes. Information relating to these schemes is set out in Note 21.

(i) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. 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)*

2.28 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.

2.29 REVENUE RECOGNITION

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

(i) Sales of properties

In prior reporting period, the Group recognises the revenue from sales of properties when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and recoverability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as "Advanced proceeds from customers" within current liabilities.

In adopting HKFRS 15, 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.

2 Summary of significant accounting policies *(continued)*

2.29 REVENUE RECOGNITION *(continued)*

(i) Sales of properties *(continued)*

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

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

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.

(ii) Rental income

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

(iii) Service income

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

(iv) Hotel operations

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

(v) Theme parks operations

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

(vi) Fitting and decoration services

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

2 Summary of significant accounting policies *(continued)*

2.30 INTEREST INCOME

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.31 DIVIDEND INCOME

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

2.32 LEASES

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

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

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

2.33 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

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 statement of profit or loss over the year necessary to match them with the costs that they are intended to compensate.

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

2 Summary of significant accounting policies *(continued)*

2.35 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 HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments 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.

3 Change in accounting policy

As explained in Note 2.1(iv) above, the Group has early adopted HKFRS 15 from 1 January 2017, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, prior period comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provisions of HKAS 18 *Revenue* ("HKAS18") and HKAS 11 *Construction contracts* ("HKAS11") that relate to the recognition, classification and measurement of revenue and costs.

The effects of the adoption of HKFRS 15 are as follows:

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

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.

3 Change in accounting policy *(continued)*

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, are capitalised as contract assets.

Presentation of contract liabilities

Reclassifications were made as at 1 January 2017 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities recognised in relation to property development activities were previously presented as advanced proceeds received from customers.

(a) The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 January 2017			
	As previously stated RMB'000	Reclassifications under HKFRS 15 RMB'000	Adjustments under HKFRS 15 RMB'000	Restated RMB'000
Consolidated balance sheet (extract)				
Investments accounted for using the equity method	34,552,860	—	229,288	34,782,148
Deferred tax assets	2,385,982	—	49,111	2,435,093
Properties under development	106,962,516	—	(938,777)	106,023,739
Completed properties held for sale	23,658,662	—	(696,607)	22,962,055
Contract assets (note c(i))	—	—	120,734	120,734
Prepayments	5,928,319	—	(4,307)	5,924,012
Advanced proceeds from customers	34,376,367	(34,376,367)	—	—
Contract liabilities (note c(ii))	—	34,376,367	(2,069,091)	32,307,276
Trade and other payables	41,413,335	—	162,485	41,575,820
Deferred tax liabilities	8,790,371	—	(63,773)	8,726,598
Current income tax liabilities	8,488,966	—	271,283	8,760,249
Retained earnings	16,200,861	—	451,560	16,652,421
Non-controlling interests	2,184,645	—	6,978	2,191,623

3 Change in accounting policy *(continued)*

(b) The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2017			
	Results without the early adoption of HKFRS 15 RMB'000	Reclassifications under HKFRS 15 RMB'000	Effects of the early adoption of HKFRS 15 RMB'000	Results as reported RMB'000
Consolidated balance sheet (extract)				
Investments accounted for using the equity method	57,637,624	—	975,597	58,613,221
Deferred tax assets	1,809,498	—	104,232	1,913,730
Properties under development	276,585,006	—	(5,070,014)	271,514,992
Completed properties held for sale	44,590,288	—	(2,347,675)	42,242,613
Contract assets (note c(i))	—	—	263,936	263,936
Prepayments	9,865,332	—	(10,051)	9,855,281
Advanced proceeds from customers	140,746,494	(140,746,494)	—	—
Contract liabilities (note c(ii))	—	140,746,494	(9,555,907)	131,190,587
Trade and other payables	68,060,787	—	728,353	68,789,140
Deferred tax liabilities	34,968,138	—	(469,702)	34,498,436
Current income tax liabilities	13,240,857	—	1,171,128	14,411,985
Retained earnings	24,808,767	—	1,966,413	26,775,180
Non-controlling interests	7,471,813	—	75,740	7,547,553

3 Change in accounting policy *(continued)*

(b) The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows: *(continued)*

	Year ended 31 December 2017		
	Results without the early adoption of HKFRS 15 RMB'000	Effects of the early adoption of HKFRS 15 RMB'000	Results as reported RMB'000
Consolidated statement of comprehensive income (extract)			
Revenue	63,050,150	2,823,365	65,873,515
Cost of sales	(50,291,004)	(1,954,799)	(52,245,803)
Other income and gains	27,888,033	28,230	27,916,263
Other expense and losses	(10,703,586)	14,391	(10,689,195)
Share of post-tax losses of associates and joint ventures accounted for using the equity method, net	(2,955,779)	962,175	(1,993,604)
Income tax expenses	(3,379,296)	(315,312)	(3,694,608)
Profit for the year	10,106,330	1,558,050	11,664,380
– Attributable to owners of the Company	9,489,010	1,514,853	11,003,863
– Attributable to other non-controlling interests	(61,764)	43,197	(18,567)
Consolidated cash flow statement (extract)			
Cash generated from operations			
– Profit before income taxes	13,485,626	1,873,362	15,358,988
Adjustments for:			
– Share of post-tax losses of investments accounted for using equity method, net	3,108,780	(962,175)	2,146,605
– Gains from business combinations	(25,079,331)	(28,230)	(25,107,561)
– Losses on disposals of subsidiaries	275,665	(14,391)	261,274
Changes in working capital:			
– Properties under development and completed properties held for sale	(13,142,674)	1,954,799	(11,187,875)
– Contract assets	—	(143,202)	(143,202)
– Advanced proceeds from customers	50,859,168	(50,859,168)	—
– Contract liabilities	—	47,981,683	47,981,683
– Trade and other payables	(9,764,351)	197,322	(9,567,029)

3 Change in accounting policy *(continued)*

(c) Contract assets and liabilities

(i) As at 1 January and 31 December 2017, the contract assets mainly consisted of unbilled amount resulting from sale of properties when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer.

(ii) As at 1 January and 31 December 2017, the contract liabilities mainly included the payments received from sales of properties which were usually received in advance of the performance under the contracts. The increase in contract liabilities during the year was in line with the growth of the Group's contracted sales and also due to an amount of RMB 54 billion recognised in relation to business combination.

(iii) Revenue from sales of properties totalled RMB1.7 billion was recognised in current reporting period that was included in the contract liability balance at the beginning of the year.

Management expects that the majority of the contract amounts allocated to unsatisfied performance obligations totalled RMB13 billion as of 31 December 2017 will be recognised as revenue from sales of properties during the next reporting period.

(iv) For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclosure the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term.

4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

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

4.1 FINANCIAL RISK FACTORS

(a) Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. The foreign currency balances as at 31 December 2017 were primarily related to bank deposits, borrowings and the senior notes denominated in United States dollar ("USD") or Hong Kong dollar ("HKD") or European dollar ("EUR").

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

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

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Assets		
HKD	**5,126,283**	421,936
USD	**761,625**	93,148
EUR	**133**	—
	5,888,041	515,084
Liabilities		
USD	**10,725,557**	4,579,276
HKD	**2,101,784**	—
EUR	**331,486**	842,984
	13,158,827	5,422,260

As at 31 December 2017, 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 RMB151 million lower/higher (2016: RMB21 million lower/higher).

As at 31 December 2017, 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 RMB498 million higher/lower (2016: RMB224 million higher/lower).

As at 31 December 2017, if RMB had strengthened/weakened by 5% against the EUR dollar with all other variables held constant, the post-tax profit for the year would have been RMB17 million higher/lower (2016: RMB42 million higher/lower).

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings and interest-bearing amounts due from related companies. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings issued and amounts due from related companies with fixed rates expose the Group to fair value interest-rate risk. In 2017, the Group's borrowings were denominated in RMB, USD, HKD and EUR. (2016: RMB, USD and EUR).

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

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

	Floating rates				Fixed rates				
RMB' million	Less than 1 year	1 to 5 years	over 5 years	Sub-total	Less than 1 year	1 to 5 years	over 5 years	Sub-total	Total
At 31 December 2017									
Amount due from related companies	—	—	—	—	**19,296**	—	—	**19,296**	**19,296**
Borrowings	**30,173**	**40,970**	**5,318**	**76,461**	**48,500**	**91,285**	**3,024**	**142,809**	**219,270**
At 31 December 2016									
Amount due from related companies	—	—	—	—	11,147	—	—	11,147	11,147
Borrowings	12,954	14,076	19	27,049	19,690	53,113	12,992	85,795	112,844

As at 31 December 2017, 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 RMB364.4 million (2016: lower/higher by RMB72.46 million) and the capitalised interest for the year would have been higher/lower by RMB326.95 million. (2016: higher/lower by RMB80.42 million) respectively.

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

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

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(a) Market risk *(continued)*

(iii) Price risk

The Group is not exposed to equity securities price or commodity price risk.

(b) Credit risk

The Group has no significant concentrations of credit risk. The maximum extent of the Group's credit exposure in relation to financial assets is represented by the aggregate balance of cash and cash equivalents, restricted cash, trade and other receivable, amounts due from related companies included in the consolidated balance sheets. Cash transactions are limited to high-credit-quality banks. The Group has policies in place to ensure that sales of properties are made to customers with an appropriate financial strength and appropriate percentage of down payment. Credit is granted to customers with sufficient financial strength. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

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

(c) Liquidity risk

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

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

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

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(c) Liquidity risk *(continued)*

(i) Financing arrangements

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

	2017 RMB'000	2016 RMB'000
– Expiring within one year (bank loans)	**3,631,570**	6,066,627
– Expiring beyond one year (bank loans)	**21,073,482**	11,762,970
	24,705,052	17,829,597

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 2.43 years (2016: 3.17 years).

(ii) Maturities of financial liabilities

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

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

4 Financial risk management *(continued)*

4.1 FINANCIAL RISK FACTORS *(continued)*

(c) Liquidity risk *(continued)*

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

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

In RMB' million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2017					
Borrowings and interest payments	**91,339**	**62,421**	**86,242**	**9,823**	**249,825**
Trade and other payables (Note 24)	**64,537**	**1,492**	—	—	**66,029**
Amounts due to related companies (Note 44(d))	**91,947**	—	—	—	**91,947**
Derivative financial instruments (Note 26)	**54**	**78**	**89**	—	**221**
Financial guarantee contracts (Note 38)	**66,495**	—	—	—	**66,495**
At 31 December 2016					
Borrowings and interest payments	38,678	31,380	44,786	13,711	128,555
Trade and other payables (Note 24)	39,611	—	—	—	39,611
Amounts due to related companies (Note 44(d))	51,671	—	—	—	51,671
Derivative financial instruments (Note 26)	—	28	160	—	188
Financial guarantee contracts (Note 38)	26,019	—	—	—	26,019

Note:

– The interest payments on borrowings are calculated based on borrowings held as at 31 December 2017 and 2016 without taking into account of future borrowings. Floating-rate interest is estimated using the current interest rate at 31 December 2017 and 2016 respectively.

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

4 Financial risk management *(continued)*

4.2 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to

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

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

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

The gearing ratios of the Group as at 31 December 2017 and 2016 were as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Total borrowings (Note 25)	**219,269,846**	112,844,019
Less: Restricted cash (Note 18)	**(28,285,601)**	(17,726,623)
Cash and cash equivalents (Note 19)	**(68,433,256)**	(52,086,050)
Net debt	**122,550,989**	43,031,346
Total capital	**183,189,214**	78,442,499
Gearing ratio	**66.90%**	54.86%

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 100%, and
- the equity/assets ratio of individual subsidiary must be not less than 30%.

As at 31 December 2017, the Group complied with the covenant of the fixed charge coverage ratio.

As at 31 December 2017, long-term bank borrowings of certain subsidiaries of the Group, totalled RMB6 billion, were reclassified as current liabilities according to the respective loan covenants.

5 Fair value estimation

(A) FINANCIAL ASSETS AND LIABILITIES

(i) Fair value hierarchy

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

Recurring fair value measurements

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

Recurring fair value measurements

At 31 December 2016	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets					
Available-for-sale financial assets	13	—	—	160,000	160,000
Derivative financial instruments	26	—	105,359	—	105,359
Financial liabilities					
Derivative financial instruments	26	—	187,776	—	187,776

5 Fair value estimation *(continued)*

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

(i) Fair value hierarchy *(continued)*

During the year ended 31 December 2017, there were no reclassifications of financial assets and liabilities and no transfers between different levels.

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

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

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

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the fair value of the Foreign Currency Contracts is calculated using option pricing model and the present value of the estimated future premium payments set out in these contracts
- the fair value of option embedded in the corporate bond contracts is determined using the option pricing model.
- the fair value of available-for-sale financial assets is determined using discounted cash flow analysis, price/earnings multiple method and direct market quote with adjustments for counterparty or own credit risk.

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

There were no significant fair value changes in level 3 items for the periods ended 31 December 2017 and 2016.

