SUNAC CHINA HOLDINGS LIMITED
融創中國控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01918)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS HIGHLIGHTS

For the six months ended 30 June 2019:

- Contracted sales amount of the Group and its joint ventures and associates was approximately RMB214.16 billion, representing a growth rate of approximately 11.8% compared to the same period last year;
- The Group's revenue was approximately RMB76.84 billion, representing a growth rate of approximately 64.9% compared to the same period last year;
- The Group's gross profit was approximately RMB19.35 billion, representing a growth rate of approximately 67.9% compared to the same period last year;
- Profit attributable to owners of the Company was approximately RMB10.29 billion, representing a growth rate of approximately 61.7% compared to the same period last year;
- The profit attributable to owners of the Company, after excluding the impacts of certain items such as gains from business combination and its amortization, gain or loss on changes in fair values of financial assets and investment properties and impairment losses on non-core business assets, was approximately RMB12.66 billion, representing a growth rate of approximately 128.4% compared to the comparable amount in the same period last year; and
- The Group's cash balance as at 30 June 2019 was approximately RMB138.00 billion, representing a growth rate of approximately 14.8% compared to the end of last year.

INTERIM RESULTS WITH NOTES

The board (the “Board”) of directors (the “Directors”) of Sunac China Holdings Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Unaudited	
		Six months ended 30 June	
	Note	**2019**	2018
		RMB'000	*RMB'000*
Revenue from contracts with customers	*4*	**76,837,895**	46,582,781
Cost of sales	*10*	**(57,484,437)**	(35,054,944)
Gross profit		**19,353,458**	11,527,837
Other income and gains	*11*	**5,189,148**	5,345,943
Selling and marketing costs	*10*	**(2,563,053)**	(1,919,192)
Administrative expenses	*10*	**(4,074,070)**	(2,933,233)
Other expenses and losses	*12*	**(1,058,495)**	(132,721)
Net impairment losses on financial and contract assets	*10*	**(1,147,332)**	(143,895)
Operating profit		**15,699,656**	11,744,739
Finance income	*13*	**620,088**	324,391
Finance expenses	*13*	**(1,233,268)**	(2,947,210)
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	*5*	**3,630,399**	1,112,198
Profit before income tax		**18,716,875**	10,234,118
Income tax expense	*14*	**(7,425,766)**	(3,456,390)
Profit for the period		**11,291,109**	6,777,728
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period		**11,291,109**	6,777,728

	Note	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Attributable to:			
– Owners of the Company		**10,286,306**	6,361,210
– Holders of perpetual capital securities		**173,183**	339,478
– Other non-controlling interests		**831,620**	77,040
		11,291,109	6,777,728
Earnings per share attributable to owners of the Company (expressed in RMB per share):	*15*		
– Basic earnings per share		**2.37**	1.45
– Diluted earnings per share		**2.34**	1.43

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Note	**30 June 2019 (Unaudited)** ***RMB'000***	31 December 2018 (Audited) *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**58,889,103**	49,224,305
Investment properties		**19,185,296**	16,195,739
Right-of-use assets	*3*	**13,120,142**	–
Intangible assets	*3*	**6,230,589**	–
Land use rights and intangible assets	*3*	**–**	16,020,807
Deferred tax assets		**5,093,352**	2,984,740
Investments accounted for using the equity method	*5*	**84,763,256**	65,496,826
Financial assets at fair value through profit or loss		**14,843,981**	9,872,592
Derivative financial instruments		**–**	125,817
Receivables	*6*	**660,501**	558,000
Prepayments	*7*	**3,052,486**	2,276,912
Amounts due from related companies		**666,452**	666,452
Total non-current assets		**206,505,158**	163,422,190
Current assets			
Properties under development		**350,761,552**	291,913,575
Completed properties held for sale		**48,839,964**	47,336,265
Inventories		**92,894**	14,967
Trade and other receivables	*6*	**33,555,096**	27,392,266
Contract assets		**1,987,244**	932,328
Financial assets at fair value through profit or loss		**–**	133,500
Derivative financial instruments		**–**	153,507
Amounts due from related companies		**70,643,423**	48,299,169
Prepayments	*7*	**12,937,428**	10,414,376
Prepaid income tax		**6,998,004**	6,449,795
Restricted cash		**38,762,301**	44,017,011
Cash and cash equivalents		**99,235,053**	76,181,041
Total current assets		**663,812,959**	553,237,800
Total assets		**870,318,117**	716,659,990

	Note	**30 June 2019 (Unaudited)** *RMB'000*	31 December 2018 (Audited) *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**381,277**	378,421
Other reserves		**10,391,707**	14,259,603
Retained earnings		**52,484,511**	42,198,205
		63,257,495	56,836,229
Perpetual capital securities		**4,472,863**	5,526,772
Other non-controlling interests		**11,966,131**	10,743,568
Total equity		**79,696,489**	73,106,569
LIABILITIES			
Non-current liabilities			
Borrowings	*9*	**180,795,522**	137,363,520
Derivative financial instruments		**42,244**	79,509
Lease liabilities		**431,595**	–
Deferred tax liabilities		**35,366,553**	33,383,440
Other payables	*8*	**80,081**	1,474,373
Total non-current liabilities		**216,715,995**	172,300,842
Current liabilities			
Trade and other payables	*8*	**112,174,848**	92,786,353
Contract liabilities		**215,946,381**	199,378,610
Amounts due to related companies		**96,540,331**	62,663,166
Current tax liabilities		**27,069,404**	23,753,921
Borrowings	*9*	**121,280,208**	92,045,543
Lease liabilities		**187,457**	–
Derivative financial instruments		**4,860**	14,017
Provisions		**702,144**	610,969
Total current liabilities		**573,905,633**	471,252,579
Total liabilities		**790,621,628**	643,553,421
Total equity and liabilities		**870,318,117**	716,659,990

NOTES

1 GENERAL INFORMATION

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

The Company is a company with limited liability incorporated in the Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1- 9005, Cayman Islands.

