sunac 融創中國

2019 INTERIM REPORT 中期報告

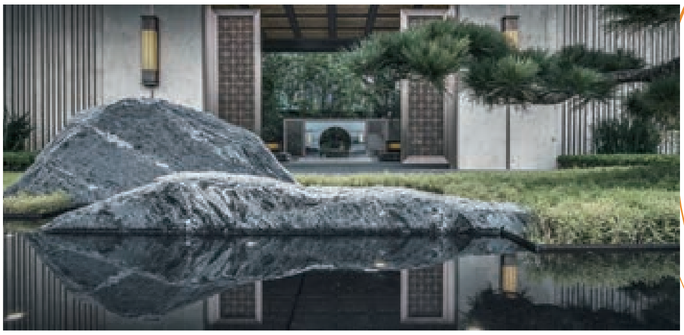
融創中國控股有限公司
SUNAC CHINA HOLDINGS LIMITED
(於開曼群島註冊成立的有限責任公司)
(Incorporated in the Cayman Islands with limited liability)

STOCK CODE 股票代碼：01918.HK

ABOUT SUNAC
融創中國控股有限公司

Sunac China Holdings Limited (the "Company" and together with its subsidiaries, collectively referred to as the "Group") is a company listed on Main Board of the Stock Exchange of Hong Kong. The Group, guided by its brand positioning of "Passion for Perfection", is committed to integrating high-end residential, culture & tourism, culture, commercial facilities and other resources through high-quality products and services. The Group insists on real estate as its core business and has established four strategic deployments: Sunac Real Estate Group, which is known as a "leading high-end lifestyle provider in China"; Sunac Services Group, which is positioned as a "quality life service expert"; Sunac Culture & Tourism Group, which is a "provider of happiness for Chinese families"; and Sunac Culture Group, which strives to be a "creator of wonderful culture".

融創中國控股有限公司(「本公司」，連同其附屬公司統稱為「本集團」)是香港聯交所主板上市企業。本集團以「至臻，致遠」為品牌理念，致力於通過高品質的產品與服務，整合居住、文旅、文化、商業配套等資源。本集團堅持地產核心主業，下設四大戰略板塊：作為「中國高端精品生活創領者」的融創地產，作為「品質生活服務專家」的融創服務，作為「中國家庭歡樂供應商」的融創文旅，以及致力於成為「美好文化創造者」的融創文化。



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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Gao Xi

AUTHORIZED REPRESENTATIVES

Mr. Wang Mengde
Mr. Gao Xi

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

HEADQUARTERS AND PRINCIPAL PLACES OF BUSINESS IN THE PRC

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REGISTERED OFFICE IN THE CAYMAN ISLANDS

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG SHARE REGISTRAR

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LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin

As to Cayman Islands law:
Conyers Dill & Pearman

As to PRC law:
Jincheng Tongda & Neal Law Firm

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKERS

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

STOCK CODE

HKEx: 01918

COMPANY'S WEBSITE

www.sunac.com.cn

MANAGEMENT DISCUSSION AND ANALYSIS

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 ("Leshi Internet"), 樂融致新電子科技(天津)有限公司 (Lerong Zhixin Electronic Technology (Tianjin) Limited*) ("Lerong Zhixin"), 樂視影業(北京)有限公司 (Le Vision Pictures (Beijing) Co. Ltd.*) ("Le Vision Pictures") 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 ("GFA") 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 the 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 OTHER EXPENSES AND LOSSES

The Group's other expenses and losses increased from RMB0.13 billion for the six months ended 30 June 2018 to RMB1.06 billion for the six months ended 30 June 2019, mainly due to the further impairment provision of RMB0.70 billion for the Group's equity investments in Leshi Internet.

As stated in the Company's announcement dated 13 January 2017, the Group acquired 8.61% equity interest in Leshi Internet at a consideration of approximately RMB6.04 billion. As stated in the relevant annual report, for the year ended 31 December 2017, the provision for impairment of the equity investment in Leshi Internet was made based on the assessment results, pursuant to which the fair value of the equity investment after the provision was approximately RMB1.33 billion. For the year ended 31 December 2018, further impairment provision was made to the equity investments in Leshi Internet, pursuant to which the fair value of the equity investment after the provision was approximately RMB0.85 billion.

On 10 May 2019, Leshi Internet published an announcement which disclosed that the shares of Leshi Internet would be suspended from listing by the Shenzhen Stock Exchange with effect from 13 May 2019 and exposed the risk that listing of its shares is likely to be cancelled. Given that the operating condition of Leshi Internet has not shown apparent improvement, and if the shares would be delisted, the market value would further decrease as a result of the deterioration of the liquidity of its shares. Upon discussion with the Company's auditor and out of prudence, the Group made a further impairment provision in full for the remaining net amount of RMB0.70 billion in Leshi Internet's equity investment, in which the recognised share of losses accounted for using the equity method was approximately RMB0.15 billion for the six months ended 30 June 2019. Upon such provision, the carrying amount of the Group's net equity investment in Leshi Internet was reduced to RMB0.

7 NET IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

The net impairment losses on financial and contract assets of the Group increased from RMB0.14 billion for the six months ended 30 June 2018 to RMB1.15 billion for the six months ended 30 June 2019, mainly due to further provision for expected credit losses of RMB0.44 billion made for the Group's loans and accrued interest to Leshi Internet in November 2017 and 2018, and provision for expected credit losses of RMB0.56 billion made for the Group's loans and accrued interest to Lerong Zhixin in the first half of 2019.

A. LESHI INTERNET

As stated in the Company's announcement dated 16 November 2017, the Group provided loans of RMB1.29 billion to Leshi Internet. Leshi Internet pledged its 13.54% equity interest in Lerong Zhixin to the Group. As stated in the relevant annual report, for the year ended 31 December 2017, provision for expected credit losses was made for such loans and accrued interest based on the assessment results, and the net amount of such loans was RMB0.3 billion after provision. For the year ended 31 December 2018, such loans and the new loans and accrued interest for the year ended 31 December 2018 were further accrued for provision for expected credit losses. After provision, the net amount of such loans was RMB0.4 billion.

Based on the reasons stated in the section headed "Other expenses and losses", upon discussion with the the Company's auditor and out of prudence, the Group made a further impairment provision in full during the six months ended 30 June 2019 for the portion of such loans and accrued interest in which no impairment provision had been made. Upon such provision, the carrying amount of the Group's net receivables from Leshi Internet was reduced to RMB0.

As Leshi Internet did not repay the principal and interest of the loan, the Group had filed an arbitration application to the China International Economic and Trade Arbitration Commission. As at the date of this interim report, the hearings of the case has taken place and the outcome of the arbitration is pending.

B. LERONG ZHIXIN

For the six months ended 30 June 2019, the Group provided loans in an aggregate amount of RMB0.93 billion to Lerong Zhixin to support its daily operation and business development.

i. Reasons for Further Provision of Loans to Lerong Zhixin

(a) Under the latest trend of upgrade in PRC's consumption, the Group continues to be optimistic about the development prospects and potential of the cultural and entertainment industry. At the beginning of 2019, the Group established the Sunac Culture Group with the assets of Qingdao Movie Metropolis, Lerong Zhixin and Le Vision Pictures, which formed one of the Company's four strategic segments, with the goal of building a platform for family entertainment and providing quality contents. Lerong Zhixin, with intelligent TV as its terminal, is an important part of the Sunac Culture Group;

(b) The large screen operations and content field to which Lerong Zhixin belongs continue to be areas the development direction of which the Company remains optimistic in the long run. The Group is optimistic about Lerong Zhixin's further development based on its positive business capability and development foundation;

(c) In order to protect the Company's existing investment and resolve the short-term difficulties faced by Lerong Zhixin, the Company offered Lerong Zhixin a new phase of financial support, which was conducive to facilitating the timely recovery of Lerong Zhixin's business operations and its development.

Moreover, with the Group's financial support, Lerong Zhixin's business operations showed signs of recovery. In the first half of 2019, Lerong Zhixin successfully introduced the fifth-generation Super TV, and gradually entered a positive track in research and development for products. Sales volume of TVs also gradually increased. In the first half of 2019, sales volume of TVs increased by more than 60% compared with the same period last year.

ii. Valuation Method relating to the Receivables from Lerong Zhixin

For the six months ended 30 June 2019, although Lerong Zhixin's new business operations continued to recover, its financial condition did not experience any apparent improvement as compared to that for the year ended 31 December 2018. Therefore, the Group engaged an external valuer to assess the expected credit losses of the Group's receivables from Lerong Zhixin and recognized the impairment provisions accordingly.