5 Fair value estimation *(continued)*

(B) NON-FINANCIAL ASSETS AND LIABILITIES

(i) Fair value hierarchy

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

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

At 31 December 2016	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investment properties	9	—	—	656,046	656,046

During the year ended 31 December 2017, there were no reclassifications of non-financial assets and non-liabilities and no transfers between different levels.

(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 its 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 consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

The valuations are derived using the discounted cash flow method. The net present value of the income stream is estimated by applying an appropriate discount rate which reflects the risk profile.

5 Fair value estimation *(continued)*

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

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

See Note 9 for further information about the changes in level 3 items for the periods ended 31 December 2017 and 2016.

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 2017 RMB'000**	31 Dec 2016 RMB'000	Valuation method	Significant unobservable inputs	2017	2016
Office buildings, shopping malls, commercial properties and certain construction in progress	**9,656,457**	656,046	Discounted cash flow	Prevailing market rents; Vacancy Rate; Discount rates	RMB85-RMB164 per unit per month Vacancy rate: 15%-30% Discount rates: 4.5%-7%	RMB101-RMB210 per unit per month Vacancy rate: 5%-10% Discount rates: 4.5%-5%
Construction in progress	**3,165,154**	—	Direct comparison method	Land value	RMB1,521-RMB6,149 per unit floor	—

Discount rate is assessed by the independent valuers based on the risk profile of the properties being valued.

Relationships of unobservable inputs to fair value are as follows:

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

(iv) Valuation processes

As at 31 December 2017, management performed valuation for the office buildings and commercial properties classified as investment properties. The last independent valuation of these buildings was performed by DTZ Cushman & Wakefield Limited at 30 September 2017 or 31 December 2017.

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

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

6 Critical accounting estimates and judgements

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

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

(A) PRC CORPORATE INCOME TAXES AND DEFERRED TAXATION

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

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

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

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

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

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

(D) FAIR VALUE OF INVESTMENT PROPERTIES

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

6 Critical accounting estimates and judgements *(continued)*

(E) IMPAIRMENT ASSESSMENT OF THE LESHI INVESTMENTS AS DEFINED IN NOTE11.2, RECEIVABLES DUE FROM LESHI COMPANIES AS DESCRIBED IN NOTE 44 AND ESTIMATION OF PROVISION LOSS IN LESHI GUARANTEE AS DEFINED IN NOTE 27

The Group tests assets whether investments and receivables 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 CGUs' fair value less cost to sell and its value-in-use which requires the use of assumptions and estimates. In 2017, based on such reviews, the directors of the Company ("the Directors") have determined that Leshi Investments were impaired and relevant provision had been made (Note 11.2 and Note 17).

Receivables due from Leshi Companies are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivables is recognised at the difference between the carrying amount of that receivables and the present value of its estimated future cash flows (excluding future credit losses that have been incurred discounted) at the final asset's original effective interest rate. The provision for doubtful debts is determined based on the credit risk characteristics, taking into consideration of the current circumstances. In 2017, based on such reviews the Directors have determined that receivables were impaired (Note 44(d) (i)).

The Group provided a financial guarantee to Leshi Companies in assisting bank borrowings. In 2017, the Directors made a provision loss for Leshi Guarantee based on the estimated future cash outflows from the Group (Note 27).

Significant judgement and assumptions are required in above impairment assessment and estimation of provision loss.

(F) REVENUE RECOGNITION

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

As disclosed in Note 38, 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 significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

6 Critical accounting estimates and judgements *(continued)*

(G) GAINS FROM BUSINESS COMBINATION

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

7 Segment information

The executive directors of the Company review the Group's internal reporting in order to assess performance and allocate resources of the Group. The executive directors of the Company have determined the operating segments based on these reports.

The executive directors assess the performance of the Group organised as follows:

- Property development
- All other segments

Other services include property management, cultural and tourism project operation, property rentals and fitting and decoration services. The results of these operations are included in the "all other segments" column. Cultural and tourism project operation including hotel operation is a new area the Group forayed into in year 2017, the detail of which is elaborated in Note 42.

The performance of such operating segments is assessed based on a measure of profit/(loss) before income tax.

Segment assets primarily consist of all assets excluding deferred tax assets, available-for-sale financial assets, derivative financial instruments and certain investments accounted using the equity method, which are managed on a central basis. Segment liabilities primarily consist of all liabilities excluding deferred tax liabilities, current income tax liabilities and derivative financial instruments.

7 Segment information *(continued)*

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

	Year ended 31 December 2017		
	Property development RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	62,569,237	3,773,621	66,342,858
Recognised at a point in time	49,040,247	—	49,040,247
Recognised over time	13,528,990	3,773,621	17,302,611
Inter-segment revenue	—	(469,343)	(469,343)
Revenue from external customers	62,569,237	3,304,278	65,873,515
Segment gross profit	12,164,294	1,463,418	13,627,712
Selling and marketing costs	(3,230,920)	(188,516)	(3,419,436)
Administrative expenses	(2,786,090)	(671,383)	(3,457,473)
Other income and gains	27,864,090	52,173	27,916,263
Other expenses and losses	(515,194)	(5,285)	(520,479)
Finance income	736,000	—	736,000
Finance expenses	(5,242,463)	(16,987)	(5,259,450)
Share of post-tax profits of associates and joint ventures accounted for using equity method, net	2,482,315	225	2,482,540
Profit before income tax	31,472,032	633,645	32,105,677
Other segment item is as follow:			
Depreciation and amortisation	62,044	277,101	339,145
Reversal of impairment losses	(265,114)	—	(265,114)

	As at 31 December 2017		
	Property development RMB'000	All other segments RMB'000	Total RMB'000
Total segment assets	565,926,857	52,318,793	618,245,650
Total segment liabilities	502,291,456	11,040,663	513,332,119

7 Segment information *(continued)*

	Year ended 31 December 2016		
	Property development RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	34,610,933	809,504	35,420,437
Inter-segment revenue	—	(76,945)	(76,945)
Revenue from external customers	34,610,933	732,559	35,343,492
Segment gross profit	4,688,516	159,515	4,848,031
Selling and marketing costs	(866,403)	(49,826)	(916,229)
Administrative expenses	(1,234,144)	(105,298)	(1,339,442)
Other income and gains	3,275,216	5,058	3,280,274
Other expenses and losses	(20,002)	(2,688)	(22,690)
Finance income	392,231	1	392,232
Finance expenses	(3,185,864)	(4,724)	(3,190,588)
Share of post-tax profits of associates and joint ventures accounted for using equity method, net	1,357,209	—	1,357,209
Profit before income tax	4,406,759	2,038	4,408,797
Other segment item is as follow:			
Depreciation and amortisation	32,570	2,537	35,107
Impairment losses	606,350	—	606,350

	As at 31 December 2016		
	Property development RMB'000	All other segments RMB'000	Total RMB'000
Total segment assets	288,895,403	1,636,354	290,531,757
Total segment liabilities	238,292,582	2,012,250	240,304,832

7 Segment information *(continued)*

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

	2017 RMB'000	2016 RMB'000
Total segment profits before income tax	**32,105,677**	4,408,797
Administrative expenses	**(2,101,829)**	—
Other expenses and losses	**(10,168,716)**	—
Share of losses of investments accounted for using equity method, net	**(4,476,144)**	—
Total profits before income tax	**15,358,988**	4,408,797

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Total segment assets	**618,245,650**	290,531,757
Deferred tax assets	**1,913,730**	2,385,982
Other assets	**2,942,858**	265,359
Total assets	**623,102,238**	293,183,098
Total segment liabilities	**513,332,119**	240,304,832
Deferred tax liabilities	**34,498,436**	8,790,371
Other liabilities	**14,633,458**	8,676,742
Total liabilities	**562,464,013**	257,771,945

8 Property, plant and equipment

	Note	Buildings RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold Improve-ments RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2016							
Cost		—	74,295	44,666	38,834	—	157,795
Accumulated depreciation		—	(35,762)	(36,709)	(16,365)	—	(88,836)
Net book amount		—	38,533	7,957	22,469	—	68,959
Year ended 31 December 2016							
At 1 January 2016		—	38,533	7,957	22,469	—	68,959
Additions		—	9,630	18,449	7,859	—	35,938
Acquisition of subsidiaries		363,742	8,854	63,889	53,378	—	489,863
Disposal of subsidiaries		—	(279)	(7)	—	—	(286)
Disposals		—	(1,615)	(11,452)	(76)	—	(13,143)
Depreciation charges		—	(17,419)	(9,112)	(8,274)	—	(34,805)
At 31 December 2016		363,742	37,704	69,724	75,356	—	546,526
At 31 December 2016							
Cost		363,742	85,431	110,245	99,979	—	659,397
Accumulated depreciation		—	(47,727)	(40,521)	(24,623)	—	(112,871)
Net book amount		363,742	37,704	69,724	75,356	—	546,526
Year ended 31 December 2017							
At 1 January 2017		363,742	37,704	69,724	75,356	—	546,526
Additions		—	9,881	72,041	108,763	2,046,812	2,237,497
Transferred from completed properties held for sale		67,651	—	—	—	—	67,651
Acquisition of subsidiaries	42(b)	21,555,933	39,156	156,206	8,523	15,012,095	36,771,913
Disposal of subsidiaries	43	—	(359)	(11,721)	(465)	—	(12,545)
Disposals		—	(7,184)	(39,851)	(7,296)	—	(54,331)
Depreciation charges		(244,722)	(10,422)	(21,306)	(17,641)	—	(294,091)
At 31 December 2017		21,742,604	68,776	225,093	167,240	17,058,907	39,262,620
At 31 December 2017							
Cost		21,987,326	112,827	227,274	208,665	17,058,907	39,594,999
Accumulated depreciation		(244,722)	(44,051)	(2,181)	(41,425)	—	(332,379)
Net book amount		21,742,604	68,776	225,093	167,240	17,058,907	39,262,620

Depreciation expense of RMB215 million (2016: RMB2 million) has been charged to "cost of sales", RMB30 million (2016: RMB2 million) in "selling and marketing costs" and RMB49 million (2016: RMB31 million) in "administrative expenses".

8 Property, plant and equipment *(continued)*

(I) NON-CURRENT ASSETS PLEDGED AS SECURITY

Refer to Note 39 for information on non-current assets pledged as security by the Group.

(II) CONTRACTUAL OBLIGATIONS

Refer to Note 37 for disclosure of contractual obligations to purchase, construct or develop buildings.

9 Investment properties

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

	Note	Completed Investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At 1 January 2016		—	—	—
Additions attributable to business combinations		656,046	—	656,046
At 31 December 2016		656,046	—	656,046
Additions attributable to business combinations	42(b)	8,211,000	3,405,382	11,616,382
Additions		—	602,298	602,298
Fair value changes	32	7,685	(21,176)	(13,491)
Transfer to completed properties held for sale		(39,624)	—	(39,624)
At 31 December 2017		8,835,107	3,986,504	12,821,611

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

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

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

	2017 RMB'000	2016 RMB'000
Rental income	**159,585**	—
Direct operating expenses from property that generated rental income	**(38,587)**	—
Fair value loss recognised in other expense	**(13,491)**	—

9 Investment properties *(continued)*

(II) NON-CURRENT ASSETS PLEDGED AS SECURITY

Refer to Note 39 for information on non-current assets pledged as security by the Group.

(III) CONTRACTUAL OBLIGATIONS

Refer to Note 37 for disclosure of contractual obligations to purchase, construct or develop investment properties.

(IV) LEASING ARRANGEMENTS

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

	2017	2016
	RMB'000	RMB'000
Within 1 year	**342,501**	39,138
Later than 1 year but no later than 5 years	**735,474**	65,758
Later than 5 years	**386,406**	3,072
	1,464,381	107,968

10 Intangible assets

	31 December 2017	31 December 2016
	RMB'000	RMB'000
Land use right (A)	**2,797,701**	—
Goodwill (B)	**639,512**	411,148
Softwares and others (C)	**199,918**	10,205
	3,637,131	421,353

(A) LAND USE RIGHT

	2017	2016
	RMB'000	RMB'000
At 1 January	—	—
Additions attributable to business combinations (Note 42)	**2,818,542**	—
Additions	**258**	—
Amortisation	**(21,099)**	—
At 31 December	**2,797,701**	—

10 Intangible assets *(continued)*

(A) LAND USE RIGHT *(continued)*

The Group's land use rights are all located in the PRC.

(i) Non-current assets pledged as security

Refer to Note 39 for information on non-current assets pledged as security by the Group.

(ii) Contractual obligations

Refer to Note 37 for disclosure of contractual obligations to purchase land use right.

(B) GOODWILL

	2017 RMB'000	2016 RMB'000
At beginning of year	**411,148**	228,699
Acquisitions of subsidiaries (Note 42(a))	**285,689**	182,449
Impairment charges (Note 32)	**(57,325)**	—
At end of year	**639,512**	411,148

Goodwill was generated from business combination and allocated to each project or a group of projects, which is expected to benefit from the synergies of the combination. Each project or a group of projects is identified as a CGU. Management reviews the business performance and monitors the goodwill on individual CGU basis. The recoverable amount of a CGU is determined based on value-in-use method. A pre-tax discount rate of 20% was used for the analysis of each CGU in the operating entities as at 31 December 2017 (2016 pre-tax discount rate: 20%).

