# 2019 ANNUAL REPORT 年度報告

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

STOCK CODE 股票代碼：01918.HK

# SUNAC CHINA HOLDINGS LIMITED

# 融創中國控股有限公司

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

融創中國控股有限公司(「本公司」，連同其附屬公司統稱為「本集團」)是香港聯交所主板上市企業。本集團以「至臻，致遠」為品牌理念，致力於通過高品質的產品與服務，整合優質資源，為中國家庭提供美好生活的完整解決方案。本集團堅持以地產為核心主業，下設融創地產、融創服務、融創文旅、融創文化、融創會議會展、融創醫療康養六大戰略板塊。業務覆蓋地產開發、物業服務、會議會展、旅遊度假、主題樂園、商業運營、酒店運營、醫療康養、IP開發運營、影視內容製作發行等。

# CONTENTS

# 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

## CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Gao Xi *(appointed as the Chief Financial Officer with effect from 23 September 2019)*

## 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

Room 1707, 17/F
Alexandra House
18 Chater Road
Central
Hong Kong

## HEADQUARTERS AND PRINCIPAL PLACES OF BUSINESS IN THE PRC

### BEIJING OFFICE

Building 4, One Central
No.8, Dongzhimen North Street, Dongcheng District
Beijing
The PRC
Postal code: 100007

### TIANJIN OFFICE

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

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

# CORPORATE INFORMATION

## HONG KONG SHARE REGISTRAR

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

## LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin

As to Cayman Islands law:
Conyers Dill & Pearman

As to PRC law:
Jincheng Tongda & Neal Law Firm

## AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants*
*Registered Public Interest Entity Auditor*

## PRINCIPAL BANKERS

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

## STOCK CODE

HKEx: 01918

## COMPANY'S WEBSITE

www.sunac.com.cn

## FINANCIAL CALENDAR

| | |
|---|---|
| 2019 Annual Results Announcement | 26 March 2020 |
| Closure of Register of Members for Determining Rights to Attend 2020 Annual General Meeting | 22 May 2020-28 May 2020 (both days inclusive) |
| 2020 Annual General Meeting | 28 May 2020 |
| Closure of Register of Members for Determining Entitlement to Final Dividend | 3 June 2020-8 June 2020 (both days inclusive) |
| Distribution of Final Dividend | on or about 18 August 2020 |

# FINANCIAL SUMMARY

## CONSOLIDATED RESULTS

RMB billion

| | **2019** | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Revenue | **169.32** | 124.75 | 65.87 | 35.34 | 23.01 |
| Gross profit | **41.41** | 31.14 | 13.63 | 4.85 | 2.86 |
| Profit for the year | **28.16** | 17.45 | 11.66 | 2.94 | 3.61 |
| Profit attributable to owners of the Company | **26.03** | 16.57 | 11.00 | 2.48 | 3.30 |
| Basic earnings per share attributable to the owners of the Company (RMB) | **5.99** | 3.79 | 2.76 | 0.71 | 0.97 |
| Cash and cash equivalents (including restricted cash) | **125.73** | 120.20 | 96.72 | 69.81 | 27.06 |
| Dividend per share (RMB) | **1.232** | 0.827 | 0.501 | 0.257 | 0.194 |
| Dividends | **5.73** | 3.65 | 2.20 | 0.99 | 0.66 |

## CONSOLIDATED FINANCIAL POSITION

RMB billion

| | **2019** | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Total assets | **960.65** | 716.66 | 623.10 | 293.18 | 115.51 |
| Total liabilities | **846.55** | 643.55 | 562.46 | 257.77 | 96.09 |
| Total equity | **114.10** | 73.11 | 60.64 | 35.41 | 19.42 |

# CHAIRMAN'S STATEMENT

**Dear Shareholders,**

I am pleased to present to you the business review of the Group for the year ended 31 December 2019 and outlook for 2020.

## REVIEW OF 2019

In 2019, the government adhered to the general policy of "houses are built to be inhabited, not for speculation" and implemented the long-term management and control mechanism of implementing policies in line with the conditions of cities and keeping land prices, housing prices and expectations stable. After a brief pick-up following the Spring Festival, the real estate market gradually cooled down. With gradually increasing sales pressure in the second half of 2019, housing prices also suffered a certain downward pressure, but sales throughout the year maintained a steady growth.