There is no material change in the valuation methods and key assumptions used in this assessment as compared with those used for the impairment assessments in 2018 (Please refer to the section headed "Net impairment losses on financial and contract assets" of "Management Discussion and Analysis" of the Company's 2018 Annual Report issued on 29 April 2019 for details about the valuation methods and assumptions used in 2018).

iii. Impairment Assessment relating to the Receivables from Lerong Zhixin

Based on the results of the assessment, out of prudence and upon discussion with the Company's auditor, the Company recorded impairment provision of RMB0.56 billion for the borrowings granted to Lerong Zhixin and accrued interest in the first half of 2019.

8 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.

9 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.

10 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.

11 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

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 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.

13 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.

14 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 maintained adequate liquidity and the cash balance (including restricted cash) 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.

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 table are the liabilities stated at carrying amounts, categorized by maturity dates.

	30 June 2019 RMB billion	31 December 2018 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, among others, refinancing and adjusting the financing structure.

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 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.

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 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.

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 and its joint ventures and associates, through their 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 21 August 2019, 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, which provides strong support for 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).

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 from 1 July 2019 to 21 August 2019.

BUSINESS REVIEW AND 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 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 growth 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.

1 SUMMARY OF PROPERTIES

As at 30 June 2019, the Group and its joint ventures and associates engaged in a total of 632 property development projects, with a total site area of approximately 99.33 million sq.m., an estimated total GFA of approximately 274 million sq.m. and an estimated saleable or rentable GFA of approximately 246 million sq.m.. The breakdown of property development projects by cities was as follows:

City	Total site area ('000 sq.m.)	Estimated total GFA ('000 sq.m.)	Estimated saleable/ rentable GFA ('000 sq.m.)
Chongqing	10,954.1	31,772.2	30,600.7
Qingdao	8,644.8	18,718.7	17,667.3
Tianjin	7,185.3	16,305.9	14,742.3
Ji'nan	3,504.3	12,047.4	11,795.2
Wuxi	4,514.8	11,241.3	10,151.4
Chengdu	3,652.8	10,373.1	9,249.2
Wuhan	2,271.7	9,297.4	8,518.8
Hangzhou	3,339.0	9,828.9	7,372.2
Xi'an	2,089.6	7,609.0	6,946.9
Zhengzhou	2,689.0	7,803.4	5,990.3
Hefei	1,523.2	6,178.3	5,790.6
Kunming	1,396.2	6,284.8	5,498.1
Shanghai	2,893.8	6,298.9	5,476.7
Harbin	1,739.1	5,624.1	5,426.6
Nanchang	1,521.8	4,762.7	4,483.0
Hainan	3,535.3	5,015.4	4,247.0
Guangzhou	918.7	4,095.4	4,080.6
Suzhou	2,188.7	5,072.6	3,775.8
Taiyuan	878.6	4,693.4	3,407.0
Xishuangbanna	2,162.0	3,726.9	3,197.1
Beijing	1,539.0	3,786.1	3,141.8
Jiangmen	821.0	2,927.0	2,752.0
Yantai	1,236.5	2,839.4	2,524.1
Shenyang	1,266.3	2,640.2	2,425.2
Dalian	970.9	2,689.1	2,416.6
Shijiazhuang	695.7	2,588.6	2,405.7
Guilin	936.6	2,464.6	2,405.2
Nanning	468.7	2,550.0	2,363.9
Yinchuan	631.4	2,427.8	2,273.0
Qingyuan	871.9	2,347.6	2,233.7
Foshan	509.4	2,204.6	2,076.1
Xuzhou	959.4	2,106.6	1,922.3
Changsha	848.1	2,139.5	1,731.2

City	Total site area ('000 sq.m.)	Estimated total GFA ('000 sq.m.)	Estimated saleable/ rentable GFA ('000 sq.m.)
Ningbo	811.2	2,118.6	1,703.4
Guiyang	517.2	1,722.4	1,626.5
Langfang	652.6	2,038.6	1,610.6
Huzhou	821.4	1,737.6	1,399.8
Zhaoqing	399.7	1,354.5	1,264.8
Zhaotong	295.4	1,372.5	1,209.5
Shaoxing	507.4	1,582.4	1,164.7
Changchun	577.2	1,494.4	1,079.2
Huizhou	401.7	1,157.3	1,046.9
Zhongshan	329.0	976.8	954.8
Zhuhai	213.4	962.8	803.7
Other cities	14,445.4	37,180.4	32,862.6
Total	**99,329.3**	**274,159.2**	**245,814.1**

2 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	Total land bank ('000 sq.m.)	Attributable land bank ('000 sq.m.)
Chongqing	18,855.9	12,822.1
Qingdao	15,570.9	11,596.8
Tianjin	10,843.9	7,903.6
Ji'nan	10,030.5	6,470.1
Wuhan	7,593.6	5,431.5
Chengdu	6,406.0	5,119.7
Zhengzhou	6,973.1	4,315.2
Kunming	5,436.6	3,785.8
Xi'an	6,484.9	3,785.7
Hangzhou	6,545.3	3,561.9
Harbin	4,538.6	3,063.6
Wuxi	3,766.1	2,756.6
Jiangmen	2,926.6	2,752.4
Shanghai	4,197.1	2,500.4
Hainan	4,150.4	2,366.4
Dalian	2,475.2	2,365.9
Xishuangbanna	2,512.3	2,286.2

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

As at 21 August 2019, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 (the "Board") of directors (the "Directors") of the Company recognizes 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 Company.

CHANGES OF INFORMATION OF DIRECTORS

There is no change in Directors' information that is required to be disclosed in accordance with Rules 13.51B(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2018 by the Company.

SHARE OPTION SCHEMES

The Company adopted a post-IPO share option scheme (the "2011 Share Option Scheme") on 29 April 2011 and a new share option scheme (the "2014 Share Option Scheme", together with the 2011 Share Option Scheme, the "Share Option Schemes") on 19 May 2014. The purpose of the Share Option Schemes is to provide an incentive for the employees of the Group and to commend their contribution.

1 THE 2011 SHARE OPTION SCHEME

At the annual general meeting of the Company held on 29 April 2011, 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.

As at 30 June 2019, the details and changes of the share options granted under 2011 Share Option 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 options granted	Accumulated number of options exercised from the date of grant to 30 June 2019	Accumulated number of options cancelled from the date of grant to 30 June 2019	Accumulated number of options lapsed from the date of grant to 30 June 2019	Number of outstanding options as at 30 June 2019	Number of options exercised for the six months ended 30 June 2019	Weighted-average closing price before the exercise date for the six months ended 30 June 2019 (HK$)
30/9/2011	30/9/2011 29/4/2012 29/4/2013	30% 30% 40%	28/4/2017	1.484	1.44	39,900,000	39,333,800	339,000	227,200	–	–	–
21/5/2012	21/5/2012 29/4/2013 29/4/2014	30% 30% 40%	28/4/2018	2.33	2.22	29,100,000	28,355,000	651,000	94,000	–	–	–
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	28,770,596	731,404	1,398,000	–	8,793,620	34.98
		Total				**99,900,000**	**96,459,396**	**1,721,404**	**1,719,200**	**–**	**8,793,620**	

For the six months ended 30 June 2019, the movements in the options granted to Directors and employees 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	Number of outstanding options as at 1 January 2019	Number of options exercised for the six months ended 30 June 2019	Number of options cancelled for the six months ended 30 June 2019	Number of options lapsed for the six months ended 30 June 2019	Number of outstanding options as at 30 June 2019
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	1,600,000	1,600,000	–	–	–
Mr. Jing Hong	2,600,000	1,200,000	1,300,000	5,100,000	900,000	900,000	–	–	–
Mr. Chi Xun	2,600,000	1,200,000	1,300,000	5,100,000	–	–	–	–	–
Mr. Tian Qiang	–	1,200,000	1,300,000	2,500,000	–	–	–	–	–
Mr. Shang Yu	2,300,000	1,200,000	1,300,000	4,800,000	1,300,000	1,300,000	–	–	–
Mr. Huang Shuping	2,100,000	770,000	950,000	3,820,000	950,000	950,000	–	–	–
Senior management and employees	25,400,000	21,830,000	23,150,000	70,380,000	4,043,620	4,043,620	–	–	–
Total	**39,900,000**	**29,100,000**	**30,900,000**	**99,900,000**	**8,793,620**	**8,793,620**	**–**	**–**	**–**

2 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.