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

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

2 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

Below new and amended standards and interpretations became effective for annual reporting periods commencing on or after 1 January 2019 and adopted by the Group for the first time in 2019 interim report:

- HKFRS 16 *Leases* ("HKFRS 16"),
- *Annual improvements 2015-2017 Cycle*,
- HK (IFRIC) 23 *Uncertainty over Income Tax Treatments*,
- *Prepayment Features with Negative Compensation – Amendments to* HKFRS 9 *Financial Instruments*,
- *Long-term Interests in Associates and Joint Ventures – Amendments to* HKAS 28 *Investments in Associates and Joint Ventures*, and
- *Plan Amendment, Curtailment or Settlement – Amendments to* HKAS 19 *Employee Benefits*.

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 16. The impact of the adoption of HKFRS 16 and the new accounting policies are disclosed in note 3 below. Most of the other amendments listed above did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(b) Impact of standards issued but not yet applied by the Group

Certain new accounting standards and amendments have been published and relevant to the Group that are not effective in current year and have not been early adopted by the Group.

	Effective for the financial year beginning on or after
Conceptual framework for financial reporting 2018	1 January 2020
Amendments to HKFRS 3 *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8 *Definition of material*	1 January 2020
HKFRS 17 *Insurance contracts*	1 January 2021

The Group is in the process of assessing the impact of above new and amended standards on the Group's consolidated financial statements. None of these is expected to have a significant effect on the Group's accounting policies.

3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on application of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

	2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	336,845
Discounted using the lessee's incremental borrowing rate of at the date of initial application	275,002
Less: Short-term lease recognised on a straight-line basis as expense	(10,565)
Add: Lease contracts effective from 1 January 2019	168,725
Lease liabilities recognised as at 1 January 2019	**433,162**
Of which are:	
Current lease liabilities	151,304
Non-current lease liabilities	281,858
	433,162

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. Land use rights was reclassified as right-of-use assets since the initial adoption of HKFRS 16 on 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	1 January 2019	**Additions**	**Amortisation charge**	**30 June 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use rights	9,851,328	2,825,498	(160,369)	12,516,457
Properties	427,049	249,026	(79,757)	596,318
Vehicles	6,113	2,726	(1,472)	7,367
Total right-of-use assets	10,284,490	3,077,250	(241,598)	13,120,142

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB10,284.49 million
- land use right – decrease by RMB9,851.33 million
- lease liabilities – increase RMB433.16 million

There is no impact on retained earnings on 1 January 2019 upon applying HKFRS 16.

(i) Impact on segment disclosures and earnings per share

As at 30 June 2019, segment assets and segment liabilities increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Segment assets	**Segment liabilities**
	RMB'000	*RMB'000*
Property development	599,128	615,312
Cultural and tourism city construction and operation	4,557	3,740
	603,685	619,052

There is no significant impact on the segment results and earnings per share for the six months ended 30 June 2019 as a result of the adoption of HKFRS 16.

(ii) ***Practical expedients applied***

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease as at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 *Leases* and HK(IFRIC) 4 *Determining whether an Arrangement contains a Lease*.

The Group obtained land use right from the government with fixed period of 40 years. Beside this, the Group leases various offices and vehicles and the rental contracts are made for fixed periods of 1 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of land, offices and vehicles were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

4 SEGMENT INFORMATION

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

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

- Property development
- Cultural and tourism city construction and operation
- All other segments

There are two reportable segments disclosed in interim financial information for the six months ended 30 June 2018. Subsequently, the Group established the Sunac Cultural and Tourism Group and commenced to directly manage the operation of the hotels, shopping malls and theme parks in the cultural and tourism cities (including the design, construction and operation of the cultural and tourism cities). Cultural and tourism city construction and operation was identified as a new independent reportable segment for the year ended 31 December 2018. As a result of this change in segment report, the segment information for the six months ended 30 June 2018 was restated correspondingly.

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

The performance of above reportable segments is assessed based on a measure of profit before depreciation and amortisation, interest expenses and income tax expenses, defined as segment results. The segment results exclude the fair value gains or losses on financial assets at fair value through profit of loss ("FVPL") and derivative financial instruments and share of profits or losses and impairment losses of certain non-core business investments accounted using the equity method, which are managed on a central basis.

Segment assets primarily consist of all assets excluding deferred tax assets, financial assets at FVPL, derivative financial instruments and certain investments accounted using the equity method, which are managed on a central basis. Segment liabilities primarily consist of all liabilities excluding deferred tax liabilities, current tax liabilities, provisions and derivative financial instruments.

The Group's revenue is mainly attributable to the market in the PRC and over 90% of the Group's non-current assets are located in the PRC. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

The segment results are as follows:

	Six months ended 30 June 2019			
	Property development *RMB'000*	**Cultural and tourism city construction and operation** *RMB'000*	**All other segments** *RMB'000*	**Total** *RMB'000*
Total segment revenue	**73,416,826**	**1,077,030**	**5,777,886**	**80,271,742**
Recognised at a point in time	**50,707,028**	**267,843**	**–**	**50,974,871**
Recognised over time	**22,709,798**	**809,187**	**5,777,886**	**29,296,871**
Inter-segment revenue	**–**	**–**	**(3,433,847)**	**(3,433,847)**
Revenue from external customers	**73,416,826**	**1,077,030**	**2,344,039**	**76,837,895**
Segment gross profit	**18,653,496**	**392,842**	**675,479**	**19,721,817**
Net impairment losses on financial and contract assets	**(60,369)**	**–**	**–**	**(60,369)**
Selling and marketing costs	**(2,316,401)**	**(166,506)**	**(48,680)**	**(2,531,587)**
Administrative expenses	**(2,726,694)**	**(570,862)**	**(424,321)**	**(3,721,877)**
Other income and gains	**4,080,433**	**727,651**	**29,533**	**4,837,617**
Other expenses and losses	**(297,956)**	**(10,518)**	**(1,184)**	**(309,658)**
Finance income	**620,088**	**–**	**–**	**620,088**
Share of post-tax profits of associates and joint ventures accounted for using equity method, net	**3,754,245**	**–**	**31,376**	**3,785,621**
Segment results	**21,706,842**	**372,607**	**262,203**	**22,341,652**

	As at 30 June 2019			
	Property development *RMB'000*	**Cultural and tourism city construction and operation** *RMB'000*	**All other segments** *RMB'000*	**Total** *RMB'000*
Total segment assets	**735,386,058**	**91,027,298**	**16,302,972**	**842,716,328**
Total segment liabilities	**693,473,240**	**21,952,940**	**12,157,611**	**727,583,791**