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

(C) SOFTWARES AND OTHERS

	2017 RMB'000	2016 RMB'000
At 1 January	**10,205**	1,570
Additions attributable to business combinations (Note 42)	**213,585**	8,961
Disposal of subsidiaries (Note 43)	**(207)**	(24)
Additions	**290**	—
Amortisation	**(23,955)**	(302)
At 31 December	**199,918**	10,205

11 Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Joint ventures	**32,302,811**	24,679,369
Associates	**26,310,410**	9,873,491
	58,613,221	34,552,860

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

	2017 RMB'000	2016 RMB'000
Share of profits of joint ventures	**760,084**	588,450
Share of (losses)/profits of associates	**(2,906,689)**	247,644
Gains from acquisitions of associates	**153,001**	521,115
	(1,993,604)	1,357,209

11.1 INVESTMENTS IN JOINT VENTURES

The following table analyses, on an aggregate basis, the movement of the carrying amount of the Group's investments in joint ventures, and the shares of results of these joint ventures:

	2017 RMB'000	2016 RMB'000
At beginning of year, as previously stated	**24,679,369**	10,691,975
Adjustment on adoption of HKFRS 15, net of tax	**138,091**	—
At beginning of year, after the adoption of HKFRS 15	**24,817,460**	10,691,975
Additions:		
– Capital contributions to joint ventures at establishment	**1,148,453**	5,634,040
– Acquisitions of joint ventures	**7,469,983**	6,401,571
– Additional investments in existing joint ventures	**1,961,936**	589,008
– Subsidiaries becoming joint ventures (Note 43(a))	**39,948**	38,551
– Additions attributable to business combinations	**—**	1,261,740
Disposals:		
– Disposal of investments in joint ventures	**—**	(49,869)
– Joint ventures becoming subsidiaries (Note 42(a))	**(1,373,805)**	(28,417)
– Joint ventures becoming associates (Note 11.2)	**(1,180,672)**	—
Capital deduction of joint ventures	**(489,196)**	—
Share of profits of joint ventures, net	**760,084**	588,450
Share of additional capital reserve in a joint venture (Note 22)	**73,715**	—
Dividends from joint ventures	**(925,095)**	(447,680)
At end of year	**32,302,811**	24,679,369

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

11.1 INVESTMENTS IN JOINT VENTURES *(continued)*

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 2017 and 2016:

Name of joint ventures	Registered capital (RMB' million)	Equity interest attributable to the Group: 31 December 2017	Equity interest attributable to the Group: 31 December 2016	Principal activities
Hangzhou Rongyue Investment Co., Ltd.	143	**50%**	50%	Investment holding
Hangzhou Heming Investment Co., Ltd.	5	**50%**	50%	Investment holding
Hangzhou Yuecheng Investment Co., Ltd.	55	**50%**	50%	Investment holding
Jiaxing Zhenchuang Investment Partnership (Limited Partnership)	10,001	**40%**	40%	Investment holding
Beijing Sunac Hengyu Real Estate Co., Ltd.	2,500	**63%**	63%	Real estate development

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

(i) Commitments in respect of joint ventures

	31 December 2017 RMB'000	31 December 2016 RMB'000
Commitments – joint ventures		
Commitment to provide funding for joint venture's capital commitments	—	47,800

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

11.2 INVESTMENTS IN ASSOCIATES

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

	2017 RMB'000	2016 RMB'000
At beginning of year, as previously stated	**9,873,491**	4,568,606
Adjustment on adoption of HKFRS 15, net of tax	**91,197**	—
At beginning of year, after the adoption of HKFRS 15	**9,964,688**	4,568,606
Additions:		
– Capital contribution to an associate established by the Group	**271,000**	497
– Acquisitions of associates (a)	**20,125,804**	5,641,999
– Additional investments in an existing associate (b)	**1,437,146**	—
– A subsidiary becoming an associate (Note 43(a))	**5,439,506**	—
– Joint ventures becoming associates (Note 11.1)	**1,180,672**	—
– Investments in associates owned by newly acquired subsidiaries	**—**	6,500
Disposals:		
– An associate becoming a subsidiary (Note 42(a))	**(5,642)**	—
Impairment provisions for investments in associates ((c), Note 32)	**(8,928,907)**	—
Share of (losses)/profits of associates, net	**(2,906,689)**	247,644
Dividends from associates	**(267,168)**	(591,755)
At end of year	**26,310,410**	9,873,491

Note:

(a) The acquisition of associates mainly included the following investments:

In 2017, the Group acquired 8.56% equity interest in Leshi Internet Information & Technology Corp (Beijing) ("Leshi Internet"), 33.5% equity interest in New Leshi Zhijia Electronic Technology (Tianjin) Limited ("Leshi Zhijia"; formerly known as Leshi Zhixin Electronic Technology (Tianjin) Limited) and 21% equity interest in Le Vision Pictures (Beijing) Co. Ltd. ("Leshi Pictures") (together, "Leshi Companies") at an aggregate consideration of RMB15,461 million.

Leshi Internet is a company established in the PRC with limited liability whose shares are listed on the Shenzhen Stock Exchange. Leshi Internet is mainly engaged in the video platform advertising service, provision of membership services for video on demand. Leshi Zhijia is a subsidiary of Leshi Internet and principally engaged in the business of the research and development, production and sales of internet and intelligent TV. Leshi Pictures is a company established in the PRC with limited liability whose principal business activity is investment and production and distribution of films, and licensing and sub-licensing of film and TV copyrights and business development.

The Group estimated its share of the net fair values of the identifiable assets and liabilities of Leshi Companies as of the dates of acquisition. The excess of the considerations over the Group's share of the fair values of Leshi Companies' net assets were accounted for as goodwill and were recorded in the carrying values of the investments.

As at 31 December 2017, other than the investments in Leshi Companies mentioned above, the Group also has acquired additional equity interests in Leshi Zhijia and Leshi Pictures with consideration of RMB1,300 million (defined as "Leshi Prepaid Investments" in Note 17). Investments in Leshi Companies and Leshi Prepaid Investments are collectively referred to as "Leshi Investments".

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

11.2 INVESTMENTS IN ASSOCIATES *(continued)*

Note: *(continued)*

(b) During the year ended 31 December 2017, the Group further acquired an aggregate of 262.36 million shares of Jinke Property Group Co., Ltd. ("Jinke Property") at the open market, at a total consideration of approximately RMB1,436.63 million, with the transaction costs of RMB0.52 million. As at 31 December 2017, the Group indirectly held 1,389.34 million shares of Jinke Property, representing approximately 26% of the total issued shares of Jinke Property.

(c) Due to the significant deterioration of the financial performance and operating environments of Leshi Companies in 2017, the Directors considered there was an impairment indicator in the Leshi Investments. As at 31 December 2017, the Directors carried out impairment assessments on Leshi Companies. The recoverable amount was determined with reference to the higher of fair value less cost of disposal and value-in-use. The estimation of fair value less cost of disposal was made mainly from public market information. The estimated future cash flows used in the value in use assessments are based on assumptions, such as selling price, sales volume, gross margin, box office receipts, distribution commissions, promotion expenditures, and discount rates. The Directors have engaged an independent valuer in assisting the impairment assessment in these investments.

As a result of above assessment, impairment provision for investments in Leshi Companies amounting RMB 8,928.9 million was made during the year ended 31 December 2017.

The valuation method used in the year-end impairment assessment was consistent with the method used in the assessment made as of the acquisition date. Due to the continuous evolving negative market information relevant to the Leshi Companies and the significantly deteriorative operating results of Leshi Companies in 2017, particularly in the second half of 2017, the assumptions used in the year end impairment assessment were more cautious and different from those on the acquisition date. In this connection, the recoverable values of the investment in Leshi Companies were significantly lower than the values on acquisition date.

(d) All associates of the Group are incorporated in the PRC. Except for Jinke Property and Leshi Internet, which are listed on the Shenzhen Stock Exchange, the remaining associates of the Group are non-listed companies.

(i) As at 31 December 2017 and 2016, the Group had interests in the following principal associates:

Name of associates	Registered capital (RMB million)	Equity interest attributable to the Group 31 December 2017	 31 December 2016	Principal activities
Jinke Property	5,343	**26%**	21.08%	Real estate development
Tianjin Xingyao Investment Co., Ltd. (Note 42(a)(ii))*	3,490	**75%**	—	Real estate development
Homelink Real Estate Agency Co., Ltd.*	21	**5.58%**	—	Real estate transaction services
Leshi Internet*	3,989	**8.56%**	—	Technology Media & Telecom
Tianjin Lvcheng Quanyuncun Construction Development Co., Ltd.	2,500	**39%**	39%	Real estate development

* New associate of the Group acquired in 2017.

(ii) Contingent liabilities in respect of associates

	31 December 2017 RMB'000	31 December 2016 RMB'000
Contingent liabilities – associates		
Share of contingent liabilities incurred jointly with other investors of the associate	**1,540,526**	1,542,493

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

11.2 INVESTMENTS IN ASSOCIATES *(continued)*

(iii) Summarised financial information of material associates

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

	Associate – A	
	31 December 2017 RMB'000	31 December 2016 RMB'000
Summarised assets and liabilities		
Current assets	**144,062,085**	101,509,650
Non-current assets	**13,412,059**	10,262,824
Current liabilities	**77,491,731**	47,868,450
Non-current liabilities	**56,224,626**	40,750,218
Perpetual capital securities and other non-controlling interest	**4,355,708**	5,425,825
Equity attributable to equity holders of the associate	**19,402,079**	17,727,981

	Associate – A	
Summarised profit or loss and other comprehensive income	**From 1 January 2017 or date of acquisition to 31 December 2017 RMB'000**	From 1 January 2016 or date of acquisition to 31 December 2016 RMB'000
Revenue	**35,378,140**	8,896,981
Net profit attributable to equity holders of the associate	**2,179,364**	237,192
Total comprehensive income attributable to equity holders of the associate	**2,179,364**	237,192

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

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

11.2 INVESTMENTS IN ASSOCIATES *(continued)*

(iv) Reconciliation of summarised financial information

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

	Associate - A	
	31 December 2017 RMB'000	31 December 2016 RMB'000
Equity attributable to equity holders of the associates	**19,402,079**	17,727,981
The Group's equity interest share	**26%**	21.08%
Interest in the associate	**5,044,541**	3,737,058
Goodwill	**1,853,027**	1,452,941
Carrying amount	**6,897,568**	5,189,999

Aggregate information of associates that are not individually material:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Aggregate carrying amount of the Group's interests in these associates	**19,412,842**	4,683,492

	2017 RMB'000	2016 RMB'000
The Group's share of post-tax (losses)/profits, net	**(3,444,280)**	197,644
The Group's share of total comprehensive (loss)/income	**(3,444,280)**	197,644

12 Deferred income tax

(I) DEFERRED TAX ASSETS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Deferred tax assets (hereafter "DTA"):		
– to be recovered within 12 months	**1,638,021**	1,034,724
– to be recovered after more than 12 months	**3,480,230**	1,351,258
Set-off of deferred tax liabilities pursuant to set-off provisions (ii)	**(3,204,521)**	—
Net DTA	**1,913,730**	2,385,982

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 for properties RMB'000**	**Deferred expenses for tax purpose RMB'000**	**Total RMB'000**
At 1 January 2016	1,075,069	280,787	126,802	19,771	1,502,429
Credited to profit or loss	81,730	211,465	46,308	50,379	389,882
Acquisition of subsidiaries	148,363	285,388	18,902	72,175	524,828
Disposal of subsidiaries	—	(21,834)	(9,323)	—	(31,157)
At 31 December 2016	1,305,162	755,806	182,689	142,325	2,385,982
Adjustment on adoption of HKFRS 15	38,815	10,296	—	—	49,111
At 1 January 2017	1,343,977	766,102	182,689	142,325	2,435,093
Credited to profit or loss	441,187	1,374,602	(49,216)	(30,551)	1,736,022
Acquisition of subsidiaries (Note 42)	329,147	743,593	364,943	121,070	1,558,753
Disposal of subsidiaries (Note 43)	(1,405)	(246,068)	(364,144)	—	(611,617)
At 31 December 2017	2,112,906	2,638,229	134,272	232,844	5,118,251

12 Deferred income tax *(continued)*

(II) DEFERRED TAX LIABILITIES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Deferred tax liabilities (hereafter "DTL"):		
– to be settled within 12 months	**2,958,775**	782,432
– to be settled after more than 12 months	**34,744,182**	8,007,939
Set-off of deferred tax liabilities pursuant to set-off provisions (i)	**(3,204,521)**	—
Net DTL	**34,498,436**	8,790,371

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 gains of investment properties RMB'000**	**Prepaid LAT RMB'000**	**Dividend tax for PRC entities' distributable profits RMB'000**	**RMB'000**
At 1 January 2016	1,734,978	2,075,956	—	120,989	447,489	4,379,412
(Credited)/charged to profit or loss	—	(722,675)	25,756	110,577	130,743	(455,599)
Transfer to LAT payable	(553,101)	—	—	—	—	(553,101)
Acquisition of subsidiaries	2,985,862	2,559,414	—	3,894	—	5,549,170
Disposal of subsidiaries	(61,024)	(64,593)	—	(3,894)	—	(129,511)
At 31 December 2016	4,106,715	3,848,102	25,756	231,566	578,232	8,790,371
Adjustment on adoption of HKFRS 15	(27,299)	(37,718)	—	1,244	—	(63,773)
At 1 January 2017	4,079,416	3,810,384	25,756	232,810	578,232	8,726,598
(Credited)/charged to profit or loss	—	**(2,243,337)**	—	**542,806**	**234,941**	**(1,465,590)**
Transfer to tax payable	**(2,496,693)**	—	—	—	**(165,000)**	**(2,661,693)**
Acquisition of subsidiaries (Note 42)	**28,141,830**	**15,052,822**	—	**386,401**	—	**43,581,053**
Disposal of subsidiaries(Note 43)	**(7,358,131)**	**(2,763,886)**	—	**(355,394)**	—	**(10,477,411)**
At 31 December 2017	**22,366,422**	**13,855,983**	**25,756**	**806,623**	**648,173**	**37,702,957**

13 Available-for-sale financial assets

	31 December 2017 RMB'000	31 December 2016 RMB'000
– Equity securities	**871,578**	160,000

All available-for-sale financial assets are denominated in RMB.