As at 30 June 2019, the details and changes of the share options granted under the 2014 Share Option 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 options granted	Accumulated number of options exercised from the date of grant to 30 June 2019	Accumulated number of options cancelled from the date of grant to 30 June 2019	Accumulated number of options lapsed from the date of grant to 30 June 2019	Number of outstanding options as at 30 June 2019	Number of options exercised for the six months ended 30 June 2019	Weighted-average closing price before the exercise date for the six months ended 30 June 2019 (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	31,544,600	1,363,400	359,000	–	9,491,100	34.69
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	15,996,900	900,280	914,520	15,455,300	4,281,400	34.02
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	17,590,500	590,000	152,000	21,587,500	6,252,000	36.60
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	4,523,800	911,000	489,000	53,996,446	4,359,800	38.30
		Total				**166,374,246**	**69,655,800**	**3,764,680**	**1,914,520**	**91,039,246**	**24,384,300**	

For the six months ended 30 June 2019, the movements in the share options granted to Directors and employees under the 2014 Share Option Scheme were as follows:

Name of grantee	Granted on 5 June 2014	Granted on 9 July 2015	Granted on 20 June 2016	Granted on 22 December 2017	Granted in aggregate	Number of outstanding options as at 1 January 2019	Number of options exercised for the six months ended 30 June 2019	Number of options cancelled for the six months ended 30 June 2019	Number of options lapsed for the six months ended 30 June 2019	Number of outstanding options as at 30 June 2019
Directors										
Mr. Sun Hongbin	1,300,000	–	–	–	1,300,000	1,300,000	1,300,000	–	–	–
Mr. Wang Mengde	1,200,000	1,300,000	2,000,000	2,800,000	7,300,000	7,300,000	1,200,000	–	–	6,100,000
Mr. Jing Hong	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	5,400,000	1,700,000	–	–	3,700,000
Mr. Chi Xun	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	6,000,000	–	–	–	6,000,000
Mr. Tian Qiang	1,100,000	1,200,000	1,800,000	2,600,000	6,700,000	5,600,000	–	–	–	5,600,000
Mr. Shang Yu	1,100,000	1,200,000	1,500,000	2,500,000	6,300,000	6,300,000	1,100,000	–	–	5,200,000
Mr. Huang Shuping	1,100,000	1,100,000	1,800,000	1,830,082	5,830,082	5,830,082	1,100,000	–	–	4,730,082
Senior management and employees	25,267,000	26,067,000	28,820,000	44,590,164	124,744,164	78,403,464	17,984,300	428,000[1]	282,000	59,709,164
Total	**33,267,000**	**33,267,000**	**39,920,000**	**59,920,246**	**166,374,246**	**116,133,546**	**24,384,300**	**428,000[1]**	**282,000**	**91,039,246**

Note 1: The exercise price of these 428,000 cancelled share options is HK$30.25 per share.

SHARE AWARD SCHEME

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

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

For the six months ended 30 June 2019, the trustee of the Share Award Scheme purchased 28,004,000 Shares from the open market at a total consideration of approximately HK$0.9 billion 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 has purchased on the open market a total of 94,653,000 Shares at the total consideration of approximately HK$2.57 billion.

As at 30 June 2019, 21.04 million Shares had been awarded to the selected employees under the Share Award Scheme on a cumulative basis.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2019, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

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

Name of Director	Nature of interest	Number of Shares	Approximate percentage of interest in the Company[2]
Mr. Sun Hongbin	Interest in controlled corporations[1]	2,091,329,884	47.11%
	Beneficial owner	11,390,000	0.26%
Mr. Wang Mengde	Beneficial owner	12,748,000	0.29%
Mr. Jing Hong	Beneficial owner	9,006,000	0.20%
	Interest of spouse	609,000	0.01%
Mr. Chi Xun	Beneficial owner	4,384,000	0.10%
Mr. Tian Qiang	Beneficial owner	3,202,000	0.07%
Mr. Shang Yu	Beneficial owner	2,650,000	0.06%
Mr. Huang Shuping	Beneficial owner	2,050,000	0.05%

Notes:

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

2. Calculated on the basis of 4,439,311,629 Shares in issue as at 30 June 2019.

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

Name of Director	Number of outstanding share options granted under the Share Option Schemes	Number of unvested Shares awarded under the Share Award Scheme	Total	Approximate percentage of interest in the Company[1]
Mr. Wang Mengde	6,100,000	1,000,000	7,100,000	0.16%
Mr. Jing Hong	3,700,000	1,000,000	4,700,000	0.11%
Mr. Chi Xun	6,000,000	900,000	6,900,000	0.16%
Mr. Tian Qiang	5,600,000	900,000	6,500,000	0.15%
Mr. Shang Yu	5,200,000	900,000	6,100,000	0.14%
Mr. Huang Shuping	4,730,082	500,000	5,230,082	0.12%
Mr. Sun Kevin Zheyi	–	300,000	300,000	0.01%

Note 1: Calculated on the basis of 4,439,311,629 Shares in issue as at 30 June 2019.

Save as disclosed herein, as at 30 June 2019, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or 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 30 June 2019, the following persons (other than a Director or chief executive of the Company) had an interest in 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:

INTERESTS IN SHARES OF THE COMPANY (LONG POSITION)

Name of shareholder	Nature of interest/Capacity	Number of Shares	Approximate percentage of interest in the Company[2]
Sunac International	Beneficial owner	2,042,623,884	46.01%
South Dakota Trust Company LLC[1]	Trustee	2,042,623,884	46.01%

Notes:

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

2. Calculated on the basis of 4,439,311,629 Shares in issue as at 30 June 2019.

Save as disclosed herein, as at 30 June 2019, 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.

CORPORATE GOVERNANCE AND 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. Please refer to the Company's announcements dated 11 January 2019, 13 February 2019, 1 April 2019, 9 April 2019 and 12 June 2019 for details of these issuances.

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

During the six months ended 30 June 2019, the trustee of the Share Award Scheme purchased 28,004,000 Shares from the open market at a total consideration of approximately HK$0.9 billion 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 has purchased on the open market a total of 94,653,000 Shares at the total consideration of approximately HK$2.57 billion.

Save as disclosed above, 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.

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 30 June 2019, the above specific performance obligation on the part of Mr. Sun Hongbin continued to subsist.

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

Save as disclosed above, there was no other matter subsisting as at 21 August 2019 which requires disclosure in this report pursuant to Rule 13.21 of the Listing Rules.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2019, the Group had a total of 43,100 employees in the PRC and Hong Kong. For the six months ended 30 June 2019, the staff cost of the Group was approximately RMB4.21 billion.

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

In order to attract and retain excellent talents, the Company adopted the 2011 Share Option Scheme on 29 April 2011 and the 2014 Share Option Scheme on 19 May 2014 for granting share options to eligible persons (including employees of the Group) entitling them the right to subscribe for shares of the Company, details of which are set out on pages 18 to 21 of this interim report. Furthermore, the Company adopted the Share Award Scheme on 8 May 2018 for the award of Shares to selected employees which will be held on trust by the trustee subject to vesting of the awarded shares, in each case in accordance with the rules of the Share Award Scheme and the terms of the trust deed, details of which are set out on page 21 of this interim report. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness. The Group did not experience any major difficulties in recruitment of employees, nor did it experience any material loss in manpower or any material labour dispute during the six months ended 30 June 2019.

The emoluments of the Directors are first reviewed by the remuneration committee of the Company 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the guidelines for the Directors' dealings in the securities of the Company. Upon specific enquiries being made with all Directors, each Director confirmed that he had complied with the required standards set out in the Model Code during the six months ended 30 June 2019 in relation to his securities dealings, if any.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established the audit committee (the "Audit Committee") with written terms of reference in compliance with the applicable Listing Rules and 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 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 financial results of the Group for the six months ended 30 June 2019.