	Six months ended 30 June 2018 (Restated)			
	Property development *RMB'000*	Cultural and tourism city construction and operation *RMB'000*	All other segments *RMB'000*	Total *RMB'000*
Total segment revenue	44,342,656	1,060,879	1,981,155	47,384,690
Recognised at a point in time	31,316,003	376,895	–	31,692,898
Recognised over time	13,026,653	683,984	1,981,155	15,691,792
Inter-segment revenue	–	–	(801,909)	(801,909)
Revenue from external customers	44,342,656	1,060,879	1,179,246	46,582,781
Segment gross profit	10,941,861	483,513	406,875	11,832,249
Net impairment losses on financial and contract assets	(63,167)	–	–	(63,167)
Selling and marketing costs	(1,771,140)	(93,140)	(25,647)	(1,889,927)
Administrative expenses	(2,292,586)	(311,920)	(166,893)	(2,771,399)
Other income and gains	5,075,990	37,505	3,125	5,116,620
Other expenses and losses	(126,387)	(556)	(1,079)	(128,022)
Finance income	324,391	–	–	324,391
Share of post-tax profits of associates and joint ventures accounted for using equity method, net	1,212,704	–	16,440	1,229,144
Segment results	13,301,666	115,402	232,821	13,649,889

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

Reportable segments results are reconciled to total profit as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Total segment results	**22,341,652**	13,649,889
Net impairment losses on financial and contract assets	**(1,086,963)**	(80,728)
Depreciation and amortisation	**(752,018)**	(495,511)
Finance costs	**(1,233,268)**	(2,947,210)
Other income and gains	**351,531**	229,323
Other expenses and losses	**(748,837)**	(4,699)
Share of losses of investments accounted for using equity method, net	**(155,222)**	(116,946)
Income tax expenses	**(7,425,766)**	(3,456,390)
Profit for the period	**11,291,109**	6,777,728

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
Total segment assets	**842,716,328**	700,069,472
Deferred tax assets	**5,093,352**	2,984,740
Other assets	**22,508,437**	13,605,778
Total assets	**870,318,117**	716,659,990
Total segment liabilities	**727,583,791**	585,848,040
Deferred tax liabilities	**35,366,553**	33,383,440
Other liabilities	**27,671,284**	24,321,941
Total liabilities	**790,621,628**	643,553,421

5 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The investment amounts recognised in the balance sheet were as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
Joint ventures	**60,094,572**	40,009,448
Associates	**24,668,684**	25,487,378
	84,763,256	65,496,826

The share of profits from investments accounted for using the equity method recognised in the income statement were as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Share of profits of joint ventures	**2,483,515**	613,372
Share of profits of associates	**984,086**	463,607
Gains on acquisitions of joint ventures and an associate	**162,798**	35,219
	3,630,399	1,112,198

5.1 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 share of results of these joint ventures.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
At beginning of period	**40,009,448**	32,302,811
Additions:		
– Capital contributions to joint ventures at establishment	**10,169,882**	775,418
– Acquisition of joint ventures	**1,478,619**	1,961,731
– Additional investments in existing joint ventures	**1,334,926**	142,180
– Subsidiaries became joint ventures	**1,031,840**	131,470
– Acquisition from business combination	**5,531,988**	–
Disposals:		
– Disposal of investments in joint ventures	**(629,865)**	(340,138)
– Joint ventures became subsidiaries	**(233,291)**	(255,995)
Capital decreasing of a joint venture	**(977,550)**	–
Share of profits of joint ventures, net	**2,483,515**	613,372
Dividends from joint ventures	**(104,940)**	–
At end of period	**60,094,572**	35,330,849

5.2 Investments in associates

The following table analyses, on an aggregate basis, the movement of the carrying amount of the Group's investments in associates, and the share of results of these associates.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
At beginning of period	**25,487,378**	26,310,410
Additions:		
– Capital contributions to associates established by the Group	**200,700**	132,000
– Acquisitions of associates	**268,155**	148,044
– Additional investments in an existing associate	**257,835**	313,961
– Subsidiaries became associates	**288,830**	–
Disposals:		
– Associates became subsidiaries	**–**	(575,519)
Impairment provision for investment in an associate	**(698,328)**	–
Share of profits of associates, net	**984,086**	463,607
Capital decreasing of associates	**(1,399,530)**	–
Dividends from associates	**(720,442)**	–
At end of period	**24,668,684**	26,792,503

6 TRADE AND OTHER RECEIVABLES

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Non-current -		
Amounts due from construction customers	**660,501**	558,000
Current -		
Trade receivables *(a)*	**2,712,543**	1,359,626
Amounts due from non-controlling interests and their related parties *(b)*	**12,340,790**	11,532,705
Notes receivables	**34,808**	26,915
Deposits receivables	**9,177,457**	6,024,104
Other receivables *(c)*	**9,632,302**	8,755,984
	33,897,900	27,699,334
Less: Loss allowance	**(342,804)**	(307,068)
	33,555,096	27,392,266

As at 30 June 2019 and 31 December 2018, the carrying amounts of the Group's trade and other receivables were all denominated in RMB and the carrying amounts of trade and other receivables approximated their fair values.

Notes:

(a) In the six months ended 30 June 2019, the Group provided a credit period to certain customers based on individual credit risk assessments. Taking into account of the credit terms agreed in the property sale contracts, the ageing analysis of trade receivables primarily arising from sales of properties is as follows:

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 90 days	**2,072,321**	750,092
91 – 180 days	**128,995**	42,911
181 – 365 days	**15,796**	145,901
Over 365 days	**495,431**	420,722
	2,712,543	1,359,626

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

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

7 PREPAYMENTS

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Non-current -		
Prepayments for equity transactions	**3,014,843**	2,276,912
Prepayments for purchase of property, plant and equipment (PP&E)	**37,643**	–
	3,052,486	2,276,912
Current -		
Tax and surcharge	**5,351,885**	6,295,757
Prepayments for land use rights acquisitions	**5,811,672**	2,459,932
Prepayments for project development costs	**1,294,381**	1,315,828
Others	**479,490**	342,859
	12,937,428	10,414,376

As at 30 June 2019 and 31 December 2018, the carrying amounts of the Group's prepayments were all denominated in RMB.