14 Properties under development

	31 December 2017 RMB'000	31 December 2016 RMB'000
Comprising:		
Land use rights costs	**213,382,393**	84,300,406
Construction costs and capitalised expenditures	**43,223,371**	13,649,383
Capitalised finance costs	**15,071,910**	9,111,121
	271,677,674	107,060,910
Less: Provision for loss on realisable values	**(162,682)**	(98,394)
	271,514,992	106,962,516
Including: To be completed within 12 months	**82,915,216**	14,246,932
To be completed after 12 months	**188,599,776**	92,715,584
	271,514,992	106,962,516

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

RMB0.4 billion of costs to fulfil contracts carried forward from prior year was recognised in the current reporting period.

At 31 December 2017, properties under development included the costs to fulfil contracts amounting to RMB3.9 billion.

Refer to Note 39 for information on current assets pledged as security by the Group.

15 Completed properties held for sale

	31 December 2017 RMB'000	31 December 2016 RMB'000
Completed properties held for sale	**42,987,485**	24,640,067
Less: Provision for loss on realisable value (a)	**(744,872)**	(981,405)
	42,242,613	23,658,662

(a) In 2017, impairment provision amounted to RMB245 million was reversed in view of the increasing of sales value based on prevailing market conditions.

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

Refer to Note 39 for information on current assets pledged as security by the Group.

16 Trade and other receivables

	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current -		
Receivables (i)	**915,750**	—
Current -		
Trade receivables (ii)	**1,217,743**	819,863
Amounts due from non-controlling interests and their related parties (iii)	**7,343,578**	2,304,966
Amounts due from business partners	**1,798,150**	678,264
Notes receivables	**17,416**	—
Other receivables		
– Deposits	**3,060,803**	1,575,852
– Cash advances for potential projects	**1,849,082**	1,806,178
– Land costs receivable from government	**1,240,447**	347,468
– Payments on behalf of customers	**337,678**	191,331
– Interests receivable	**316,797**	159,494
– Others	**1,920,451**	614,883
	19,102,145	8,498,299
Less: Bad debt provision for other receivables (iv)	**(690,446)**	(81,874)
	18,411,699	8,416,425

As at 31 December 2017 and 2016, the carrying amounts of the Group's trade and other receivables were all denominated in RMB.

16 Trade and other receivables *(continued)*

Notes:

(i) The balance amounting to RMB916 million was due from a business partner which represented construction cost paid on behalf of the business partner. The balance carries interest rate at 5.46% per annum and is repayable within thirty months.

(ii) In the year ended 31 December 2017, the Group provided a credit period of 3-12 months to certain customers based on individual credit risk assessment.

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 90 days	**752,469**	293,554
91 - 180 days	—	60,206
181 - 365 days	**62,653**	64,658
Over 365 days	**402,621**	401,445
	1,217,743	819,863

Trade receivables are analysed as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Fully performing and under credit terms	**764,244**	397,001
Past due but not impaired	**453,499**	422,862
	1,217,743	819,863

As the Group normally holds collateral of the properties before collection of full contract amount and transfer of the legal titles to the customers, the Directors are of the view that the past due trade receivables would be recovered and no provision was made as at 31 December 2017.

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

(iv) Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed individually to determine whether there is objective evidence that an impairment has been incurred but not yet been identified.

(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 majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

17 Prepayments

	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current -		
Prepayments for equity investments	**5,361,814**	1,657,285
Less: Provision (i)	**(411,021)**	—
Prepayments for equity investments-net	**4,950,793**	1,657,285
Current -		
Taxes payment upon pre-sale		
– LAT	**3,745,618**	1,710,963
– Corporate income tax ("CIT")	**1,599,872**	1,116,130
– Business tax and surcharge	**678,983**	484,691
Input value added tax	**1,782,310**	378,313
Prepayments for land use rights acquisitions	**1,168,516**	2,106,690
Prepayments for project development costs	**786,338**	131,532
Others	**93,644**	—
	9,855,281	5,928,319

(i) As mentioned in Note 11.2, the Group entered into the contractual agreements to subscribe for the increased capital of Leshi Companies (the "Additional Acquisition Contracts"). Pursuant to the Additional Acquisition Contracts, the Group agreed to contribute RMB300 million and RMB1 billion to acquire 1.62% equity interest in Leshi Zhijia and 19.7% equity interest in Leshi Pictures, respectively.

As at 31 December 2017, all these additional acquisitions were still in process and considerations of RMB770 million have been paid and recorded as "prepayments for equity investments" and remaining amounts of RMB530 million represented contractually committed investments. The prepayments for equity investments and contractually committed investments are collectively referred to as "Leshi Prepaid Investments". Impairment provision totalled RMB701.7 million was made for Leshi Prepaid Investments in 2017 based on estimated recoverable value of investments in Leshi Companies which comprised RMB411 million provision for prepayments for equity investment (as in above), and RMB290.7 million estimated loss for contractually committed investments (Note 27(ii)). See Note 11.2 for the detail information of management's assumption and significant judgement.

As at 31 December 2017 and 2016, the carrying amounts of the Group's prepayments were all denominated in RMB.

18 Restricted cash

	31 December 2017 RMB'000	31 December 2016 RMB'000
Guarantee deposits as reserve for bank loans	**12,078,030**	12,455,175
Restricted cash from property pre-sale proceeds (i)	**13,900,549**	5,075,336
Restricted cash from an equity transaction	**664,962**	—
Guarantee deposits for mortgage	**427,677**	—
Others	**1,214,383**	196,112
	28,285,601	17,726,623

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 2017 RMB'000	31 December 2016 RMB'000
Denominated in RMB	**62,545,215**	51,570,966
Denominated in USD	**761,625**	93,148
Denominated in HKD	**5,126,283**	421,936
Denominated in EUR	**133**	—
	68,433,256	52,086,050

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

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

20 Share capital

	Number of shares (thousands)	Shares capital HK$'000	Equivalent to RMB'000
Ordinary shares of HK$0.1 each, issued and fully paid:	10,000,000	1,000,000	—
As at 1 January 2016	3,399,449	339,945	291,329
Shares issued upon exercise of employees' share options (Note 21)	5,215	522	449
Proceeds from private placement	453,074	45,307	39,630
As at 31 December 2016	3,857,738	385,774	331,408
Shares issued upon exercise of employees' share options ((i), Note 21)	**67,216**	**6,727**	**5,972**
Proceeds from private placement (ii)	**471,500**	**47,150**	**40,228**
As at 31 December 2017	**4,396,454**	**439,651**	**377,608**

Note:

(i) The Company adopted a Post-IPO Share Option Scheme (the "2011 Share Option Scheme") (Note 21(i)) on 29 April 2011 and a new Share Option Scheme (the "2014 Share Option Scheme") (Note 21(ii)) on 19 May 2014 respectively. On 22 December 2017, the Company granted an aggregate of 59,920,246 share options under the 2014 Share Option Scheme.

(ii) On 24 July 2017 and 15 December 2017, the Company entered into two placing and subscription agreements with Sunac International Investment Holdings Ltd. ("Sunac International"); (the controlling shareholder of the Company), pursuant to which, the Company allotted and issued 220 million and 251.5 million placing shares at the price of HK$18.33 per share and HK$31.1 per share respectively. The net proceeds from these two subscriptions after deducting related fees were approximately HK$3,998 million and HK$7,764 million (equivalent to approximately RMB3,446 million and RMB6,565 million).

21 Share option schemes

(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.

21 Share option schemes *(continued)*

(II) 2014 SHARE OPTION SCHEME

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

The weighted-average fair value of options granted during the period determined using the Binomial valuation model was HK$11.33 per option (2016: HK$1.65). The significant inputs into the model were weighted average share price of HK$29.55 at the grant date (2016: HK$4.56), exercise price of HK$30.25 (2016: HK$4.62), volatility of 54.37% (2016: 53.12%), dividend yield of 3.06% (2016: 2.6%), an expected option life of five years, and an annual risk-free interest rate of 1.68% (2016: 0.827%). The expected volatility is determined by calculating the historical volatility of the price of listed companies with similar business to the Group. The expected dividend yield is determined by the Directors based on the expected future performance and dividend policy of the Group.

The total expense recognised in the profit or loss for share options granted to directors and employees for the year ended 31 December 2017 was RMB210.37 million (2016: RMB57.89 million) (Note 30).

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

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

	2017		2016	
	Average price in HK$ per share	**Options (thousand)**	Average price in HK$ per share	Options (thousand)
At beginning of year	**4.96**	**144,219**	5.00	110,870
Granted	**30.25**	**59,920**	4.62	39,920
Exercised	**4.51**	**(67,216)**	2.83	(5,215)
Expired	**6.25**	**(880)**	7.04	(584)
Abandoned	**5.81**	**(454)**	5.94	(772)
At end of year	**16.35**	**135,589**	4.96	144,219

As at 31 December 2017, 13,350 thousand shares of the 2011 Share Option Scheme and 64,707 thousand shares of the 2014 Share Option Scheme were exercisable (31 December 2016: 47,878 thousand shares in the 2011 Share Option Scheme and 57,907 thousand shares in the 2014 Share Option Scheme).

21 Share option schemes *(continued)*

(II) 2014 SHARE OPTION SCHEME *(continued)*

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

Expiry date	Exercise price in HK$ per share option	Number of share options (thousands)	
		2017	2016
28 April 2017	1.48	—	11,108
28 April 2018	2.33	**3,866**	11,591
28 April 2019	6.32	**9,484**	24,133
5 June 2019	4.07	**10,841**	26,205
9 July 2020	7.27	**20,488**	32,001
20 June 2021	4.62	**30,990**	39,181
22 Dec 2022	30.25	**59,920**	—
		135,589	144,219

22 Reserves

	Note	Share premium RMB'000	Share option reserve RMB'000	Other RMB'000	Total RMB'000
Year ended 31 December 2016					
At 1 January 2016		1,954,974	201,675	1,947,793	4,104,442
Transaction with non-controlling interests		—	—	(74,492)	(74,492)
Employees share option schemes:					
– Value of employee services	30	—	57,890	—	57,890
– Exercise of employees' share options		12,289	—	—	12,289
Proceeds from private placement		2,409,530	—	—	2,409,530
Statutory reserve		—	—	887,110	887,110
Dividends relating to 2015		(659,566)	—	—	(659,566)
At 31 December 2016		3,717,227	259,565	2,760,411	6,737,203
Year ended 31 December 2017					
At 1 January 2017		**3,717,227**	**259,565**	**2,760,411**	**6,737,203**
Transaction with non-controlling interests	41	—	—	**(495,394)**	**(495,394)**
Share of capital premium addition of a joint venture	11.1	—	—	**73,715**	**73,715**
Employees share option schemes:					
– Value of employee services	30	—	**210,370**	—	**210,370**
– Exercise of employees' share options		**263,044**	—	—	**263,044**
Proceeds from private placement	20	**9,970,751**	—	—	**9,970,751**
Statutory reserve		—	—	**881,104**	**881,104**
Dividends relating to 2016	45	**(991,341)**	—	—	**(991,341)**
At 31 December 2017		**12,959,681**	**469,935**	**3,219,836**	**16,649,452**

22 Reserves *(continued)*

(I) STATUTORY RESERVES

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

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

23 Perpetual capital securities

As at 31 December 2017, six perpetual bonds issued by the subsidiaries of the Group (the "Instrument Issuers") were still outstanding, of which principal and interests accrued totalling RMB9,288 million. One of these perpetual bonds contracts was guaranteed by Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate", an indirect wholly owned subsidiary of the Company), and secured by the equity interests owned by the shareholder in one of the Instrument Issuers. Another perpetual bonds contract was guaranteed by Sunac Real Estate and secured by the equity interests in certain joint ventures as owned by one of the Instrument Issuers. The perpetual bonds have no maturity date.