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

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

Hong Kong, 21 August 2019

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 28 to 80, which comprises the interim condensed consolidated balance sheet of Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 August 2019

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**58,889,103**	49,224,305
Investment properties	9	**19,185,296**	16,195,739
Right-of-use assets	4	**13,120,142**	–
Intangible assets	10	**6,230,589**	–
Land use rights and intangible assets	10	**–**	16,020,807
Deferred tax assets		**5,093,352**	2,984,740
Investments accounted for using the equity method	11	**84,763,256**	65,496,826
Financial assets at fair value through profit or loss	12	**14,843,981**	9,872,592
Receivables	15	**660,501**	558,000
Prepayments	16	**3,052,486**	2,276,912
Derivative financial instruments	23	**–**	125,817
Amounts due from related companies	35	**666,452**	666,452
Total non-current assets		**206,505,158**	163,422,190
Current assets			
Properties under development	13	**350,761,552**	291,913,575
Completed properties held for sale	14	**48,839,964**	47,336,265
Inventories		**92,894**	14,967
Trade and other receivables	15	**33,555,096**	27,392,266
Contract assets	7	**1,987,244**	932,328
Derivative financial instruments	23	**–**	153,507
Amounts due from related companies	35	**70,643,423**	48,299,169
Prepayments	16	**12,937,428**	10,414,376
Prepaid income tax		**6,998,004**	6,449,795
Restricted cash	17	**38,762,301**	44,017,011
Cash and cash equivalents		**99,235,053**	76,181,041
Financial assets at fair value through profit or loss	12	**–**	133,500
Total current assets		**663,812,959**	553,237,800
Total assets		**870,318,117**	716,659,990
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	**381,277**	378,421
Other reserves	19	**10,391,707**	14,259,603
Retained earnings		**52,484,511**	42,198,205
		63,257,495	56,836,229
Perpetual capital securities	20	**4,472,863**	5,526,772
Other non-controlling interests		**11,966,131**	10,743,568
Total equity		**79,696,489**	73,106,569

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**180,795,522**	137,363,520
Derivative financial instruments	23	**42,244**	79,509
Lease liabilities		**431,595**	–
Deferred tax liabilities		**35,366,553**	33,383,440
Other payables	21	**80,081**	1,474,373
Total non-current liabilities		**216,715,995**	172,300,842
Current liabilities			
Trade and other payables	21	**112,174,848**	92,786,353
Contract liabilities	7	**215,946,381**	199,378,610
Amounts due to related companies	35	**96,540,331**	62,663,166
Current tax liabilities		**27,069,404**	23,753,921
Borrowings	22	**121,280,208**	92,045,543
Lease liabilities		**187,457**	–
Derivative financial instruments	23	**4,860**	14,017
Provisions	24	**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

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

The condensed consolidated interim financial information on pages 28 to 80 was approved by the Board of Directors on 21 August 2019 and was signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	7	**76,837,895**	46,582,781
Cost of sales	25	**(57,484,437)**	(35,054,944)
Gross profit		**19,353,458**	11,527,837
Other income and gains	26	**5,189,148**	5,345,943
Selling and marketing costs	25	**(2,563,053)**	(1,919,192)
Administrative expenses	25	**(4,074,070)**	(2,933,233)
Other expenses and losses	27	**(1,058,495)**	(132,721)
Net impairment losses on financial and contract assets	25	**(1,147,332)**	(143,895)
Operating profit		**15,699,656**	11,744,739
Finance income	28	**620,088**	324,391
Finance expenses	28	**(1,233,268)**	(2,947,210)
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	11	**3,630,399**	1,112,198
Profit before income tax		**18,716,875**	10,234,118
Income tax expense	29	**(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
Attributable to:			
– Owners of the Company		**10,286,306**	6,361,210
– Holders of perpetual capital securities	20	**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):	30		
– Basic earnings per share		**2.37**	1.45
– Diluted earnings per share		**2.34**	1.43

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

		Unaudited						
		Attributable to owners of the Company						
	Notes	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000 (note 20)	Other non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019		**378,421**	**14,259,603**	**42,198,205**	**56,836,229**	**5,526,772**	**10,743,568**	**73,106,569**
Change in accounting policy	4	–	–	–	–	–	–	–
Restated balance at 1 January 2019		**378,421**	**14,259,603**	**42,198,205**	**56,836,229**	**5,526,772**	**10,743,568**	**73,106,569**
Total comprehensive income for the period ended 30 June 2019		–	–	**10,286,306**	**10,286,306**	**173,183**	**831,620**	**11,291,109**
Transactions with owners, recognised directly in equity								
Non-controlling interests arising on business combination	33	–	–	–	–	–	**177,243**	**177,243**
Capital contributions from non-controlling interests		–	–	–	–	–	**367,278**	**367,278**
Transactions with non-controlling interests		–	**(25,595)**	–	**(25,595)**	–	**26,422**	**827**
Capital decreasing of a subsidiary		–	–	–	–	–	**(180,000)**	**(180,000)**
Redemption of perpetual capital securities		–	–	–	–	**(980,300)**	–	**(980,300)**
Distributions to holders of perpetual capital securities		–	–	–	–	**(246,792)**	–	**(246,792)**
Employees share option schemes:								
– Value of employee services	19	–	**59,121**	–	**59,121**	–	–	**59,121**
– Proceeds from shares issued	18,19	**2,856**	**243,589**	–	**246,445**	–	–	**246,445**
Share award scheme:								
– Value of employee services	19	–	**294,257**	–	**294,257**	–	–	**294,257**
Purchase of shares for share award scheme	19	–	**(794,630)**	–	**(794,630)**	–	–	**(794,630)**
Dividends relating to 2018	19	–	**(3,644,638)**	–	**(3,644,638)**	–	–	**(3,644,638)**
		2,856	**(3,867,896)**	–	**(3,865,040)**	**(1,227,092)**	**390,943**	**(4,701,189)**
Balance at 30 June 2019		**381,277**	**10,391,707**	**52,484,511**	**63,257,495**	**4,472,863**	**11,966,131**	**79,696,489**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

		Unaudited						
		Attributable to owners of the Company				Perpetual capital securities	Other non-controlling interests	Total equity
	Notes	Share capital	Other reserves	Retained earnings	Total			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018		377,608	16,649,452	26,775,180	43,802,240	9,288,432	7,547,553	60,638,225
Change in accounting policy		–	–	(71,473)	(71,473)	–	–	(71,473)
Restated balance at 1 January 2018		377,608	16,649,452	26,703,707	43,730,767	9,288,432	7,547,553	60,566,752
Total comprehensive income for the period ended 30 June 2018		–	–	6,361,210	6,361,210	339,478	77,040	6,777,728
Transactions with owners, recognised directly in equity								
Non-controlling interests arising on business combination		–	–	–	–	–	735,351	735,351
Capital contributions from non-controlling interests		–	–	–	–	–	14,000	14,000
Disposal of subsidiaries		–	–	–	–	–	(20,477)	(20,477)
Transactions with non-controlling interests		–	(70,847)	–	(70,847)	–	(55,984)	(126,831)
Issue of perpetual capital securities		–	–	–	–	340,600	–	340,600
Redemption of perpetual capital securities		–	–	–	–	(1,913,100)	–	(1,913,100)
Distributions to holders of perpetual capital securities		–	–	–	–	(463,183)	–	(463,183)
Employees share option schemes:								
– Value of employee services	19	–	146,518	–	146,518	–	–	146,518
– Proceeds from shares issued		499	20,076	–	20,575	–	–	20,575
Purchase of shares for share award scheme	19	–	(337,423)	–	(337,423)	–	–	(337,423)
Dividends relating to 2017	19	–	(2,200,773)	–	(2,200,773)	–	–	(2,200,773)
		499	(2,442,449)	–	(2,441,950)	(2,035,683)	672,890	(3,804,743)
Balance at 30 June 2018		378,107	14,207,003	33,064,917	47,650,027	7,592,227	8,297,483	63,539,737