8 TRADE AND OTHER PAYABLES

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Non-current -		
Other payables	**80,081**	1,474,373
Current -		
Trade payables *(a)*	**54,665,106**	35,933,716
Un-paid considerations for equity transactions	**9,759,528**	9,911,259
Amounts due to non-controlling interests and their related parties *(b)*	**5,878,956**	5,546,634
Dividend payable	**3,644,638**	–
Notes payable	**6,272,541**	5,650,538
Payables for PP&E and investment properties	**13,470,481**	10,939,331
Other taxes payable	**2,338,315**	4,349,916
Interests payable	**3,201,583**	2,901,451
Payroll and welfare payables	**688,907**	2,033,125
Other payables *(c)*	**12,254,793**	15,520,383
	112,174,848	92,786,353

Note:

(a) At 30 June 2019, the ageing analysis of the trade payables is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 90 days	**19,895,154**	13,604,385
91-180 days	**7,996,040**	5,320,748
181-365 days	**10,764,971**	9,037,798
Over 365 days	**16,008,941**	7,970,785
	54,665,106	35,933,716

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

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

9 BORROWINGS

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Non-current		
Secured,		
– Bank and other institution borrowings	**189,012,666**	156,003,354
– Senior notes	**42,445,266**	22,143,124
– Asset-backed securities	**2,450,000**	2,890,353
	233,907,932	181,036,831
Unsecured,		
– Bank and other institution borrowings	**1,800,529**	2,089,068
– Corporate bonds	**7,817,345**	7,792,522
– Private domestic corporate bonds	**16,991,400**	16,994,986
	26,609,274	26,876,576
	260,517,206	207,913,407
Less: Current portion of long-term borrowings	**(79,721,684)**	(70,549,887)
	180,795,522	137,363,520
Current		
Secured,		
– Bank and other institution borrowings	**39,382,598**	21,169,912
– Asset-backed securities	**443,137**	311,755
	39,825,735	21,481,667
Unsecured,		
– Bank and other institution borrowings	**1,732,789**	13,989
	41,558,524	21,495,656
Current portion of long-term borrowings	**79,721,684**	70,549,887
	121,280,208	92,045,543
Total borrowings	**302,075,730**	229,409,063

10 EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Costs of properties sold	**53,800,566**	33,405,558
Staff costs	**3,384,685**	2,052,262
Advertisement and promotion costs	**1,400,209**	1,035,295
Net impairment losses on financial and contract assets	**1,147,332**	143,895
Depreciation and amortisation	**752,018**	495,511
Value-added tax surcharges	**658,429**	374,294
Net impairment losses for properties	**322,854**	202,605

11 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interest income	**1,980,436**	1,233,384
Fair value gains on investment properties	**958,925**	–
Gains from business combination	**568,622**	3,282,786
Fair value gains on financial assets at FVPL	**274,850**	65,807
Gains from disposals of subsidiaries	**70,772**	85,737
Fair value gains on derivative financial instruments	**–**	121,200
Others	**1,335,543**	557,029
	5,189,148	5,345,943

12 OTHER EXPENSES AND LOSSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Impairment provision for investment in an associate	**698,328**	–
Losses on disposal of subsidiaries	**61,817**	5,787
Fair value losses on derivative financial instruments	**50,509**	4,699
Loss on business combination	**–**	31,975
Others	**247,841**	90,260
	1,058,495	132,721

13 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interest expenses	**11,812,739**	7,129,627
Less: Capitalised finance costs	**(10,726,023)**	(4,612,497)
	1,086,716	2,517,130
Exchange loss	**146,552**	430,080
	1,233,268	2,947,210
Finance income:		
– Interest income on bank deposits	**(620,088)**	(324,391)
Net finance expenses	**613,180**	2,622,819

14 INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Corporate income tax		
– Current income tax	**5,760,833**	3,970,012
– Deferred income tax	**(1,860,022)**	(2,045,245)
	3,900,811	1,924,767
Land appreciation tax	**3,524,955**	1,531,623
	7,425,766	3,456,390

15 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the period, excluding shares purchased for the share award scheme of the Company adopted with effect from 8 May 2018.

	Six months ended 30 June	
	2019	2018
Profit attributable to owners of the parent company (RMB'000)	**10,286,306**	6,361,210
Weighted-average number of ordinary shares in issue (thousand)	**4,424,005**	4,400,636
Adjusted for purchase of shares for share award scheme (thousand)	**(81,018)**	(841)
Weighted-average number of ordinary shares for basic earnings per share (thousand)	**4,342,987**	4,399,795

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Six months ended 30 June	
	2019	2018
Profit attributable to owners of the parent company (RMB'000)	**10,286,306**	6,361,210
Weighted-average number of ordinary shares in issue (thousand)	**4,424,005**	4,400,636
Adjusted for purchase of shares for share award scheme (thousand)	**(81,018)**	(841)
Adjusted for share options (thousand)	**51,016**	63,024
Adjusted for awarded shares (thousand)	**5,440**	–
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	**4,399,443**	4,462,819

16 DIVIDENDS

No interim dividend for the six months ended 30 June 2019 was proposed by the Board (Six months ended 30 June 2018: Nil).

17 EVENTS AFTER THE BALANCE SHEET DATE

On 20 August 2019, the Company as the borrower (the "Borrower") entered into a facility agreement (the "Facility Agreement") with The Hongkong and Shanghai Banking Corporation Limited, China CITIC Bank International Limited , Credit Suisse AG, Singapore Branch, Industrial Bank Co., Ltd., Hong Kong Branch, Hang Seng Bank Limited, Deutsche Bank AG, Singapore Branch, Morgan Stanley Senior Funding, Inc. and EnTie Commercial Bank as the lenders (the "Lenders"). Pursuant to the Facility Agreement, the Lenders agreed to make available to the Company a term loan facility (the "Facility") in the aggregate amount of US$280 million. Subject to the accession by any banks or financial institutions to the Facility Agreement pursuant to the terms thereunder, the Facility will be increased to an aggregate amount of not exceeding US$400 million. The term of the Facility is 36 months from the date of the Facility Agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1 Revenue

For the six months ended 30 June 2019, most of the Group's revenue came from sales of residential and commercial properties, with a small proportion of the Group's revenue from cultural and tourism city construction and operation income, property management income and other income.