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

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

24 Trade and other payables

	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current -		
Other payables	**1,492,327**	—
Current -		
Trade payables (i)	**36,766,815**	12,590,923
Un-paid considerations for equity acquisitions	**4,569,360**	21,050,567
Amounts due to non-controlling interests and their related parties (ii)	**7,031,599**	1,078,749
Notes payables	**230,198**	120,381
Other payables		
– Payables for PP&E and investment properties	**6,718,218**	—
– Deposits received	**5,117,756**	2,255,248
– Other taxes payable	**3,162,179**	1,213,390
– Interests payable	**2,250,505**	1,115,493
– Payroll and welfare payables	**1,090,426**	588,663
– Deed tax and maintenance funds received on behalf of customers	**963,903**	345,592
– Cash advanced from business partners	**400,001**	259,555
– Others	**488,180**	794,774
	68,789,140	41,413,335

Note:

(i) At 31 December 2017, the ageing analysis at the trade payable is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 90 days	**12,826,711**	6,294,239
91-180 days	**5,303,460**	820,408
181-365 days	**5,151,093**	1,668,365
Over 365 days	**13,485,551**	3,807,911
	36,766,815	12,590,923

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

25 Borrowings

	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current		
Secured,		
- Bank borrowings	**70,926,779**	31,178,520
- Other institution borrowings	**88,195,437**	35,732,344
- Senior notes (a)	**9,059,336**	2,758,441
- Asset-backed securities (d)	**3,093,089**	3,171,847
	171,274,641	72,841,152
Unsecured		
- Bank borrowings	**680,000**	76,000
-Other institution borrowings	**4,851,108**	3,611,230
- Corporate bonds (b)	**9,927,847**	9,921,436
- Private domestic corporate bonds (c)	**15,907,112**	14,816,878
	202,640,708	101,266,696
Less: Current portion of non-current borrowings (e) (i)	**(62,043,522)**	(21,067,014)
	140,597,186	80,199,682
Current		
Secured,		
- Bank borrowings	**5,680,790**	6,679,423
- Other institution borrowings	**10,570,637**	4,741,200
- Asset-backed securities (d)	**77,711**	110,700
	16,329,138	11,531,323
Unsecured,		
- Other institution borrowings	**300,000**	46,000
	16,629,138	11,577,323
Current portion of non-current borrowings (e) (i)	**62,043,522**	21,067,014
	78,672,660	32,644,337
Total borrowings	**219,269,846**	112,844,019

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 2017, the issue date, principal and interest rate of the outstanding Senior Notes were shown as below:

Issue date	Maturity	Principal USD million	Interest rate
5 December 2014	5 years	400	8.75%
8 August 2017	3 years	400	6.875%
8 August 2017	5 years	600	7.95%
		1,400	

According to the term of the Senior Notes, at any time and from time to time on or after 5 December 2017, 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 if redeemed during the twelve month period beginning on 5 December of each of the years indicated below respectively.

The redemption prices are shown as below:

Redemption time	Redemption prices
(i) USD400 million:	
Prior to 5 December 2017	
- Redemption up to 35%	108.75%
- Redemption in whole but not in part (i)	100%+ customary make-whole premium
5 December 2017 to 31 December 2017	104.4%
2018 and beyond	102.2%
(ii) USD400 million:	
Prior to 8 August 2020	
- Redemption up to 35%	106.88%
- Redemption in whole but not in part (ii)	100%+ customary make-whole premium
(iii) USD600 million:	
Prior to 8 August 2020	
- Redemption up to 35%	107.95%
- Redemption in whole but not in part (iii)	100%+ customary make-whole premium
8 August 2020 to 31 December 2020	103.98%
2020 and beyond	101.99%

25 Borrowings *(continued)*

(A) SENIOR NOTES *(continued)*

Note:

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

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

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

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 2017.

(B) CORPORATE BONDS

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

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

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

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

The options embedded in the Corporate Bonds were not closely related to the host contracts and were recognised at fair value at the respective issue date and 31 December 2017. (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
21 January 2016	1,500,000	5.20%	4 years
22 January 2016	5,000,000	6.39%	7 years
7 March 2016	3,500,000	5.40%	5 years
3 May 2016	2,700,000	5.85%	6 years
13 June 2016	2,300,000	5.45%	6 years
5 July 2017	1,000,000	6.50%	3 years
	16,000,000		

Except for the bond issued in 2017, 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 2017. (Note 26)

(D) ASSETS-BACKED SECURITIES

The Group entered into asset-backed special agreements with third-party financing institutions in the form of asset securitisation. These asset-backed securities are backed by the right of receipt of the property management service fee or the certain contract receivables rights of property sales. These securities are guaranteed by Sunac Real Estate. As at 31 December 2017, the details of the outstanding assets-backed securities are shown as below:

Issue dates	Principal amount RMB'000	Interest rate	Maturity
26 April 2016	827,800	5.30%-5.70%	2-5 years
11 October 2016	2,400,000	4.28%	3 years
2 May 2017 to 14 July 2017	77,711	6.80%	0.5-0.58 year
	3,305,511		

25 Borrowings *(continued)*

(E) LONG-TERM BORROWINGS

(i) As at 31 December 2017, non-current borrowings included RMB64,864 million (2016:RMB35,608 million) that were relating to certain of the Group's property development projects, and will be due for repayment when the percentage of pre-sale has accumulatively achieved 20% - 80%, as determined on the gross floor area of the respective projects. Based on the management's sales forecast, RMB10,400 million (2016: RMB10,280 million) of these borrowings will be due for repayment in the year ending 31 December 2018 and are included in current liabilities.

(ii) The Group's long-term borrowings as at 31 December 2017 were repayable as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Between 1 and 2 years	**54,214,137**	27,565,333
Between 2 and 5 years	**78,041,362**	39,623,359
Over 5 years	**8,341,687**	13,010,990
	140,597,186	80,199,682

The weighted-average effective interest rates for the year ended 31 December 2017 was 6.24% (2016: 5.98%).

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

The carrying amounts of bank borrowings, borrowings from other financial institutions and assets-backed securities approximate their fair values. The fair values of Senior Notes as at 31 December 2017 amounted to RMB9,313 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 2017 amounted to RMB25,376 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.

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
6 months or less	**21,766,335**	7,873,868
7 - 12 months	**31,057,932**	19,175,866
Over 12 months	**23,637,220**	—
	76,461,487	27,049,734

25 Borrowings *(continued)*

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

(v) As at 31 December 2017, the Group's borrowings of RMB187,604 million (2016: RMB84,372 million) were secured or joint secured by the Group's certain current assets and non-current assets, and the equity interests of certain subsidiaries. See Note 39 for detail information of assets pledged as security.

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
RMB	**206,111,019**	107,421,759
USD	**10,725,557**	4,579,276
HKD	**2,101,784**	—
EUR	**331,486**	842,984
	219,269,846	112,844,019

26 Derivative financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
– Currency derivative contracts (i)	**14,865**	105,359
Financial liabilities		
– Options embedded in Corporate Bonds and Private Bonds (Note 25)	**221,473**	187,776

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The change of fair value is recognised immediately in profit or loss. For information about the methods and assumptions used in determining the fair value of derivatives please refer to Note 5(a).

(i) As at 31 December 2017, the currency derivative contracts comprised various contracts with nominal amount totalling USD600 million (2016: USD600 million), the settlement dates of which are between January and April 2019. According to the contracts, the Group will be able to buy USD nominal amount at the agreed strike price with CNY on the settlement date.

27 Provisions

	2017 RMB'000	2016 RMB'000
Provisions for financial guarantee provided to an associate (i)	**352,286**	—
Provision for contractually committed increase investment in associates (ii)	**290,681**	—
	642,967	—

(i) As at 31 December 2017, the Group provided financial guarantee amounted to RMB437 million for the bank borrowing of Leshi Internet (the "Leshi Guarantee"). A provision of RMB352.3 million has been recognised for the estimated obligations required to repay the underlying bank borrowing when matured.

(ii) Pursuant to the Additional Acquisition Contracts descripted in Note 17, a provision of RMB290.7 million was made for contractually committed investments in Leshi Companies based on the estimated recoverable value of total investments on these associates (Note 11.2).

28 Expenses by nature

	2017 RMB'000	2016 RMB'000
Costs of properties sold		
–Land use rights costs	**24,149,450**	14,328,447
–Construction costs and capitalised expenditures	**22,499,478**	11,770,165
–Capitalised finance costs	**2,947,531**	2,139,159
Business tax and related surcharge (Note 29)	**1,050,478**	1,289,025
Staff costs (Note 30)	**2,937,400**	1,046,301
(Reversal of)/Provision for impairment of properties	**(244,501)**	380,448
Provision for impairment of receivables	**2,023,891**	225,902
Advertisement and promotion costs	**2,147,682**	347,799
Consulting expenses	**364,453**	163,272
Depreciation and amortisation	**339,145**	35,107
Auditors' remunerations		
– Audit services	**21,240**	16,000
– Non-audit services	**6,460**	10,676

29 Business tax and value-added tax ("VAT") and related surcharge

Prior to 1 May 2016, sales of properties and property management service income of the PRC companies of the Group were subject to business tax of 5%. According to the related China tax regulations issued in 2016, the service revenue is subject to VAT from 1 May 2016 and is no longer subject to business tax.

The PRC companies of the Group are subject to business tax and VAT and related surcharge on their revenues at the following rates:

Type		Tax rate	Tax base
a)	Business tax	5%	– Sales of properties
		5%	– Rental income
		5%	– Property management services revenue
b)	VAT	5%/11%	– Sales of properties
		5%	– Rental income
		6%	– Property management services revenue
		6%	– Hotel operation income
		6%	– Theme parks operation income
c)	Urban construction and maintenance tax	7%	– Business tax and VAT paid
d)	Education surcharge	3%	– Business tax and VAT paid
e)	Local education surcharge	0%-2%	– Business tax and VAT paid
f)	Anti-flood fund	0%-2%	– Business tax and VAT paid
g)	Property tax	1.2%	– Original value of properties
		12%	– Rental Income

30 Employee benefit expense

	2017 RMB'000	2016 RMB'000
Wages and salaries	**2,341,634**	840,089
Pension costs	**221,440**	95,217
Staff welfare	**163,956**	53,105
Share options granted to directors and employees (Note 22)	**210,370**	57,890
	2,937,400	1,046,301

31 Other income and gains

	2017 RMB'000	2016 RMB'000
Gains from business combination (Note 42)	**25,107,561**	1,693,354
Interest income (i)	**2,032,562**	873,696
Gains from disposals of subsidiaries (Note 43)	**35,648**	271,880
Gain from disposal of a joint venture	—	22,705
Fair value gains on derivative financial instruments	—	100,696
Others	**740,492**	317,943
	27,916,263	3,280,274

(i) Details of interest income are as follows:

	2017 RMB'000	2016 RMB'000
Interest income from related companies (Note 44)	**1,741,778**	778,736
Other interest income	**290,784**	94,960
	2,032,562	873,696

32 Other expenses and losses

	2017 RMB'000	2016 RMB'000
Impairment provisions for investments in associates (Note 11.2)	**8,928,907**	—
Impairment provisions for prepaid equity investments in associates (Note 17)	**411,021**	—
Impairment provision for financial guarantee provided to an associate (Note 27)	**352,286**	—
Impairment provisions for contractually committed Additional Acquisition Contracts in investments in associates (Note 27)	**290,681**	—
Losses on disposals of subsidiaries (Note 43)	**261,274**	—
Fair value losses and expense on derivative financial instruments	**185,821**	—
Fair value losses on investment properties	**13,491**	—
Impairment provisions for goodwill	**57,325**	—
Others	**188,389**	22,690
	10,689,195	22,690

33 Finance income and expenses

	2017 RMB'000	2016 RMB'000
Interest expenses	**11,090,959**	4,161,660
Other finance costs	—	317,408
Less: Capitalised finance costs	**(5,748,747)**	(2,007,466)
	5,342,212	2,471,602
Exchange (gains)/losses	**(82,762)**	718,986
	5,259,450	3,190,588
Finance income:		
– Interest income on bank deposits	**(736,000)**	(392,232)
	4,523,450	2,798,356

The capitalisation rate used to determine the amount of the interests incurred eligible for capitalisation in 2017 was 6.24% (2016: 5.98%).