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Note	Unaudited Six months ended 30 June **2019** **RMB'000**	 2018 RMB'000
Cash flows from operating activities			
Cash generated from operations		**51,745,484**	44,898,938
Income tax paid		**(8,668,378)**	(7,519,829)
Net cash generated from operating activities		**43,077,106**	37,379,109
Cash flows from investing activities			
Payments for business combinations, net	33	**(14,708,290)**	(2,424,380)
Disposal of subsidiaries, net	34	**(762,362)**	(365,191)
Proceeds from disposal of and capital decreasing of joint ventures and associates		**434,280**	–
Payments for equity transactions		**(11,216,811)**	(5,532,099)
Cash advance payments for potential equity transactions		**(312,107)**	–
Investments in joint ventures and associates		**(11,248,430)**	(3,982,830)
Dividend received from joint ventures and associates		**252,043**	–
Payments for financial assets at fair value through profit or loss ("FVPL")		**(3,569,789)**	(1,764,331)
Purchases of property, plant and equipment ("PP&E"), land use rights, intangible assets and investment properties		**(10,567,327)**	(6,214,254)
Proceeds from redemption of financial assets at FVPL		**173,373**	340,000
Loans granted to joint ventures and associates		**(18,106,155)**	(13,472,217)
Loan repayments received from joint ventures and associates		**6,036,108**	5,518,492
Loans granted to equity investment partners		**–**	(645,915)
Loans granted to non-controlling interests		**–**	(845,750)
Interest received		**593,507**	682,572
Others		**(38,571)**	13,398
Net cash used in investing activities		**(63,040,531)**	(28,692,505)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**246,445**	20,575
Payments for purchase of shares for share award scheme	**(794,630)**	(337,423)
Proceeds from issuance of perpetual capital securities	**–**	340,600
Redemption of perpetual capital securities	**(980,300)**	(1,913,100)
Proceeds from borrowings	**132,101,426**	53,206,524
Repayments of borrowings	**(74,185,610)**	(64,542,882)
Proceeds from/(payments for) derivative financial instruments	**56,576**	(28,828)
Distribution paid to holders of perpetual capital securities	**(246,792)**	(463,183)
Dividends or deem distribution paid to non-controlling interests	**(237,072)**	–
Loans from non-controlling interests	**1,734,057**	1,211,332
Loan repayments to non-controlling interests	**(1,321,676)**	(1,213,027)
Proceeds from/(payments for) transactions with non-controlling interests	**827**	(53,918)
Interest paid	**(10,980,793)**	(7,090,329)
Deposits guaranteed for bank borrowings	**(2,656,684)**	6,334,316
Contribution from non-controlling interests	**128,807**	–
Principal elements of lease payments	**(65,862)**	–
Others	**–**	5,000
Net cash generated from/(used in) financing activities	**42,798,719**	(14,524,343)
Net increase/(decrease) in cash and cash equivalents	**22,835,294**	(5,837,739)
Cash and cash equivalents at beginning of period	**76,181,041**	68,433,256
Effect of exchange difference	**218,718**	(111,954)
Cash and cash equivalents at end of period	**99,235,053**	62,483,563

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

1 General information

Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the businesses of property development and investment, cultural and tourism city construction and operation 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 Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 *Interim financial reporting*. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcement made by the Company during the interim reporting period.

3 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 4 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.

4 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.

(A) ADJUSTMENTS RECOGNISED ON ADOPTION 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. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10.03%.

	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 leases 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 liabilities, 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 were 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.

4 Changes in accounting policies *(continued)*

(A) ADJUSTMENTS RECOGNISED ON ADOPTION OF HKFRS 16 *(continued)*

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

	1 January 2019 RMB'000	Additions RMB'000	Amortisation charge RMB'000	**30 June 2019 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 rights – decrease by RMB9,851.33 million
- lease liabilities – increase by RMB433.16 million.

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

4 Changes in accounting policies *(continued)*

(A) ADJUSTMENTS RECOGNISED ON ADOPTION OF HKFRS 16 *(continued)*

(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 RMB'000	Segment liabilities 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 asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease 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*.

4 Changes in accounting policies *(continued)*

(B) THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group obtained land use rights 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 liabilities,
- 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.

5 Estimates

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements and estimations made by management were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

6 Financial risk management and financial instruments

6.1 FINANCIAL RISK FACTORS

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 condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There have been no significant changes in the risk or in any risk management policies since 31 December 2018.

6 Financial risk management and financial instruments *(continued)*

6.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(i) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2019 and 31 December 2018 on a recurring basis:

At 30 June 2019	**Note**	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets					
Financial assets at FVPL	**12**	**189,457**	**–**	**14,654,524**	**14,843,981**
Financial liabilities					
Derivative financial instruments	**23**	**–**	**47,104**	**–**	**47,104**

At 31 December 2018	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets					
Financial assets at FVPL	12	302,296	–	9,703,796	10,006,092
Derivative financial instruments	23	–	153,507	125,817	279,324
Financial liabilities					
Derivative financial instruments	23	–	93,526	–	93,526

6 Financial risk management and financial instruments *(continued)*

6.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(i) Fair value hierarchy *(continued)*

During the six months ended 30 June 2019, there were no transfers between different levels.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted marked 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. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- equity allocation model and price/booking multiple method with observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples and etc.;
- for currency derivative contracts — option pricing model and the present value of the estimated future premium payments set out in these contracts, and
- for option embedded in the corporate bond contracts — option pricing model (e.g. Black Scholes model).

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

As at 30 June 2019 and 31 December 2018, the Group's level 3 instruments included unlisted equity investments, debt instruments and forward contracts embedded in acquisition contract.

6 Financial risk management and financial instruments *(continued)*

6.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

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

The following table presents the changes in level 3 items for the periods ended 30 June 2019:

		Financial assets at FVPL		
	Derivative financial instruments RMB'000	**Unlisted equity securities** RMB'000	**Debt instruments** RMB'000	**Total** RMB'000
Opening balance 1 January 2019	**125,817**	**8,915,657**	**788,139**	**9,703,796**
Acquisitions	–	4,600,880	–	4,600,880
Disposals	–	–	(133,500)	(133,500)
Transfer	(125,817)	125,817	–	125,817
Gains recognised in other income	–	357,531	–	357,531
Closing balance 30 June 2019	**–**	**13,999,885**	**654,639**	**14,654,524**

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	**30 Jun 2019 RMB'000**	31 Dec 2018 RMB'000	**Valuation method**	**Significant unobservable inputs**	**2019**	2018
Unlisted equity securities and forward contracts embedded in acquisition contract	13,999,885	9,041,474	Equity allocation model and price/booking multiple method	Discount rate for lack of marketability	10%-18%	12%-25%
				Expected volatility rate	34.69%-54.41%	48.91%-55.38%
Other financial instruments	654,639	788,139	Discounted cash flow	Discounted rate	6.50%-10%	6.50%-10%

6 Financial risk management and financial instruments *(continued)*

6.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

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

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of discount rate, the lower fair value;
- The higher rate of discount rate for lack of marketability, the lower fair value;
- The higher rate of expected volatility, the lower fair value.

The management performs the valuation of financial instruments for financial reporting purposes. Unobservable inputs including discount rate, discount rate for lack of marketability and expected volatility rate are assessed by the independent valuers based on current market assessments of the time value of money and the risk specific to the asset being valued.

(iv) Fair values of other financial instruments (unrecognised)

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since either the interest receivable/payable is close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 30 June 2019:

	Carrying amount	Fair value
	RMB'000	RMB'000
Non-current borrowings:		
– Corporate bonds (note 22)	7,817,345	7,776,034
– Private domestic corporate bonds (note 22)	16,991,400	17,988,887
	24,808,745	25,764,921

7 Segment information

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

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

- Property development
- Cultural and tourism city 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 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 expense, defined as segment results. The segment results exclude the fair value gains or losses on financial assets at FVPL and derivative financial instruments and share of profits or losses and impairment losses of certain non-core business investments accounted 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.