For the six months ended 30 June 2019, the Group's real estate development business achieved its national layout in all tier-1 cities, tier-2 cities and strong tier-3 cities, which are divided into 8 major regions for management, namely the Beijing region (including Beijing, Ji'nan and Qingdao, etc.), North China region (including Tianjin, Zhengzhou and Xi'an, etc.), Shanghai region (including Shanghai, Suzhou and Nanjing, etc.), Southwestern China region (including Chongqing, Chengdu and Kunming, etc.), Southeastern China region (including Hangzhou, Hefei and Ningbo, etc.), Guangzhou-Shenzhen region (including Guangzhou, Shenzhen and Foshan, etc.), Central China region (including Wuhan, Changsha and Nanchang, etc.) and Hainan region (including Sanya, Haikou and Qionghai, etc.).

Total revenue of the Group for the six months ended 30 June 2019 amounted to RMB76.84 billion, representing a significant increase of 64.9% compared with the total revenue of RMB46.58 billion for the six months ended 30 June 2018.

For the six months ended 30 June 2019, the total revenue from the Group and its joint ventures and associates (excluding Leshi Internet Information & Technology Corp (Beijing) Co., Ltd., Lerong Zhixin Electronic Technology (Tianjin) Limited and Le Vision Pictures (Beijing) Co., Ltd., and Jinke Property Group Co., Ltd., the same below) was RMB129.27 billion, representing a significant increase of RMB58.38 billion (approximately 82.4%) as compared with the total revenue of RMB70.89 billion for the six months ended 30 June 2018, of which RMB100.48 billion was attributable to owners of the Company, representing a significant increase of RMB41.73 billion (approximately 71.0%) as compared to RMB58.75 billion for the six months ended 30 June 2018.

The following table sets forth certain details of the revenue:

	Six months ended 30 June			
	2019		2018	
	RMB billion	*%*	*RMB billion*	*%*
Revenue from sales of properties	**73.42**	**95.55%**	44.34	95.19%
Cultural and tourism city construction and operation income	**1.08**	**1.40%**	1.06	2.28%
Property management income and other income	**2.34**	**3.05%**	1.18	2.53%
Total	**76.84**	**100.00%**	46.58	100.00%
Total gross floor area delivered (in million sq.m.)	**5.360**		3.541	

For the six months ended 30 June 2019, revenue from sales of properties increased by RMB29.08 billion (approximately 65.6%) as compared with that for the six months ended 30 June 2018. Total area of delivered properties increased by 1.819 million square meters ("sq.m.") (approximately 51.4%) as compared with that for the six months ended 30 June 2018, mainly due to continuous increase in business scale of the Group's sales of properties, of which the delivered areas of property projects sold in various areas for the six months ended 30 June 2019 significantly increased as compared with that for the six months ended 30 June 2018.

2 Cost of sales

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

For the six months ended 30 June 2019, the Group's cost of sales was RMB57.48 billion, representing an increase of RMB22.43 billion (approximately 64.0%) as compared to the cost of sales of RMB35.05 billion for the six months ended 30 June 2018. Increase in cost of sales was mainly due to increase in area of delivered properties.

3 Gross profit

For the six months ended 30 June 2019, the Group's gross profit was RMB19.35 billion, which was RMB7.82 billion (approximately 67.9%) higher than the gross profit of RMB11.53 billion for the six months ended 30 June 2018. Increase in gross profit was mainly due to increased sales revenue of the Group.

For the six months ended 30 June 2019, the Group's gross profit margin was 25.2%, representing an increase of approximately 0.5 percentage points as compared to 24.7% for the six months ended 30 June 2018. This was mainly due to the increase in revenue from property projects with higher gross profit margins as a percentage of total property sales revenue for the six months ended 30 June 2019 as compared with the six months ended 30 June 2018.

For the six months ended 30 June 2019, the amortization of revaluation surplus related to gains from business combination for the properties acquired reduced the Group's gross profit in the amount of RMB4.61 billion. The Group's gross profit was RMB23.96 billion and gross profit margin was 31.2% for the six months ended 30 June 2019 without taking into account such impact.

Further, gross profit, gross profit margin and gross profit attributable to owners of the Company of the Group and its joint ventures and associates recorded an increase during the six months ended 30 June 2019. For the six months ended 30 June 2019, total gross profit of the the Group and its joint ventures and associates was RMB34.51 billion, with a gross profit margin of 26.7%, of which RMB25.92 billion was gross profit attributable to owners of the Company. For the six months ended 30 June 2018, total gross profit of the Group and its joint ventures and associates was RMB18.59 billion, with a gross profit margin of 26.2%, of which RMB15.30 billion was gross profit attributable to owners of the Company.

4 Selling and marketing costs and administrative expenses

The Group's selling and marketing costs increased by 33.5% from RMB1.92 billion for the six months ended 30 June 2018 to RMB2.56 billion for the six months ended 30 June 2019. The Group's administrative expenses increased by 38.9% from RMB2.93 billion for the six months ended 30 June 2018 to RMB4.07 billion for the six months ended 30 June 2019. The increase in selling and marketing costs and administrative expenses was mainly due to continuous expansion of business scale and increase in the number of property projects of the Group, resulting in increase in staff costs.

5 Other income and gains

The Group's other income and gains decreased by RMB0.16 billion from RMB5.35 billion for the six months ended 30 June 2018 to RMB5.19 billion for the six months ended 30 June 2019. For the six months ended 30 June 2019, the Group's other income and gains mainly included the income on capital use fee received by the Group from joint ventures and associates of RMB1.98 billion, gain on changes in fair value of investment properties of RMB0.96 billion, and gains from business combination of RMB0.57 billion.

6 Operating profit

Concluding from the above analysis, the Group's operating profit increased by RMB3.96 billion from RMB11.74 billion for the six months ended 30 June 2018 to RMB15.70 billion for the six months ended 30 June 2019, mainly due to the following reasons:

(i) gross profit increased by RMB7.82 billion;

(ii) selling and marketing costs and administrative expenses increased by RMB1.78 billion; and

(iii) other income and gains decreased by RMB0.16 billion, other expenses and losses increased by RMB0.93 billion and net impairment losses of financial and contract assets increased by RMB1.00 billion.