34 Income tax expenses

	2017 RMB'000	2016 RMB'000
CIT		
Current income tax	**4,288,151**	1,612,025
Deferred income tax		
– Increase in deferred tax assets (Note 12)	**(1,736,022)**	(389,882)
– Decrease in deferred tax liabilities (Note 12)	**(1,465,590)**	(455,599)
	1,086,539	766,544
LAT	**2,608,069**	703,894
	3,694,608	1,470,438

34 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:

	2017 RMB'000	2016 RMB'000
Profit before income tax	**15,358,988**	4,408,797
Income tax calculated at the PRC tax rate 25% (2016:25%)	**3,839,747**	1,102,199
Difference in overseas tax rates	**416,871**	191,726
LAT	**(652,017)**	(175,973)
Tax effect of amounts which are not deductible in calculating taxable income:		
– Losses on disposal of subsidiaries	**65,319**	—
– Entertainment expenses	**28,429**	9,002
– Staff welfare	**2,586**	385
– Penalty	**4,761**	1,825
– Others	**8,971**	121,063
Tax effect of amounts which are not taxable in calculating taxable income:		
– Gains from business combination	**(6,276,890)**	(423,339)
– Gains from disposals of subsidiaries	**(8,912)**	(67,970)
– Gain from disposal of a joint venture	—	(5,676)
– Others	—	(8,514)
Share of losses/(profits) of investments accounted for using equity method, net	**498,401**	(339,302)
Tax on losses for which no DTA were recognised	**202,230**	141,657
Tax on temporary differences for which no DTA were recognised	**3,037,077**	68,194
Utilisation of tax losses with no DTA recognition	**(128,196)**	(45,087)
Tax write-back on temporary differences with no DTA recognition	**(286,620)**	(36,106)
Write-off of DTA	**99,841**	101,717
Dividends tax for distributable profits of PRC subsidiaries	**234,941**	130,743
	1,086,539	766,544

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

34 Income tax expenses *(continued)*

(A) CIT *(continued)*

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 2017 was 25% (2016: 25%).

In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

(B) TAX LOSSES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Unused tax losses for which no deferred tax asset has been recognised	**2,280,574**	1,984,442
Potential tax benefit	**570,144**	496,110

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 RMB570 million (2016: RMB496 million) in respect of accumulated losses amounting to RMB2,281 million (2016: RMB1,984 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 RMB178 million, RMB344 million, RMB362 million, RMB588 million and RMB809 million, as at 31 December 2017 will expire respectively in 2018, 2019, 2020, 2021 and 2022.

(C) UNRECOGNISED TEMPORARY DIFFERENCES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Temporary difference for which DTA have not been recognised	**11,765,007**	763,178
Unrecognised DTA	**2,941,252**	190,795

As of 31 December 2017, the Group has deductible temporary differences of RMB11,765 million (2016: RMB763 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.

34 Income tax expenses *(continued)*

(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.

35 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.

	2017	2016
Profit attributable to owners of the parent company (RMB'000)	**11,003,863**	2,478,353
Weighted-average number of ordinary shares in issue (thousand)	**3,991,551**	3,467,309

(B) DILUTED

Diluted earnings per share are calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2017	2016
Profit attributable to owners of the parent company (RMB'000)	**11,003,863**	2,478,353
Weighted-average number of ordinary shares in issue (thousand)	**3,991,551**	3,467,309
Adjusted for share options (thousand)	**78,804**	25,102
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	**4,070,355**	3,492,411

36 Cash flow information

(A) CASH GENERATED FROM OPERATIONS

	Note	2017 RMB'000	2016 RMB'000
Profit before income taxes		**15,358,988**	4,408,797
Adjustments for:			
– Finance costs	33	**5,259,450**	3,190,588
– Gains from business combinations	31	**(25,107,561)**	(1,693,354)
– Gains from disposals of subsidiaries	31	**(35,648)**	(271,880)
– Interest income	31	**(2,032,562)**	(873,696)
– Gain from disposal of a joint venture	31	**—**	(22,705)
– Losses on disposals of subsidiaries	32	**261,274**	—
– Fair value changes and expense on derivative financial instruments	32	**185,821**	(100,696)
– Fair value losses on investment properties	32	**13,491**	—
– Impairment provisions of long-term assets	32	**9,397,253**	—
– Provisions for financial guarantee	32	**352,286**	—
– Loss for contractually committed Additional Acquisition Contracts	32	**290,681**	—
– Amortisation of intangible assets	10	**45,054**	302
– Depreciation	8	**294,091**	34,805
– Loss on disposal of PP&E		**31**	—
– Share of loss/(profits) of joint ventures and associates	11	**2,146,605**	(836,094)
– Gains from acquisitions of investments in joint ventures	11	**(153,001)**	(521,115)
– Value of employee services	30	**210,370**	57,890
Changes in working capital			
– Restricted cash advances from pre-sale of properties		**(10,346,030)**	(2,420,832)
– Properties under development and completed properties held for sale, net		**(11,187,875)**	(20,960,584)
– Inventories		**(10,770)**	—
– Trade and other receivables and prepayments		**24,043,036**	3,458,153
– Contract assets		**(143,202)**	—
– Advanced proceeds from customers		**—**	10,062,517
– Contract liabilities		**47,981,683**	—
– Trade and other payables		**(9,567,030)**	(1,718,115)
– Amount due from/to related companies, net		**35,907,354**	16,236,654
Cash generated from operations		**83,163,789**	8,030,635

36 Cash flow information *(continued)*

(B) NET DEBT RECONCILIATION

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

	Note	2017 RMB'000	2016 RMB'000
Cash and cash equivalents	19	**68,433,256**	52,086,050
Borrowings – repayable within one year	25	**(78,672,660)**	(32,644,337)
Borrowings – repayable after one year	25	**(140,597,186)**	(80,199,682)
Net debt		**(150,836,590)**	(60,757,969)
Cash and cash equivalents		**68,433,256**	52,086,050
Gross debt – fixed interest rates	4	**(142,808,359)**	(85,794,285)
Gross debt – variable interest rates	4	**(76,461,487)**	(27,049,734)
Net debt		**(150,836,590)**	(60,757,969)

	Other assets	Liabilities from financing activities		
	Cash RMB'000	Borrow due within1 year RMB'000	Borrow due after 1 year RMB'000	Total RMB'000
Net debt as at 1 January 2016	22,687,280	(14,584,393)	(27,214,240)	(19,111,353)
Cash flows	38,025,258	(16,804,444)	(54,308,592)	(33,087,778)
Changes arising from business combination	(9,002,613)	(1,255,500)	(1,255,500)	(11,513,613)
Changes arising from disposal of subsidiaries	344,761	—	3,329,000	3,673,761
Foreign exchange adjustments	31,364	—	(750,350)	(718,986)
Net debt as at 31 December 2016	52,086,050	(32,644,337)	(80,199,682)	(60,757,969)
Cash flows	66,382,272	(39,022,223)	(21,159,220)	6,200,829
Changes arising from business combination (Note 42)	(50,359,961)	(7,117,131)	(40,631,045)	(98,108,137)
Changes arising from disposal of subsidiaries (Note 43)	271,954	111,031	1,362,940	1,745,925
Foreign exchange adjustments (Note 33)	52,941	—	29,821	82,762
Net debt as at 31 December 2017	68,433,256	(78,672,660)	(140,597,186)	(150,836,590)

37 Commitments

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Contracted but not provided for		
– PUDs and completed properties held for sale	**41,508,503**	15,388,260
– PP&E	**7,888,754**	—
– Investment properties	**3,958,371**	—
– Intangible assets	**26,170**	—
	53,381,798	15,388,260

(B) EQUITY INVESTMENTS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Contracted but not provided for	**3,505,319**	1,230,052

(C) OPERATING LEASE COMMITMENTS

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
No later than 1 year	**77,059**	21,128
Later than 1 year and no later than 5 years	**104,138**	38,174
Later than 5 years	**4,638**	3,642
	185,835	62,944

(D) FINANCIAL GUARANTEE COMMITMENT

In November 2017, the Group entered into an Entrusted Guarantee Agreement, pursuant to which the Group conditionally agreed to accept the entrustment by Leshi Companies to provide guarantees not exceeding a total amount of RMB3 billion for their external borrowings. As at 31 December 2017, the Group has provided financial guarantee for bank borrowings of Leshi Companies amounted to RMB437 million (Note 27). The remaining balance amounting to RMB2.5 billion has not been draw downed under this agreement.

38 Contingent liabilities

(A) GUARANTEE ON MORTGAGE FACILITIES

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**49,779,582**	11,379,423

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months of the properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the mortgage. The directors consider that the likelihood of default of payments by purchasers is minimal.

In addition, the Group had provided guarantees for certain joint ventures and associates for their borrowings amounted to RMB16.72 billion (2016: RMB14.64 billion) together with the business partners on pro rata basis.

39 Assets pledged as security

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

	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Current-			
PUDs	14	**122,596,138**	79,528,624
Completed properties held for sale	15	**13,974,091**	2,650,861
Restricted cash	18	**5,261,325**	—
Total current assets pledged as security		**141,831,554**	82,179,485
Non-current-			
PP&E	8	**11,739,124**	—
Investment properties	9	**10,179,872**	—
Intangible assets	10	**657,876**	—
Total non-current assets pledged as security		**22,576,872**	—

40 Financial instruments by category

	31 December 2017 RMB'000	31 December 2016 RMB'000
Loans and receivables		
Trade and other receivables	**19,327,449**	8,416,425
Contract assets	**263,936**	—
Restricted cash	**28,285,601**	17,726,623
Cash and cash equivalents	**68,433,256**	52,086,050
Amounts due from related companies	**61,082,790**	37,919,092
	177,393,032	116,148,190
Available-for-sale financial assets	**871,578**	160,000
Financial assets at fair value through profit or loss		
Derivative financial instruments	**14,865**	105,359

	31 December 2017 RMB'000	31 December 2016 RMB'000
Financial liabilities at amortised costs		
Borrowings	**219,269,846**	112,844,019
Amounts due to related companies	**91,947,252**	51,671,111
Trade and other payables	**66,028,862**	39,611,282
	377,245,960	204,126,412
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	**221,473**	187,776

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

41 Transactions with non-controlling interests

The following transactions with non-controlling interests resulted in the total decrease in non-controlling interests of RMB393.68 million.

(a) In January 2017, the Group completed the acquisition of additional 20% equity interest of an 80% owned subsidiary, Hangzhou Ronghui Qianjiang Real Estate Co., Ltd. This transaction resulted in a decrease in non-controlling interest of RMB37.54 million and a decrease in net assets attributable to the owners of the Company of RMB2.45 million.

(b) In January 2017, the Group completed the acquisition of additional 20% equity interest of an 80% owned subsidiary, Zhongshan Weili Real Estate Development Co., Ltd. This transaction resulted in a decrease in non-controlling interest of RMB44.63 million and an increase in net assets attributable to the owners of the Company of RMB3.23 million.

(c) In February 2017, the Group completed the acquisition of additional 5% equity interest of a 95% owned subsidiary, Suzhou Xinyou Real Estate Co., Ltd. This transaction resulted in a decrease in non-controlling interest of RMB1.34 million and a decrease in net assets attributable to the owners of the Company of RMB8.33 million.

(d) In March 2017, the Group completed the acquisition of additional 20% equity interest of an 80% owned subsidiary, Beijing Raycom Yangguang Real Estate Development Co., Ltd. ("Beijing Yangguang"). This transaction resulted in a decrease in non-controlling interest of RMB73.69 million and a decrease in net assets attributable to the owners of the Company of RMB93.81 million.

(e) In May 2017, the Group completed the acquisition of additional 35% equity interest of a 65% owned subsidiary, Yantai Raycom Real Estate Development Co., Ltd. This transaction resulted in a decrease in non-controlling interest of RMB33.8 million and a decrease in net assets attributable to the owners of the Company of RMB11.16 million.

(f) In June 2017, the Group completed the acquisition of additional 30% equity interest of a 70% owned subsidiary, Beijing Rongzhi Ruifeng Investment Co., Ltd. ("Beijing Rongzhi Ruifeng"). This transaction resulted in a decrease in non-controlling interest of RMB152.38 million and a decrease in net assets attributable to the owners of the Company of RMB334.29 million.

(g) In July 2017, the Group completed the capital increment of additional 19.47% equity interest of an 80% owned subsidiary, Xi'an Haitian Investment Co., Ltd. This transaction resulted in an increase in non-controlling interest of RMB3.8 million and a decrease in net assets attributable to the owners of the Company of RMB3.8 million.

(h) In July 2017, the Group completed the acquisition of additional 8% equity interest of a 90% owned subsidiary, Wuhan Xinghaiyuan Real Estate Development Co., Ltd. This transaction resulted in a decrease in non-controlling interest of RMB35.75 million and an increase in net assets attributable to the owners of the Company of RMB14.98 million.

(i) In July 2017, the Group completed the acquisition of additional 5% equity interest of a 95% owned subsidiary, Changsha Jingtai Gongyuan Real Estate Co., Ltd. This transaction resulted in a decrease in non-controlling interest of RMB4.13 million and an increase in net assets attributable to the owners of the Company of RMB3.13 million.

(j) In August 2017, the Group completed the acquisition of additional 20% equity interest of an 80% owned subsidiary, Guangxi Haohan Real Estate Development Co., Ltd. This transaction resulted in a decrease in non-controlling interest of RMB14.22 million and a decrease in net assets attributable to the owners of the Company of RMB62.9 million.