7 Segment information *(continued)*

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 the 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

7 Segment information *(continued)*

	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 the 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

7 Segment information *(continued)*

Reportable segment 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 the equity method, net	**(155,222)**	(116,946)
Income tax expense	**(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	31 December
	2019	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

7 Segment information *(continued)*

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

The Group has recognised the following assets and liabilities related to contracts with customers:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Related to development and sales of properties contracts:		
Current contract assets	**231,628**	19,333
Cost to obtain the contract	**1,755,766**	913,030
Loss allowance	**(150)**	(35)
Total contract assets	**1,987,244**	932,328
Contract liabilities	**215,946,381**	199,378,610

8 Property, plant and equipment

	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 31 December 2018						
Cost	27,516,754	149,880	374,827	301,086	22,018,929	50,361,476
Accumulated depreciation	(909,076)	(70,216)	(67,036)	(90,843)	–	(1,137,171)
Net book amount	26,607,678	79,664	307,791	210,243	22,018,929	49,224,305
Half-year ended 30 June 2019						
Opening net book amount	26,607,678	79,664	307,791	210,243	22,018,929	49,224,305
Acquisition of subsidiaries (note 33)	3,411	4,951	5,584	9,575	–	23,521
Additions	259,078	7,449	64,171	22,238	9,742,055	10,094,991
Transfer	11,987,748	–	–	–	(11,987,748)	–
Disposal of subsidiaries (note 34)	–	–	(14)	–	–	(14)
Disposals	–	(362)	(6,741)	–	–	(7,103)
Depreciation charge	(333,956)	(7,944)	(72,433)	(32,264)	–	(446,597)
Closing net book amount	38,523,959	83,758	298,358	209,792	19,773,236	58,889,103
At 30 June 2019						
Cost	39,766,991	158,370	433,723	332,899	19,773,236	60,465,219
Accumulated depreciation	(1,243,032)	(74,612)	(135,365)	(123,107)	–	(1,576,116)
Net book amount	38,523,959	83,758	298,358	209,792	19,773,236	58,889,103

9 Investment properties

Office buildings, shopping malls and commercial properties at fair value:

	Completed Investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At 31 December 2018	12,024,113	4,171,626	16,195,739
Acquisition of subsidiaries (note 33)	861,000	–	861,000
Additions	27,805	1,141,827	1,169,632
Fair value changes	918,651	40,274	958,925
Transfers	5,065,349	(5,065,349)	–
At 30 June 2019	18,896,918	288,378	19,185,296

The Group's investment properties are all office building, shopping malls and commercial properties located in the PRC.

As at 30 June 2019, all the investment properties are within level 3 of the fair value hierarchy. Management obtains independent valuations for its investment properties including office buildings, shopping malls and commercial properties. DTZ Cushman & Wakefield Limited performed the independent valuation of these buildings. There were no changes to the valuation techniques during the period.

10 Intangible assets (Land use rights and intangible assets 2018)

		Intangible assets		
	Land use rights RMB'000	Goodwill[(A)] RMB'000	Others RMB'000	Total RMB'000
At 31 December 2018				
Cost	9,989,804	5,537,776	1,524,511	17,052,091
Accumulated amortisation and impairment	(138,476)	(456,299)	(436,509)	(1,031,284)
Net book amount	9,851,328	5,081,477	1,088,002	16,020,807
Change in accounting policy (note 4)	(9,851,328)	–	–	(9,851,328)
Net book amount as at 1 January 2019, after the adoption of HKFRS 16	–	5,081,477	1,088,002	6,169,479
Half-year ended 30 June 2019				
Opening net book amount	–	5,081,477	1,088,002	6,169,479
Acquisition of subsidiaries (note 33)	–	103,303	254	103,557
Additions	–	–	21,376	21,376
Amortisation charge	–	–	(63,823)	(63,823)
Closing net book amount	–	5,184,780	1,045,809	6,230,589
At 30 June 2019				
Cost	–	5,641,079	1,546,141	7,187,220
Accumulated amortisation and impairment	–	(456,299)	(500,332)	(956,631)
Net book amount	–	5,184,780	1,045,809	6,230,589

10 Intangible assets (Land us rights and intangible assets 2018) *(continued)*

(A) IMPAIRMENT TESTS FOR GOODWILL

Goodwill was generated from business combination and allocated to each project or a group of projects, which is expected to benefit from the synergies of the combination. There have been no significant changes in goodwill allocation for the six months ended 30 June 2019.

Each project is identified as a CGU and the recoverable amount of a CGU is determined based on value-in-use method. Management reviews the business performance and monitors the goodwill on individual CGU or group of CGUs basis as at 30 June 2019. As there were no indicators for impairment of any of the CGUs including the allocated goodwill, management has not updated any of the impairment calculations

11 Investments accounted for using the equity method

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

	30 June 2019 RMB'000	31 December 2018 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 RMB'000	2018 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

11 Investments accounted for using the equity method *(continued)*

11.1 INVESTMENTS IN JOINT VENTURES

The following table analyses, on an aggregate basis, the movement of the carrying amount of the Group's investments in joint ventures, and the 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 (note 34)	**1,031,840**	131,470
– Acquisition from business combination (note 33(B))	**5,531,988**	–
Disposals:		
– Disposal of investments in joint ventures	**(629,865)**	(340,138)
– Joint ventures became subsidiaries (note 33(A))	**(233,291)**	(255,995)
Capital decreasing of a joint venture	**(977,550)**	–
Share of profits of joint ventures, net	**2,483,515**	613,372
Dividend from a joint venture	**(104,940)**	–
At end of period	**60,094,572**	35,330,849

11 Investments accounted for using the equity method *(continued)*

11.2 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 existing associates	**257,835**	313,961
– Subsidiaries became associates (note 34)	**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

12 Financial assets at fair value through profit or loss

	30 June 2019 RMB'000	31 December 2018 RMB'000
Listed equity securities	**189,457**	302,296
Unlisted equity securities	**13,999,885**	8,915,657
Debt investments	**654,639**	788,139
	14,843,981	10,006,092

For information about the methods and assumptions used in determining the fair value of financial assets at FVPL, please refer to note 6.2.

(A) AMOUNTS RECOGNISED IN PROFIT OR LOSS

During the period ended 30 June 2019, the following gains were recognised in profit or loss:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Fair value gains on financial assets at FVPL recognised in other income (note 26)	**274,850**	65,807

13 Properties under development

	30 June 2019 RMB'000	31 December 2018 RMB'000
Land use rights	**250,391,726**	215,908,047
Construction costs and capitalised expenditures	**66,515,781**	52,109,584
Capitalised finance costs	**34,486,457**	24,158,377
	351,393,964	292,176,008
Less: Provision for loss on realisable value	**(632,412)**	(262,433)
	350,761,552	291,913,575
To be completed within 12 months	**93,756,925**	91,770,261
To be completed after 12 months	**257,004,627**	200,143,314
	350,761,552	291,913,575

The properties under development ("PUDs") are all located in the PRC.

14 Completed properties held for sale

	30 June 2019 RMB'000	31 December 2018 RMB'000
Completed properties held for sale, gross	**49,798,293**	48,341,719
Less: Provision for loss on realisable value	**(958,329)**	(1,005,454)
	48,839,964	47,336,265

The completed properties held for sale are all located in the PRC.

15 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.

15 Trade and other receivables *(continued)*

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.

16 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 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.

17 Restricted cash

	30 June 2019 RMB'000	31 December 2018 RMB'000
Restricted cash from property pre-sale proceeds (a)	**12,223,434**	17,062,937
Guarantee deposits as reserve for bank loans	**18,583,041**	15,617,770
Guarantee deposits for mortgage	**2,294,997**	2,405,005
Guarantee deposits for bank acceptance	**3,680,046**	3,764,298
Restricted cash from an equity transaction	**60,189**	96,413
Restricted cash from land use rights acquisitions	**–**	2,491,978
Others	**1,920,594**	2,578,610
	38,762,301	44,017,011

Note:

(a) 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.

18 Share capital

	Number of shares (thousands)	Share capital HK$'000	Share capital Equivalent to RMB'000
Authorised:			
At 1 January 2019 and 30 June 2019, HK$0.1 per share	10,000,000	1,000,000	N/A
Issued and fully paid:			
As at 1 January 2019	4,406,134	440,614	378,421
Shares issued upon exercise of employees' share options (a)	**33,178**	**3,318**	**2,856**
As at 30 June 2019	**4,439,312**	**443,932**	**381,277**

Note:

(a) The Company adopted a Post-IPO Share Option Scheme (the "2011 Share Option Scheme") on 29 April 2011 and a new Share Option Scheme (the "2014 Share Option Scheme") on 19 May 2014 respectively (note 19(a)).