7 Finance costs

The Group's finance costs decreased by RMB1.72 billion from RMB2.95 billion for the six months ended 30 June 2018 to RMB1.23 billion for the six months ended 30 June 2019, mainly due to the following reasons:

(i) as compared with that for the six months ended 30 June 2018, although total interest costs of the Group had increased, as the Group's business scale continued to expand and the number of projects under construction continued to increase, the proportion of total interest costs that were capitalized had increased, resulting in a decrease in interest expenses by RMB1.43 billion to RMB1.09 billion for the six months ended 30 June 2019 from RMB2.52 billion for the six months ended 30 June 2018; and

(ii) the exchange loss decreased by RMB0.28 billion to RMB0.15 billion for the six months ended 30 June 2019, from RMB0.43 billion for the six months ended 30 June 2018.

8 Share of post-tax profits of investments accounted for using the equity method, net

Share of post-tax profits of investments accounted for using the equity method, net increased by 226.4% to RMB3.63 billion for the six months ended 30 June 2019 from RMB1.11 billion for the six months ended 30 June 2018, mainly due to the significant increase in revenue of sales of properties of the Group's joint ventures and associates as compared with the six months ended 30 June 2018.

9 Profits

Due to substantial increase in the Group's gross profit, profits attributable to owners of the Company increased by 61.7% from RMB6.36 billion for the six months ended 30 June 2018 to RMB10.29 billion for the six months ended 30 June 2019. After excluding the impacts of certain items such as gains from business combination and its amortization, gain or loss on changes in fair values of financial assets and investment properties and impairment losses on non-core business assets, the Group's profit attributable to owners of the Company was RMB12.66 billion, representing a growth rate of approximately 128.4% compared to the comparable amount of RMB5.54 billion in the same period last year.

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

	For the six months ended 30 June	
	2019	2018
	RMB billion	*RMB billion*
Profits for the period	**11.29**	6.78
Attributable to:		
Owners of the Company	**10.29**	6.36
Holders of perpetual capital securities	**0.17**	0.34
Other non-controlling interests	**0.83**	0.08
	11.29	6.78

10 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 14.8% to RMB138.00 billion as at 30 June 2019 from RMB120.20 billion as at 31 December 2018, of which non-restricted cash increased to RMB99.24 billion as at 30 June 2019 from RMB76.18 billion as at 31 December 2018.

The increase in non-restricted cash was mainly attributable to:

(i) RMB43.08 billion of net cash inflow from operating activities due to increased revenue from pre-sale of the Group's properties;

(ii) RMB63.04 billion of net cash outflow used in investment activities which was mainly attributable to the new projects obtained by the Group through direct investments or acquisition of equities and the construction costs of cultural and tourism cities; and

(iii) RMB42.80 billion of net cash inflow from financing activities mainly attributable to RMB10.98 billion of interest payment and RMB57.92 billion of net borrowings inflow.

Currently, the Group has sufficient working capital and capability to resist risks which can support its business growth in the foreseeable future.

11 Borrowings and securities

The Group's total borrowings increased from RMB229.41 billion as at 31 December 2018 to RMB302.08 billion as at 30 June 2019. Such increase was mainly attributable to the increase in new borrowings caused by matters such as the increase in area under construction of saleable properties and the construction and operation of cultural and tourism cities, as well as the acquisition of property development projects leading to increase in borrowings being consolidated into the consolidated financial statements of the Group.

The majority of the Group's borrowings are secured or co-collateralized by properties under development, completed properties held for sale, investment properties, fixed assets and intangible assets, restricted currency funds and equity interests in certain subsidiaries.

12 Gearing ratio

Net debt to total assets ratio is calculated by dividing the total net liabilities with the amount of total assets. Net debt is calculated by deducting cash and cash equivalents (including restricted cash) from total borrowings (including current and long-term borrowings). As at 30 June 2019, the Group's net debt to total assets ratio was 18.9%, representing an increase as compared to 15.2% as at 31 December 2018.

Gearing ratio is calculated by dividing the net debt with total capital. Total capital is calculated by adding net debt to total equities. As at 30 June 2019, the Group's gearing ratio was 67.3%, representing an increase as compared to 59.9% as at 31 December 2018.

Although the Group's gearing ratio experienced fluctuations in the short term, the Group still maintains adequate liquidity and the cash balance at the end of June 2019 covered more than 3.1 times the borrowings due in the second half of this year. In addition, in the second half of 2019, the Group will continue to accelerate sales, release operating cash flow, and strictly control land investment so as to decrease the gearing ratio at the end of 2019 and maintain its long-term downward trend.

13 Interest rate risk

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

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

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

	30 June 2019	31 December 2018
	RMB billion	*RMB billion*
Floating interests		
Less than 12 months	**23.35**	18.78
1-5 years	**37.96**	38.52
Over 5 years	**2.98**	2.59
Subtotal	**64.29**	59.89
Fixed interests		
Less than 12 months	**97.93**	73.27
1-5 years	**138.72**	95.38
Over 5 years	**1.14**	0.87
Subtotal	**237.79**	169.52
Total	**302.08**	229.41

As at 30 June 2019, 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 means of, including but not limited to, refinancing and adjusting the financing structure.

14 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 dollars, Hong Kong dollars or Euro, meaning that the Group is exposed to foreign exchange risks. For the six months ended 30 June 2019, the Group recorded an exchange loss in the amount of RMB0.15 billion due to fluctuations in foreign exchange rates. However, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. The Group has managed its exposure to fluctuations in foreign exchange rates through the implementation of certain foreign exchange swap arrangements, will continue to closely monitor fluctuations in foreign exchange rates, and will proactively adopt corresponding measures to minimize foreign exchange risks to the extent practicable.

15 Contingent liabilities

The Group provides guarantees to banks for the mortgage loans obtained by certain property buyers to ensure that the buyers perform their obligations of mortgage loan repayment. The total amount of such guarantees was RMB92.93 billion as at 30 June 2019 as compared with RMB88.60 billion as at 31 December 2018. 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 after the date of property delivery; or (ii) full repayment of mortgage loan by the property buyer. The period of guarantee provided by the Group starts from the date when the mortgage is granted.