42 Business combination

(A) ACQUISITIONS OF SUBSIDIARIES

In the year ended 31 December 2017, the major acquisitions of new subsidiaries are summarised as follows:

	Wanda Project Companies RMB'000 (Note(i))	Tianjin Xingyao RMB'000 (Note(ii))	Chengdu Lianchuang Rongjin RMB'000 (Note(iii))	Others RMB'000	Total RMB'000
Net fair value of identifiable assets acquired and liabilities assumed	60,763,156	12,179,132	4,074,943	19,194,170	96,211,401
Cash considerations for acquisition of					
– equity interests	40,208,466	3,877,249	1,617,330	11,226,437	56,929,482
– debts due to shareholders	—	6,376,992	555,431	6,148,177	13,080,600
Re-measurement of previously held interests	—	—	1,918,330	1,493,089	3,411,419
	40,208,466	10,254,241	4,091,091	18,867,703	73,421,501
Gains from acquisition of new subsidiaries	20,554,690	1,924,891	—	596,008	23,075,589
Goodwill from acquisition of new subsidiaries	—	—	16,148	269,541	285,689
Re-measurement of previously held interests	—	—	1,918,330	1,493,089	3,411,419
Less: Book value of previously held interests	—	—	(588,006)	(791,441)	(1,379,447)
Gains on re-measurement	—	—	1,330,324	701,648	2,031,972

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

	Wanda Project Companies RMB'000 (Note(i))	Tianjin Xingyao RMB'000 (Note(ii))	Chengdu Lianchuang Rongjin RMB'000 (Note(iii))	Others RMB'000	Total RMB'000
Gains from acquisition of new subsidiaries	20,554,690	1,924,891	1,330,324	1,297,656	25,107,561
Goodwill from acquisition of new subsidiaries	—	—	16,148	269,541	285,689

42 Business combination *(continued)*

(A) ACQUISITIONS OF SUBSIDIARIES *(continued)*

Note:

(i) Fourteen cultural and tourism project companies ("Wanda Project Companies") from Dalian Wanda Commercial Properties Co., Ltd. ("Wanda Commercial")

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

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

(ii) Acquisition of Tianjin Xingyao Investment Co., Ltd. ("Tianjin Xingyao")

In May 2017, the Group acquired 80% equity interest of a company named Tianjin Xingyao and its respective debts due to third party investors at total considerations of RMB10,254 million. Upon completion of the transaction, Tianjin Xingyao became an 80% owned subsidiary of the Group.

Subsequent to the acquisition, on 29 June 2017, the Group disposed 5% equity interest of Tianjin Xingyao to a third party at a consideration of RMB242 million. In accordance with the equity transfer agreement, the Group cannot make absolute decision on the relevant activities of Tianjin Xingyao and Tianjin Xingyao became a 75% owned associate of the Group.

(iii) Acquisition of Chengdu Lianchuang Rongjin Investment Co., Ltd. ("Chengdu Lianchuang Rongjin")

Beijing Rongzhi Ruifeng owned 51% equity interest of Chengdu Lianchuang Rongjin, which owned 60% equity interest of Hefei Lianchuang Zhirong Real Estate Development Co., Ltd. ("Hefei Lianchuang Zhirong"). Prior to June 2017, Hefei Lianchuang Zhirong was a 40% indirectly owned joint venture of the Group. In June 2017, Beijing Rongzhi Ruifeng became a wholly owned subsidiary of the Group (Note 41(f)). At the same time, the Group acquired 49% equity interest of Chengdu Lianchuang Rongjin. Upon completion of the transaction, Chengdu Lianchuang Rongjin and Hefei Lianchuang Zhirong became wholly owned subsidiaries of the Group.

(iv) Acquisition of other companies

During the year ended 31 December 2017, the Company acquired equity interests in several project companies from third parties, at a total consideration of RMB17,375 million. Upon completion of these transactions, these entities became subsidiaries of the Group.

42 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:

	Wanda Project Companies RMB'000	Tianjin Xingyao RMB'000	Chengdu Lianchuang Rongjin RMB'000	Others RMB'000	Total RMB'000
(1) Fair value of net assets					
Non-current assets					
PP&E	36,696,887	9,507	244	65,275	36,771,913
Investment properties	11,616,382	—	—	—	11,616,382
Intangible assets	3,032,000	22	—	105	3,032,127
DTA	652,458	595,065	78,999	232,231	1,558,753
Current assets					
PUDs	105,816,617	26,270,578	8,591,000	35,514,820	176,193,015
Completed properties held for sale	20,802,327	1,246,255	1,379,000	5,123,038	28,550,620
Restricted cash	—	1,817	381,669	849,750	1,233,236
Cash and cash equivalents	13,062,506	970	128,010	3,319,128	16,510,614
Other current assets	21,946,412	654,826	1,735,981	14,048,324	38,385,543
Non-current liabilities					
Borrowings	(31,043,310)	(477,940)	(212,301)	(8,897,494)	(40,631,045)
DTL	(29,832,070)	(10,471,854)	(2,608,430)	(668,699)	(43,581,053)
Other non-current liabilities	(1,492,327)	—	—	—	(1,492,327)
Current liabilities					
Borrowings	(6,091,100)	(111,031)	(50,000)	(865,000)	(7,117,131)
Other current liabilities	(78,394,083)	(4,088,548)	(5,349,229)	(29,476,926)	(117,308,786)
Net assets	66,772,699	13,629,667	4,074,943	19,244,552	103,721,861
Less: Non-controlling interests	(6,009,543)	(1,450,535)	—	(50,382)	(7,510,460)
Fair value of the net assets acquired	60,763,156	12,179,132	4,074,943	19,194,170	96,211,401
(2) Cash impact					
Considerations settled by cash	(40,208,466)	(10,254,241)	(2,172,762)	(14,235,106)	(66,870,575)
Cash and cash equivalents in the subsidiaries acquired	13,062,506	970	128,010	3,319,128	16,510,614
Net cash impact on acquisitions	(27,145,960)	(10,253,271)	(2,044,752)	(10,915,978)	(50,359,961)

43 Disposal of subsidiaries

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

	Total RMB'000
Cash considerations received or receivable	549,511
Fair value of the remaining equity interest held by the Group at disposal (Note 11)	5,479,454
Receivables	7,857,368
Carrying value of the equity owned by the Group	(14,111,959)
Net losses on disposals	(225,626)
– Gains on the disposals (Note 31)	35,648
– Losses on the disposals (Note 32)	(261,274)

(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	12,545
Intangible assets	207
DTA	611,617
Current assets	
PUDs	29,885,417
Completed properties held for sale	1,246,255
Restricted cash	74,870
Cash and cash equivalents	252,457
Other current assets	1,902,977
Non-current liabilities	
Borrowings	(1,362,940)
DTL	(10,477,411)
Current liabilities	
Borrowings	(111,031)
Other current liabilities	(6,386,545)
Net assets	15,648,418
Less: Non-controlling interests	(1,536,459)
Carrying value of the equity owned by the Group	14,111,959

(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 2017	524,411
Cash of the subsidiaries disposed	(252,457)
Net cash impact	271,954

44 Related party transactions

(A) NAME AND RELATIONSHIP WITH RELATED PARTIES

Name	Relationship with the Company
Sunac International	Immediate Controlling shareholder of the Company
Mr. Sun Hongbin	Ultimate controlling party of the Company and the chairman of the Board of Directors of the Company

(B) TRANSACTIONS WITH RELATED PARTIES

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

(i) Cash advances

	Years ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cash paid to joint ventures and associates	**(76,214,409)**	(50,141,620)
Cash received from joint ventures and associates	**106,127,340**	59,803,069
	29,912,931	9,661,449

(ii) Interest income

	Years ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest income from joint ventures	**1,709,102**	778,736
Interest income from associates	**32,676**	—
	1,741,778	778,736

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Years ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries and other short-term benefits	**127,252**	36,906
Share-option scheme	**12,423**	16,630
	139,675	53,536

44 Related party transactions *(continued)*

(D) RELATED PARTIES BALANCES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Amounts due from joint ventures		
– Interest free	**31,051,713**	24,083,350
– Interest bearing	**18,108,512**	10,772,795
– Interest receivable	**1,624,101**	1,324,206
	50,784,326	36,180,351
Amounts due from associates		
– Interest free	**8,946,787**	1,205,346
– Interest bearing	**2,680,889**	373,958
– Interest receivable	**164,045**	159,437
	11,791,721	1,738,741
Less: Impairment provision (i)	**(1,493,257)**	—
	10,298,464	1,738,741
	61,082,790	37,919,092
Amounts due to joint ventures	**84,464,115**	48,084,803
Amounts due to associates	**7,483,137**	3,586,308
	91,947,252	51,671,111

(i) As at 31 December 2017, the amounts due from Leshi Companies amounted to RMB1,790 million of which the Group has made an impairment provision of RMB1,493 million.

The amounts due from joint ventures and associates almost have no fixed repayment date, bearing interest rate at 4.35% to 12% per annum for the year ended 31 December 2017.

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

45 Dividends

The dividends paid in 2017 and 2016 were RMB991 million (RMB0.257 per share) and RMB660 million (RMB0.194 per share) respectively. A dividend in respect of the year ended 31 December 2017 of RMB0.501 per share, amounting to a total dividend of RMB2,201 million, is to be proposed at the annual general meeting. These financial statements did not reflect this dividend payable.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Proposed final dividend of RMB0.501 (2016: RMB0.257) per ordinary share	**2,200,773**	991,341

46 Events after the balance sheet date

On 29 January 2018, the Group entered into a strategic cooperation agreement with Dalian Wanda Group Co., Ltd. and Wanda Commercial. Pursuant to this agreement, the Group plans to utilise RMB9,500 million or the HK$ equivalent amount to acquire approximately 3.91% of the shares in Wanda Commercial held by its shareholders.

47 Balance sheet and reserve movement of the Company

	Note	**31 December 2017 RMB'000**	31 December 2016 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**17,235,346**	13,450,458
Derivative financial instruments		**14,865**	—
		17,250,211	13,450,458
Current assets			
Amounts due from subsidiaries		**7,866,684**	8,593,535
Other receivables		**6,159**	21
Cash and cash equivalents		**5,910,323**	529,081
		13,783,166	9,122,637
Total assets		**31,033,377**	22,573,095
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**377,608**	331,408
Other reserves	(a)	**14,845,964**	5,393,140
Accumulated losses	(a)	**(5,287,406)**	(3,940,993)
Total equity		**9,936,166**	1,783,555
Liabilities			
Non-current liabilities			
Borrowings		**11,691,551**	4,758,441
Current liabilities			
Borrowings		**1,467,276**	3,979,278
Other payables		**246,956**	139,520
Amounts due to subsidiaries		**7,691,428**	11,912,301
		9,405,660	16,031,099
Total liabilities		**21,097,211**	20,789,540
Total equity and liabilities		**31,033,377**	22,573,095

Sun Hongbin
Director

Wang Mengde
Director

47 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 2016					
At 1 January 2016	1,954,974	201,675	1,416,348	(2,451,763)	1,121,234
Loss for the year	—	—	—	(1,489,230)	(1,489,230)
Employees share option schemes:					
– Value of employee services	—	57,890	—	—	57,890
– Proceeds from shares issued	12,289	—	—	—	12,289
Proceeds from private placement	2,409,530	—	—	—	2,409,530
Dividends relating to 2015	(659,566)	—	—	—	(659,566)
At 31 December 2016	3,717,227	259,565	1,416,348	(3,940,993)	1,452,147
Year ended 31 December 2017					
At 1 January 2017	**3,717,227**	**259,565**	**1,416,348**	**(3,940,993)**	**1,452,147**
Loss for the year	—	—	—	**(1,346,413)**	**(1,346,413)**
Employees share option schemes:					
– Value of employee services	—	**210,370**	—	—	**210,370**
– Proceeds from shares issued	**263,044**	—	—	—	**263,044**
Proceeds from private placement	**9,970,751**	—	—	—	**9,970,751**
Dividends relating to 2016	**(991,341)**	—	—	—	**(991,341)**
At 31 December 2017	**12,959,681**	**469,935**	**1,416,348**	**(5,287,406)**	**9,558,558**

48 Benefits and interests of directors

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

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share Options expenses RMB'000	Employer's contribution retirement benefit scheme RMB'000	Other benefits RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
Year ended 31 December 2017:								
Directors:								
Sun Hongbin	—	**5,688**	**6,300**	—	—	—	—	**11,988**
Wang Mengde	—	**5,544**	**6,400**	**1,233**	**35**	**54**	—	**13,266**
Chi Xun	—	**5,500**	**6,100**	**1,213**	**35**	**53**	—	**12,901**
Shang Yu	—	**5,000**	**4,200**	**970**	**41**	**56**	—	**10,267**
Jing Hong	—	**5,500**	**6,100**	**1,213**	**51**	**64**	—	**12,928**
Tian Qiang	—	**5,500**	**4,900**	**1,116**	**33**	**52**	—	**11,601**
Huang Shuping	—	**4,903**	**3,000**	**1,096**	**32**	**46**	—	**9,077**
Sun Zheyi	—	**900**	**298**	—	**51**	**32**	—	**1,281**
Zhu Jia	**355**	—	—	—	—	—	—	**355**
Poon Chiu Kwoh	**355**	—	—	—	—	—	—	**355**
Li Qin	**323**	—	—	—	—	—	—	**323**
Ma Lishan	**323**	—	—	—	—	—	—	**323**
Tse Chi Wai	**323**	—	—	—	—	—	—	**323**
Year ended 31 December 2016:								
Directors:								
Sun Hongbin	—	1,200	2,353	131	—	—	—	3,684
Wang Mengde	—	932	2,385	2,603	34	52	—	6,006
Li Shaozhong	—	734	716	2,058	34	52	—	3,594
Chi Xun	—	847	2,371	2,525	34	52	—	5,829
Shang Yu	—	734	1,416	2,126	42	57	—	4,375
Jing Hong	—	847	2,188	2,525	47	59	—	5,666
Tian Qiang	—	847	1,888	2,365	33	51	—	5,184
Huang Shuping	—	847	1,288	2,297	28	18	—	4,478
Zhu Jia	—	—	—	—	—	—	—	—
Poon Chiu Kwoh	268	—	—	—	—	—	—	268
Li Qin	268	—	—	—	—	—	—	268
Ma Lishan	268	—	—	—	—	—	—	268
Tse Chi Wai	268	—	—	—	—	—	—	268

For the year ended 31 December 2017 and 2016, no housing allowance, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director, emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking were provided by the Group to directors or chief executive.