19 Reserves

	Share premium RMB'000	Share option and share award scheme reserve RMB'000	Other reserves RMB'000	Total RMB'000
Six months ended 30 June 2019				
At 1 January 2019	**9,336,620**	**760,970**	**4,162,013**	**14,259,603**
Transactions with non-controlling interests	**–**	**–**	**(25,595)**	**(25,595)**
Employees share option schemes (a):				
– Value of employee services	**–**	**59,121**	**–**	**59,121**
– Exercise of employees' share options	**243,589**	**–**	**–**	**243,589**
Share award scheme (b)				
– Value of employee services	**–**	**294,257**	**–**	**294,257**
Purchase of shares for share award scheme (b)	**(794,630)**	**–**	**–**	**(794,630)**
Dividends relating to 2018	**(3,644,638)**	**–**	**–**	**(3,644,638)**
At 30 June 2019	**5,140,941**	**1,114,348**	**4,136,418**	**10,391,707**
Six months ended 30 June 2018				
At 1 January 2018	12,959,681	469,935	3,219,836	16,649,452
Transactions with non-controlling interests	–	–	(70,847)	(70,847)
Employees share option schemes:				
– Value of employee services	–	146,518	–	146,518
– Exercise of employees' share options	20,076	–	–	20,076
Purchase of shares for share award scheme	(337,423)	–	–	(337,423)
Dividends relating to 2017	(2,200,773)	–	–	(2,200,773)
At 30 June 2018	10,441,561	616,453	3,148,989	14,207,003

Note:

(a) For the six months ended 30 June 2019, 8,794 thousand shares in connection with the 2011 Share Option Scheme and 24,384 thousands shares in connection with the 2014 Share Option Scheme were exercised by the employees, which resulted in an increase of RMB2.86 million in the share capital and RMB243.59 million in share premium (note 18).

As at 30 June 2019, 67,775 thousand shares of the 2014 Share Option Scheme were exercisable (31 December 2018: 8,794 thousand shares of the 2011 Share Option Scheme and 92,441 thousand shares of the 2014 Share Option Scheme).

The total expense recognised in the profit or loss for share options granted to directors and employees for the six months ended 30 June 2019 was RMB59.12 million (2018: RMB146.52 million).

19 Reserves *(continued)*

Note: *(continued)*

(b) A share award scheme under which shares may be granted to eligible employees for no cash consideration was approved by the board of directors of the Company on 8 May 2018 (the "Share Award Scheme"). Pursuant to the rules relating to the Share Award Scheme, the Company entrusted a trustee to purchase existing ordinary shares in the open market based on the Share Award Scheme. The trustee will hold such shares on behalf of the relevant selected employees on trust, until such shares are vested with the relevant selected employees in accordance with the scheme rules.

For the six months ended 30 June 2019, 28,004 thousands shares were purchased from open market pursuant to the Share Award Scheme at a total consideration of approximately RMB794.6 million. As at 30 June 2019, the Company has entrusted the trustee to purchase an aggregate of 94,653 thousands shares.

As at 30 June 2019, 21,040 thousands shares in connection with the Share Award Scheme has been granted to the eligible employees. The fair value of these shares was determined by the closing share price of the Company's shares at the grant date excluding the impact of expected dividend during the vesting period.

The total expense recognised in the profit or loss for the Share Award Scheme granted to employees for the six months ended 30 June 2019 was RMB294.26 million.

20 Perpetual capital securities

As at 30 June 2019, two perpetual bonds issued by the subsidiaries of the Group (the "Instrument Issuers") were still outstanding. One of these perpetual bonds contracts was guaranteed by Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate", an indirect wholly owned subsidiary of the Company) and secured by the equity interests owned by the shareholder in one of the Instrument Issuers. The other perpetual bond 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.

21 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

Notes:

(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.

22 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 (A)	**42,445,266**	22,143,124
– Asset-backed securities (D)	**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 (B)	**7,817,345**	7,792,522
– Private domestic corporate bonds (C)	**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 (D)	**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

22 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 30 June 2019, the issue dates, principals and interest rates of the outstanding Senior Notes were shown as below:

Issue dates	Maturity	Principal USD million	Interest rate
5 December 2014	5 years	400	8.75%
8 August 2017	3 years	400	6.875%
8 August 2017	5 years	600	7.95%
19 April 2018	3.25 years	650	7.35%
19 April 2018	5 years	450	8.35%
27 July 2018	2 years	400	8.625%
29 November 2018	1.67 years	350	8.625%
15 January 2019	2 years	600	8.375%
15 February 2019	3 years	800	7.875%
25 March 2019	4 years	200	8.35%
11 April 2019	4.5 years	750	7.95%
14 June 2019	3 years	600	7.25%
		6,200	

According to the terms of the Senior Notes, at any time and from time to time, on or after the redemption date, which are set in the first to fourth year after the issue dates, the Company may redeem the Senior Notes, in whole or in part, at a redemption price in range of 101% to 108.625% of principal amount plus accrued and unpaid interests, if any, to (but not including) the redemption date.

22 Borrowings *(continued)*

(B) CORPORATE BONDS

Sunac Real Estate issued corporate bonds (the "Corporate Bonds") on the Shanghai Stock Exchange, payable annually in arrears. The issued dates, principals and interest rates are shown as below:

Issue dates	Principal RMB'000	Interest rate	Maturity
15 August 2015	1,178,455	6.80%	5 years
15 August 2015	2,500,000	5.70%	5 years
1 September 2015	164,740	7.50%	5 years
16 August 2016	1,200,000	6.50%	5 years
16 August 2016	2,800,000	4.00%	7 years
	7,843,195		

Except for the bond issued on 15 August 2015 with the interest rate of 5.7%, all the other Corporate Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the third or fifth years after the issue dates.

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 30 June 2019 (note 23).

22 Borrowings *(continued)*

(C) PRIVATE DOMESTIC CORPORATE BONDS

Sunac Real Estate issued private domestic corporate bonds ("Private Bonds") on Shanghai Stock Exchange and Shenzhen Stock Exchange. The details are shown as below:

Issue date	Principal amount RMB'000	Interest rate	Maturity
22 January 2016	5,000,000	6.39%	7 years
7 March 2016	3,500,000	7.50%	5 years
3 May 2016	2,700,000	7.00%	6 years
13 June 2016	2,300,000	7.00%	6 years
5 July 2017	1,000,000	6.50%	3 years
11 April 2018	500,000	9.50%	3 years
28 August 2018	1,000,000	7.50%	3 years
9 September 2018	1,010,000	7.50%	3 years
	17,010,000		

Except for the bonds issued in 2017 and the bond issued on 11 April 2018, all the other Private Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the first, second, third or fifth years after the issue dates.

The options embedded were not closely related to the host contracts and were recognised at fair value at the issue date and 30 June 2019 (note 23).

22 Borrowings *(continued)*

(D) ASSET-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 30 June 2019, the details of the outstanding assets-backed securities are shown as below:

Issue dates	Principal amount RMB'000	Interest rate	Maturity
6 July 2018	13,837	6.8%	1 year
25 September 2018 to 30 April 2019	300,000	13.5%	1 year
29 September 2018 to 17 May 2019	129,300	13.1%	1 year
01 March 2019	760,000	6.7% and 7%	5 years
29 April 2019	1,690,000	5.8% and 6.3%	0.5-3 years
	2,893,137		

(E) As at 30 June 2019, RMB273.73 billion (as at 31 December 2018: RMB202.52 billion) of the Group's total borrowings were secured or jointly secured by the Group's certain assets, comprised of restricted cash, PUDs, completed properties held for sale, investment properties, PP&E and land use rights, which total amount was RMB243.37 billion (as at 31 December 2018: RMB187.53 billion) and equity interests of certain subsidiaries of the Group.

23 Derivative financial instruments

	30 June 2019 RMB'000	31 December 2018 RMB'000
Financial assets		
– Currency derivative contracts (i)	–	153,507
– Option derivative contract	–	125,817
Financial liabilities		
– Options embedded in Corporate Bonds and Private Bonds (note 22)	31,051	57,411
– Currency derivative contracts (i)	16,053	36,115

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The change of fair value is recognised immediately in profit or loss.