Business Review and Outlook

Review of the first half of 2019

In the first half of 2019, due to the corresponding measures actively undertaken by the government, China's economy maintained relatively stable development despite facing volatility of the external environment. With respect to the real estate industry, the government adhered to the concept of "houses are for living in, not for speculation (房住不炒)", closely monitored the liquidity of the industry to maintain a dynamic tightening trend, and continued to strictly implement policies such as purchase and price restrictions. As a result, the regulation on the entire real estate industry demonstrated conspicuous results and housing prices in most core cities did not rise and had kept steady, whilst a downward pressure on housing prices could be seen in some cities.

In the first half of 2019, with the support of abundant and high-quality saleable resources as well as the leading product power in the industry, the Group, through its proactive sales and destocking efforts, achieved a contracted sales amount of approximately RMB214.16 billion, representing an increase of approximately 11.8% as compared with the same period last year, securely ranking in the top five of the industry.

In the first half of 2019, benefiting from the rapid growth of sales performance in previous years and the increase in delivered areas during the period, the Group's revenue significantly increased to approximately RMB76.84 billion, representing a growth rate of approximately 64.9% as compared to the same period last year; gross profit amounted to approximately RMB19.35 billion, representing a growth rate of approximately 67.9% as compared to the same period last year; and gross profit margin continued to grow steadily to 25.2%. Profit attributable to owners of the Company amounted to approximately RMB10.29 billion, representing a growth rate of 61.7% as compared to the same period last year. The profit attributable to owners of the Company, after excluding the impacts of certain items such as gains from business combination and its amortization, gain or loss on changes in fair values of financial assets and investment properties, and impairment losses on non-core business assets, amounted to RMB12.66 billion, representing a growth rate of 128.4% as compared with the comparable amount in the same period last year.

In the first half of 2019, the Group continued to maintain sufficient liquidity, with the carrying amount of cash at the end of June amounted to RMB138.00 billion, representing a growth rate of approximately 14.8% as compared with the end of last year, which covered more than 1.1 times the borrowings due within a year and more than 3.1 times the borrowings due in the second half of this year.

In the first half of 2019, the Group profoundly understood the intention of the central government's policies and determined not to formulate its standard for land acquisition based on the assumption that the housing price would increase. Instead, the Group prudently replenished its land bank at reasonable prices in core cities when the land market was at a momentary low level. When most cities' land market recovered to a high level since May, the Group essentially stopped acquiring land through land auctions, thereby effectively evading the risk of acquiring overpriced land. As of the date of this announcement, the land bank[1] of the Group and its joint ventures and associates amounted to approximately 213 million sq.m. and the expected saleable sources of land bank[1] amounted to approximately RMB2.82 trillion, of which more than 83% were located in tier 1 & 2 cities with average land cost amounted to approximately RMB4,307 per sq.m.. Abundant and high-quality land bank sustains rapid sales to release operating cash flows and profit, to support adequate liquidity and deleveraging.

The Group's stable and good operations, sufficient liquidity, and long-term downward trend in its leverage ratio have been recognised by international rating agencies. Under the basis of recently increased credit ratings in 2018, three international rating agencies raised the Company's rating again in April 2019, with Moody's raising its credit rating for the Company from B1 to Ba3 (stable outlook), Standard & Poor's raising its credit rating for the Company from B+ to BB- (stable outlook), and the Fitch Rating's raising its credit rating for the Company from BB- to BB (stable outlook).

In 2018, the Group successfully integrated the Wanda cultural and tourism team and established a complete cultural and tourism systematic structure covering design, construction and operation. In the first half of 2019, the Group continued to adjust and optimize its cultural and tourism products and improve its operational efficiency with

Note 1: Refers to secured land bank data, excluding contracted land such as old residential renovation. The data is as of 30 June 2019 and also includes land acquired since July 2019.

striking results, putting the cultural and tourism business on track for good development. In June, the Guangzhou and Wuxi Sunac Resorts achieved wonderful openings, which fully demonstrated that the Group has established its own complete cultural and tourism system capabilities. Such capabilities represent the firm foundation for continuously improving the long-term value of the Group's cultural and tourism assets and turning the business into one of the new drivers of the Group in the long term.

Outlook for the second half of 2019

In the second half of 2019, the Group expects that the government's regulatory policies on real estate will remain tightened as in the first half of the year, especially the financing for real estate industry will be further tightened. Such situation is expected to cause a gradual fall in land price from the relatively high level at present back to a reasonable level and further intensify the differentiation and integration of the industry. As far as the Group is concerned, we will pay full attention to possible changes of the market in the second half of the year and continue to implement the operational strategy of prudent investment, deleveraging and steady development.

In the second half of 2019, the Group will continue to ensure the sufficiency of liquidity as usual, and strive to decrease the leverage ratio by the end of 2019 and maintain its long-term downward trend. In the second half of the year, the Group expects that it will have over 420 projects under sales, and the total saleable resources is expected to exceed RMB570 billion, of which more than 80% are located in tier 1 & 2 cities. Abundant and reasonably deployed saleable resources will support the Group's sell-through rate of the entire year, contributing a large amount of operational cash flow to the Group. As of the end of June 2019, the Group's cash balance reached RMB138.0 billion while the borrowings due in the second half of the year only amounted to approximately RMB44.2 billion. Therefore, the Group is confident that it can secure sufficiency of liquidity. In the meantime, the Group will continue to strictly control investment by slowing down the pace of land acquisition, and seize upon a limited number of particularly high-quality opportunities only when sufficient liquidity and long-term downward trend in leverage can be secured.

In the second half of 2019, the Group will adhere to the products and services leading strategy and unceasingly consolidate and improve the competitiveness of its high-quality products and services. After the R&D centers in Shanghai and Chongqing have been put into operation, the Group is currently establishing the Tianjin R&D center. These R&D centers will assist the Group in its drive for comprehensively improving its customer service functions to address the needs of different customers and refining craftsmanship to continuously strengthen its products system, so as to support the continuous upgrading and leading status of Sunac's high-quality products. In addition, the Group will continuously refine its product philosophy, with customers' demand as starting point, interaction, sharing, all-ages and growth as core, for forging Sunac's "Gui Xin Community". The Group will continue to be customer- oriented, focus on providing tailor-made services, with customer satisfaction level reaching the industry benchmark as foundation, continue to improve its service capabilities, so as to maintain its industry leading position.