The five individuals whose emoluments were the highest in the Group included five directors (2016: Five) for the year ended 31 December 2017, whose emoluments are reflected in the analysis presented above.

49 Subsidiaries

The following is a list of the principal subsidiaries at 31 December 2017 and 2016:

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities
			31 December 2017		31 December 2016		
			Directly	**Indirectly**	Directly	Indirectly	
Incorporated in the British Virgin Islands:							
Sunac Real Estate Investment Holdings Ltd.	02 January 2007	USD10,000	**100%**	—	100%	—	Investment holding
Qiwei Real Estate Investment Holdings Ltd.	06 June 2007	USD1	**100%**	—	100%	—	Investment holding
Jujin Real Estate Investment Holdings Ltd.	06 September 2007	USD1	**100%**	—	100%	—	Investment holding
Dingsheng Real Estate Investment Holdings Ltd.	06 September 2007	USD1	**100%**	—	100%	—	Investment holding
Zhuoyue Real Estate Investment Holdings Ltd.	13 September 2007	USD1	**100%**	—	100%	—	Investment holding
Sunac Greentown Investment Holdings Limited	25 April 2013	RMB3,277 million	**100%**	—	100%	—	Investment holding
Elegant Trend Limited	17 July 2013	HKD15.6	—	**100%**	—	100%	Investment holding
Raycom Development Limited	30 November 2016	HKD312.5 million	—	**100%**	—	100%	Investment holding
Incorporated in Hong Kong:							
Zhuoyue Property Investment Holdings Ltd.	20 September 2007	HKD1	—	**100%**	—	100%	Investment holding
Incorporated in the PRC:							
Tianjin Sunac Real Estate Investment Management Co Ltd.	06 February 2007	RMB460 million	—	**100%**	—	100%	Investment holding
Beijing Sunac Hengji Real Estate Co., Ltd.	27 September 2011	RMB100 million	—	**100%**	—	100%	Real estate development
Beijing Sunac Jiye Real estate Co., Ltd.	01 June 2011	RMB400 million	—	**100%**	—	100%	Real estate development
Beijing Sunac Construction Investment Real Estate Co., Ltd	16 August 2010	RMB10 million	—	**100%**	—	100%	Real estate development
Beijing Yangguang	31 December 2016	RMB250 million	—	**100%**	—	80%	Real estate development
Qingdao Calxon Real Estate Development Co., Ltd.	31 December 2016	RMB1,200 million	—	**100%**	—	100%	Real estate development
Qingdao Wanda Oriental Movie Metropolis Investment Co., Ltd.	10 November 2017	RMB3,000 million	—	**91%**	—	—	Real estate development, Cultural and tourism project operation

49 Subsidiaries *(continued)*

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities
			31 December 2017		31 December 2016		
			Directly	**Indirectly**	Directly	Indirectly	
Incorporated in the PRC: (continued):							
Qingdao Wanda Yacht Industry Investment Co., Ltd.	10 November 2017	RMB1,000 million	—	**91%**	—	—	Real estate development, Cultural and tourism project operation
Jinan Wanda City Investment Co., Ltd	10 November 2017	RMB2,000 million	—	**91%**	—	—	Real estate development, Cultural and tourism project operation
Hangzhou Rongxinheng Investment Limited	27 August 2013	RMB10 million	—	**100%**	—	100%	Investment holding
Hangzhou Sunac Greentown Real Estate Development Co., Ltd.	29 September 2015	USD102 million	—	**100%**	—	100%	Real estate development
Hangzhou Yingzi Investment Limited	27 August 2013	RMB10 million	—	**100%**	—	100%	Real estate development
Hangzhou Guorong Zhidi Co., Ltd.	09 August 2013	RMB460 million	—	**60%**	—	60%	Real estate development
Hangzhou Fuyang Sunac Real Estate Co., Ltd.	07 March 2014	RMB630 million	—	**100%**	—	100%	Real estate development
Hangzhou Rongyu Real Estate Co., Ltd.	15 June 2016	RMB1,800 million	—	**100%**	—	100%	Real estate development
Hangzhou Jiarong Real Estate Co., Ltd.	30 November 2016	RMB10 million	—	**100%**	—	100%	Real estate development
Hangzhou Jiayi Real Estate Co., Ltd.	30 November 2016	RMB510 million	—	**100%**	—	100%	Real estate development
Lemen Real Estate (Fuyang) Co., Ltd.	30 August 2016	RMB14,735 million	—	**100%**	—	100%	Real estate development
Jiaxing Sunac Real Estate Co., Ltd.	01 April 2017	RMB100 million	—	**100%**	—	—	Real estate development
Xiamen Sunac Xinxia Real Estate Co., Ltd.	28 April 2016	RMB0.1 million	—	**100%**	—	100%	Real estate development
Hefei Lianzhong Real Estate Development Co., Ltd.	30 November 2016	RMB50 million	—	**60%**	—	60%	Real estate development
Hefei Wanda City Investment Co., Ltd	03 August 2017	RMB2,000 million	—	**91%**	—	—	Real estate development, Cultural and tourism project operation

49 Subsidiaries *(continued)*

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities
			31 December 2017		31 December 2016		
			Directly	**Indirectly**	Directly	Indirectly	
Incorporated in the PRC: (continued):							
Sunac (Shenzhen) Real Estate Co., Ltd.	09 March 2015	RMB10 million	—	**100%**	—	100%	Investment holding
Guangzhou Wanda Cultural Tourism Investment Co., Ltd	31 August 2017	RMB4,000 million	—	**91%**	—	—	Real estate development, Cultural and tourism project operation
Tianjin Sunac Ao Cheng Investment Co., Ltd.	25 February 2003	RMB222 million	—	**100%**	—	100%	Real estate development
Sunac Real Estate	31 January 2003	RMB10,000 million	—	**100%**	—	100%	Real estate development
Tianjin Sunac Dingsheng Zhidi Co., Ltd.	04 January 2011	HKD1,700 million	—	**100%**	—	100%	Real estate development
Tianjin Sunac Huijie Zhidi Co., Ltd.	21 January 2011	HKD700 million	—	**100%**	—	100%	Real estate development
Tianjin Sunac Mingxiang Investment Development Co., Ltd.	06 April 2010	RMB1,421 million	—	**100%**	—	100%	Real estate development
Tianjin Rongzheng Investment Limited	12 July 2013	RMB504 million	—	**100%**	—	100%	Real estate development
Tianjin Rongyao Real Estate Development Co., Ltd.	07 March 2013	RMB500 million	—	**54%**	—	54%	Real estate development
Henan Sunac Ao Cheng Real Estate Co., Ltd.	10 March 2016	RMB100 million	—	**100%**	—	100%	Real estate development
Harbin Wanda City Investment Co., Ltd	02 August 2017	RMB2,000 million	—	**91%**	—	—	Real estate development, Cultural and tourism project operation
Haikou Wanda City Investment Co., Ltd	25 August 2017	RMB2,000 million	—	**91%**	—	—	Real estate development, Cultural and tourism project operation
Raycom Zhidi (Wuhan) Co., Ltd.	30 November 2016	RMB240 million	—	**100%**	—	100%	Real estate development
Wuhan Lianchuang Rongjin Investment Company limited	30 November 2016	RMB200 million	—	**100%**	—	100%	Investment holding
Changsha Raycom Real Estate Development Co., Ltd.	31 December 2016	RMB320 million	—	**75%**	—	75%	Real estate development

49 Subsidiaries *(continued)*

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities
			31 December 2017		31 December 2016		
			Directly	**Indirectly**	Directly	Indirectly	
Incorporated in the PRC: (continued):							
Nanchang Wanda City Investment Co Ltd	04 August 2017	RMB2,000 million	—	**91%**	—	—	Real estate development, Cultural and tourism project operation
Shanghai Sunac Real Estate Development Co., Ltd.	18 December 2014	RMB2,000 million	—	**100%**	—	100%	Real estate development
Shanghai Xiangyuan Investment Holdings Limited	03 May 2016	RMB2,000 million	—	**100%**	—	100%	Investment holding
Shanghai Ronglv Qiwei Real Estate Co., Ltd.	31 December 2015	RMB410 million	—	**100%**	—	100%	Real estate development
Shanghai Lvshun Real Estate Development Co., Ltd.	01 July 2012	RMB1,000 million	—	**100%**	—	100%	Real estate development
Shanghai Forest Golf Villa Development Co., Ltd.	18 December 2002	RMB196 million	—	**100%**	—	100%	Real estate development
New Richport Property Development Shanghai Co., Ltd.	17 July 2013	RMB2,250 million	—	**100%**	—	100%	Real estate development
Fung Seng Estate Development (Shanghai) Co., Ltd.	17 July 2013	RMB85 million	—	**100%**	—	100%	Real estate development
Shanghai Ronglv Huiyi Real Estate Co., Ltd.	31 December 2015	RMB204 million	—	**100%**	—	100%	Real estate development
Tianmao Real Estate (Nanjing) Co., Ltd.	04 December 2015	RMB520 million	—	**100%**	—	100%	Real estate development
Suzhou Rongding Real Estate Co., Ltd.	26 December 2014	RMB8 million	—	**100%**	—	100%	Real estate development
Yixing Sunac Dongjiu Real Estate Co.,Ltd.	09 March 2010	RMB1,100 million	—	**100%**	—	100%	Real estate development
Wuxi Sunac Real Estate Co., Ltd.	27 February 2004	RMB204 million	—	**100%**	—	100%	Real estate development
Wuxi Sunac City Construction Co., Ltd.	11 May 2005	RMB448 million	—	**100%**	—	100%	Real estate development
Wuxi Wanda City Investment Co., Ltd	10 November 2017	RMB4,000 million	—	**91%**	—	—	Real estate development, Cultural and tourism project operation
Chongqing Sunac Shangfeng Real Estate Co., Ltd	21 February 2011	RMB1,200 million	—	**100%**	—	100%	Real estate development

49 Subsidiaries *(continued)*

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities
			31 December 2017		31 December 2016		
			Directly	Indirectly	Directly	Indirectly	
Incorporated in the PRC: (continued):							
Chongqing Sunac Qiyang Real Estate Co., Ltd.	18 September 2013	HKD2,280 million	—	100%	—	100%	Real estate development
Chongqing Sunac Shijin Real Estate Co., Ltd.	12 December 2012	HKD1,229 million	—	100%	—	100%	Real estate development
Chongqing Sunac Kaixuan Real Estate Co., Ltd.	18 January 2017	RMB540 million	—	100%	—	51%	Real estate development
Chongqing Raycom Zhidi Real Estate Development Co., Ltd.	30 November 2016	RMB300 million	—	100%	—	100%	Real estate development
Chengdu Guojia Zhide Real Estate Co., Ltd.	22 October 2015	RMB1,375 million	—	100%	—	100%	Real estate development
Chengdu Zhongyi Real Estate Co., Ltd.	22 October 2015	RMB200 million	—	100%	—	100%	Real estate development
Chengdu Tianyi Real Estate Co., Ltd.	23 November 2016	RMB793.5 million	—	100%	—	100%	Real estate development
Chengdu Wanda City Investment Co., Ltd	05 September 2017	RMB2,000 million	—	91%	—	—	Real estate development, Cultural and tourism project operation
Guilin Wanda City Investment Co., Ltd	28 August 2017	RMB1,500 million	—	91%	—	—	Real estate development, Cultural and tourism project operation
Xishuangbanna International Tourism Resort Development Co., Ltd.	04 August 2017	RMB2,000 million	—	91%	—	—	Real estate development, Cultural and tourism project operation
Kunming Wanda City Investment Co., Ltd	10 November 2017	RMB2,000 million	—	91%	—	—	Real estate development, Cultural and tourism project operation

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