(i) As at 30 June 2019, the currency derivative contracts comprised various contracts with nominal amount totalling USD750 million (31 December 2018: USD1,050 million). According to the contracts, the Group will be able to buy USD nominal amount at the agreed strike price with RMB on the settlement date.

24 Provisions

	30 June 2019 RMB'000	31 December 2018 RMB'000
Provisions for financial guarantee provided to related parties	554,776	474,494
Provisions for financial guarantee on mortgage	147,368	136,475
	702,144	610,969

25 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

26 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 (note 33)	**568,622**	3,282,786
Fair value gains on financial assets at FVPL	**274,850**	65,807
Gains from disposals of subsidiaries (note 34)	**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

27 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 disposals of subsidiaries (note 34)	**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

28 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

29 Income tax expense

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Corporate income tax ("CIT")		
– 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 ("LAT")	**3,524,955**	1,531,623
	7,425,766	3,456,390

29 Income tax expense *(continued)*

(A) CIT

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the six months ended 30 June 2019 based on existing legislations, interpretations and practices.

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profits arising in or derived from Hong Kong for the period (2018: nil).

Pursuant to the applicable rules and regulations of Cayman Islands and British Virgin Islands ("BVI"), the Company and the BVI subsidiaries of the Group are not subject to any income tax in those jurisdictions.

Income tax expense is recognised based on management's estimate of the weighted-average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2019 was 25% (2018: 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) 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.

30 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 (note 19).

	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

The Company has two categories of dilutive potential ordinary shares:

(i) share options – the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration.

(ii) awarded shares – the number of shares granted under the Share Award Scheme less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the proceeds equal to unamortised fair value of employee services 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.

31 Commitments

(A) PROPERTY DEVELOPMENT EXPENDITURES AT THE BALANCE SHEET DATE BUT NOT YET INCURRED IS AS FOLLOWS:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Contracted but not provided for		
– PUDs and completed properties held for sale	**87,297,431**	73,941,626
– PP&E	**8,628,219**	7,073,402
– Investment properties	**4,352,473**	3,806,360
– Intangible assets	**–**	11,234
	100,278,123	84,832,622

(B) EQUITY TRANSACTIONS

	30 June 2019 RMB'000	31 December 2018 RMB'000
– Contracted but not provided for	**5,869,880**	11,200,582

32 Contingent liabilities

(A) GUARANTEE ON MORTGAGE FACILITIES

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**92,930,605**	88,598,358

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 RMB36.46 billion (31 December 2018: RMB23.82 billion) together with the business partners on pro rata basis.

33 Business combination

(A) ACQUISITIONS OF SUBSIDIARIES

During the six months ended 30 June 2019, business combinations mainly included the acquisitions of interest in property development companies and acquisitions of additional interests in joint ventures. The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition dates was not disclosed. The acquired companies' principal activities are property development and investment.

The financial information of these acquired companies on the acquisition dates is summarised as follows:

	Total
	RMB'000
Fair value of total interests acquired	21,085,202
Cash considerations for acquisition of	
– equity interests	15,405,485
– debts due to shareholders	4,981,107
Re-measurement of previously held interests	390,337
Gains from acquisition of new subsidiaries	411,576
Goodwill from acquisition of new subsidiaries	103,303
Re-measurement of previously held interests	390,337
Less: Book value of previously held interests	233,291
Gains on re-measurement	157,046
The following table set out a summary of the financial impacts:	
Gains from acquisition of new subsidiaries	568,622
Goodwill from acquisition of new subsidiaries	103,303

33 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:

		Total
		RMB'000
(1)	**Fair value of net assets**	
	Non-current assets	
	PP&E	23,521
	Investment properties	861,000
	Intangible assets	254
	Investments accounted for using the equity method	5,531,988
	Deferred tax assets	610,652
	Current assets	
	PUDs	37,410,913
	Completed properties held for sale	1,360,658
	Restricted cash	1,259,589
	Cash and cash equivalents	371,192
	Other current assets	12,120,029
	Non-current liabilities	
	Borrowings	(16,615,800)
	Deferred tax liabilities	(4,446,527)
	Current liabilities	
	Borrowings	(1,405,395)
	Other current liabilities	(15,819,629)
	Net assets	21,262,445
	Less: Non-controlling interests	(177,243)
	Fair value of the net assets acquired	21,085,202
(2)	**Cash impact**	
	Consideration settled by cash in current period	(15,079,482)
	Cash and cash equivalents in the subsidiaries acquired	371,192
	Net cash impact on acquisitions	(14,708,290)

33 Business combination *(continued)*

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

	Total
	RMB'000
Revenue	355,921
Net losses	(55,583)

If the acquisition date for all business combinations that occurred during the period ended 30 June 2019 had been as of the beginning of this interim reporting period, the Group's revenue and profit for the six months ended 30 June 2019 would have been RMB77,482 million and RMB11,284 million respectively.

34 Disposal of subsidiaries

(A) The financial impacts arising from the disposals are summarised as follows:

	Total
	RMB'000
Cash considerations received or receivable	1,085,595
Fair value of retained equity interest become joint ventures or associates	1,320,670
Less: Carrying value of the disposed subsidiaries	(2,397,310)
Net gains on disposals	8,955
– Gains on the disposals	70,772
– Losses on the disposals	(61,817)

34 Disposal of subsidiaries *(continued)*

(B) The carrying values of the net assets owned by the Group as at the disposal dates are summarised as follows:

	Total
	RMB'000
Non-current assets	
PP&E	14
Investment accounted for using the equity method	537,619
Deferred tax assets	22,667
Current assets	
PUDs	7,213,736
Completed properties held for sale	29,354
Restricted cash	15,800
Cash and cash equivalents	802,362
Other current assets	12,811,605
Non-current liabilities	(4,266,659)
Current liabilities	(14,769,188)
Net assets	2,397,310
Less: Non-controlling interests	–
Carrying value of the net assets held by the Group	2,397,310

(C) The cash impact arising from the disposals in above transactions are summarised as follows:

Cash consideration received as of 30 June 2019	40,000
Cash of the subsidiaries disposed	(802,362)
Net cash impact	(762,362)

35 Related party transactions

(A) NAME AND RELATIONSHIP WITH RELATED PARTIES

Name	Relationship
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 condensed consolidated interim financial information, the Group had the following significant transactions entered into the ordinary course of business between the Group and the related parties:

(i) Cash advances

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cash paid to joint ventures and associates	**(70,979,127)**	(59,147,954)
Cash received from joint ventures and associates	**88,096,825**	49,018,854
	17,117,698	(10,129,100)

(ii) Interest income

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interest income from joint ventures	**1,700,241**	935,230
Interest income from associates	**194,370**	94,557
	1,894,611	1,029,787

35 Related party transactions *(continued)*

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Salaries and other short-term benefits	**50,036**	40,701
Share Option Scheme	**11,176**	23,886
Share Award Scheme	**142,653**	–
	203,865	64,587

(D) RELATED PARTIES BALANCES

	30 June 2019	31 December 2018
	RMB'000	RMB'000
Amounts due from joint ventures		
– Interest free	**32,556,638**	22,769,140
– Interest bearing	**28,801,453**	16,812,001
– Interest receivable	**3,550,969**	2,287,088
	64,909,060	41,868,229
Less: Loss allowance	**(51,205)**	(26,687)
	64,857,855	41,841,542
Amounts due from associates		
– Interest free	**3,428,145**	3,249,475
– Interest bearing	**8,728,128**	8,647,532
– Interest receivable	**444,280**	378,924
	12,600,553	12,275,931
Less: Loss allowance	**(6,148,533)**	(5,151,852)
	6,452,020	7,124,079
	71,309,875	48,965,621
Amounts due to joint ventures	**84,819,798**	57,176,851
Amounts due to associates	**11,720,533**	5,486,315
	96,540,331	62,663,166

35 Related party transactions *(continued)*

(D) RELATED PARTIES BALANCES *(continued)*

The amounts due from joint ventures and associates have no fixed repayment date, bearing interest rate at 4.35% to 15% per annum for the six months ended 30 June 2019.

The amounts due to joint ventures and associates are unsecured, interest-free and repayable on demand.

36 Dividends

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

37 Events after the balance sheet date

On 20 August 2019, the Company as 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.

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