As to other non-real estate development businesses, the Group will continue to stringently control the investment scale, emphasize on improving the operation and profitability of their existing assets, and focus on long-term value to continuously strengthen their competitiveness, with a view to nurturing them as the Company's new growth points in the future.

Summary of land bank

As at 30 June 2019, the Group and its joint ventures and associates had a total land bank of approximately 204 million sq.m. and attributable land bank of approximately 136 million sq.m.. The breakdown of land bank by cities was as follows:

City	**Attributable land bank** *('000 sq.m.)*	**Total land bank** *('000 sq.m.)*
Chongqing	12,822.1	18,855.9
Qingdao	11,596.8	15,570.9
Tianjin	7,903.6	10,843.9
Jinan	6,470.1	10,030.5
Wuhan	5,431.5	7,593.6
Chengdu	5,119.7	6,406.0
Zhengzhou	4,315.2	6,973.1
Kunming	3,785.8	5,436.6
Xi'an	3,785.7	6,484.9
Hangzhou	3,561.9	6,545.3
Harbin	3,063.6	4,538.6
Wuxi	2,756.6	3,766.1
Jiangmen	2,752.4	2,926.6

City	Attributable land bank	Total land bank
	('000 sq.m.)	*('000 sq.m.)*
Shanghai	2,500.4	4,197.1
Hainan	2,366.4	4,150.4
Dalian	2,365.9	2,475.2
Xishuangbanna	2,286.2	2,512.3
Taiyuan	2,263.4	4,013.5
Hefei	2,210.9	2,429.6
Guilin	2,091.3	2,212.5
Qingyuan	2,077.1	2,335.1
Guangzhou	1,965.3	2,706.2
Suzhou	1,620.3	3,724.1
Yinchuan	1,607.9	1,913.3
Nanchang	1,542.5	1,825.6
Changchun	1,494.4	1,494.4
Yantai	1,442.9	2,466.1
Shenyang	1,252.3	2,304.2
Zhaotong	1,235.2	1,372.5
Nanning	1,181.8	1,857.8
Changsha	1,128.7	1,134.4
Zhaoqing	1,107.3	1,299.8
Ningbo	1,099.4	1,889.2
Langfang	1,004.5	2,038.6
Guiyang	999.5	1,665.9
Foshan	945.7	1,356.4
Zhongshan	875.4	917.8
Huzhou	868.4	1,604.2
Huizhou	867.4	867.4
Shaoxing	841.6	1,451.3
Xuzhou	840.0	2,106.6
Beijing	825.1	1,028.6
Zhuhai	812.1	962.8
Shijiazhuang	787.9	2,246.9
Other cities	17,685.7	33,666.6
Total	**135,577.9**	**204,198.4**

As at the date of this announcement, the total land bank and attributable land bank of the Group and its joint ventures and associates amounted to approximately 213 million sq.m. and 142 million sq.m., respectively.

OTHER INFORMATION

Interim Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

Senior Notes Issued during the Period

On 15 January 2019, the Company successfully issued the US$600 million 8.375% senior notes due 2021. On 15 February 2019, the Company successfully issued the US$800 million 7.875% senior notes due 2022. On 25 March 2019, the Company issued an additional US$200 million 8.35% senior notes due 2023 (consolidated with the US$450 million senior notes due 2023 to form a single series). On 11 April 2019, the Company successfully issued the US$750 million 7.95% senior notes due October 2023. On 14 June 2019, the Company successfully issued the US$600 million 7.25% senior notes due 2022.

Purchase, Sale or Redemption of the Listed Securities of the Company

The Company adopted a share award scheme with effect from 8 May 2018 (the "Share Award Scheme"), details of which are set out in the Company's announcement dated 8 May 2018. During the six months ended 30 June 2019, the trustee of the Share Award Scheme purchased 28,004,000 shares of the Company from the open market at a total consideration of approximately HK$900 million pursuant to the rules of the Share Award Scheme and the terms of the trust deed. As at 30 June 2019, on a cumulative basis, the trustee of the Share Award Scheme had purchased on the open market a total of 94,653,000 shares of the Company at the total consideration of approximately HK$2.57 billion.

Save as the aforesaid, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2019.

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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the guidelines for the Directors' dealings in the securities of the Company. Following specific enquiries of all the Directors, each Director confirmed that he had complied with the required standards as set out in the Model Code during the six months ended 30 June 2019 in relation to his securities dealings, if any.

Compliance with the Corporate Governance Code

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 six months ended 30 June 2019, complied with all applicable code provisions under the Corporate Governance Code.

The Board recognises 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 other regulatory requirements. The Company has established an internal reporting practice throughout the Group in order to monitor the operation and business development of the Group.

Audit Committee

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Listing Rules and the code provisions of the Corporate Governance Code. The Audit Committee currently consists of four independent non-executive Directors, namely, Mr. Poon Chiu Kwok, Mr. Zhu Jia, Mr. Li Qin, and Mr. Ma Lishan, and is chaired by Mr. Poon Chiu Kwok who possesses the qualification of professional accountant. The primary duties of the Audit Committee are to assist the Board to fulfill the functions of reviewing and monitoring the financial reporting procedure, internal control and risk management systems of the Company, to review the corporate governance policies and practices of the Group and to perform other duties and responsibilities as may be assigned by the Board.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters related to auditing, internal control and risk management systems and financial reporting matters, including the review of the unaudited interim results of the Group for the six months ended 30 June 2019.

The unaudited interim results for the six months ended 30 June 2019 have been reviewed by the independent auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Publication of the Interim Results and Interim Report

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.sunac.com.cn). The Company's interim report for the six months ended 30 June 2019 will be despatched to shareholders of the Company and published on the aforementioned websites in due course.

By the order of the Board
Sunac China Holdings Limited
SUN Hongbin
Chairman

Hong Kong, 21 August 2019

As at the date of this announcement, the executive Directors of the Company are Mr. SUN Hongbin, Mr. WANG Mengde, Mr. JING Hong, Mr. CHI Xun, Mr. TIAN Qiang, Mr. SHANG Yu, Mr. HUANG Shuping and Mr. SUN Kevin Zheyi; and the independent non-executive Directors of the Company are Mr. POON Chiu Kwok, Mr. ZHU Jia, Mr. LI Qin and Mr. MA Lishan.