The Group's overall operating performance maintained a steady growth trend. In 2019, the Group's revenue was approximately RMB169.32 billion, representing a year-on-year increase of 35.7%; gross profit was RMB41.41 billion, representing a year-on-year increase of approximately 33.0%; profit attributable to owners of the Company reached a new record high of RMB26.03 billion, representing a year-on-year increase of approximately 57.1%; basic earnings per share attributable to owners of the Company were RMB5.99, representing a year-on-year increase of approximately 58.0%; and proposed dividends for the year reached RMB1.232 per share, representing a year-on-year increase of approximately 49.0%. The Group continued to maintain sufficient liquidity, with the carrying amount of cash reaching RMB125.73 billion.

In 2019, supported by sufficient high-quality saleable resources and industry-leading high-quality product capacities, the Group's sales grew steadily, with annual contracted sales amount of approximately RMB556.21 billion, representing a year-on-year increase of approximately 20.7%, ranking fourth in the industry. At the same time, the Group adheres to its consistent strategy of being deeply engaged in cities and has a leading market position in more and more core cities. In 2019, the Group ranked among the top ten in the local market in terms of sales in 43 cities, representing an increase of 6 cities as compared with 2018, and achieved the sales amount of over RMB30 billion in 3 cities and the sales amount of over RMB10 billion in 17 cities.

In 2019, the Group continued to showcase its capabilities of seizing cyclical opportunities, give full play to the prestigious reputation and brand in respect of merger and acquisition, and carry out in-depth cooperation with numerous high-quality partners, thus further consolidating its competitive advantage in the land bank. As at 26 March 2020, the land bank[1] of the Group and its joint ventures and associates amounted to approximately 239 million sq.m. and the expected saleable sources of land bank[1] amounted to approximately RMB3.07 trillion, over 82% of which are located in tier 1 & 2 cities, with the average land cost of approximately RMB4,306 per sq.m. The abundant and high-quality land bank will strongly support the Group's sales performance and long-term and steady development in the future.

In 2019, the Group continued to adhere to the products and services leading strategy and unceasingly consolidate its advantages in creating high-quality products and providing excellent services. With its industry-leading product quality and comprehensive product capabilities being highly recognized, the Group ranked first in CRIC "2019 Top100 China Real Estate Company Product Capability". In 2019, Sunac Service Group ranked among top three "2019 China's Leading Brands of Property Management Services Quality"[2], with customer satisfaction score of 90 which reached the industry benchmark and far exceeded the average score of 85 among the top ten enterprises in the industry.

Notes:

1. It refers to secured land bank data as at 31 December 2019 and also includes land acquired since January 2020 until 26 March 2020;
2. The list was released by China Index Academy.

# CHAIRMAN'S STATEMENT

In 2019, Sunac Cultural & Tourism Group continuously optimized and upgraded the business strategies of commerce, hotels, parks, stage shows, etc., with annual revenue of RMB2.85 billion, representing a year-on-year increase of approximately 41%. At the same time, its three cultural and tourism cities in Guangzhou, Wuxi and Kunming opened splendidly, which has greatly enhanced the influence of Sunac Cultural & Tourism Group and has also been widely praised by all industries. Sunac Culture Group focused on creating high-quality contents, and acquired high-quality assets such as Beijing Dream Castle Culture Co., Ltd. and Base at the market trough, thereby initially completing its construction of animation content platforms and IP operation capabilities. In 2019, the Group has also expanded its presence in the conference and exhibition industry from a high starting point through the acquisition of Global Sunac asset portfolio[1], thereby becoming one of the largest operators and managers of conference and exhibition projects in China. The Group has carried out in-depth cooperation with Tsinghua University in Qingdao to further enhance and enrich the Group's arrangements in medical and healthcare industries.

## OUTLOOK FOR 2020

In 2020, the COVID-19 epidemic caused a heavy blow to the global economy. Although China's prevention and control efforts have yielded positive results and began to promote actively the resumption of work and production, overseas COVID-19 epidemics have been spreading and intensifying, leading to huge fluctuations in the global financial markets. As the external demand will also be greatly affected in short term, China's economy is predicted to face relatively great pressure in the short term. However, with the support of reasonable monetary easing and proactive fiscal policies, it is believed that the great resilience in China's economy will enable China to step out of the trough caused by the COVID-19 epidemic and maintain a relatively stable development trend throughout the year.

Since 2020, the Group has fully performed its social responsibilities and actively responded to the impact of COVID-19. As always maintaining sufficient liquidity, the Group promotes resumption of work in an orderly manner under the premise of protecting the safety of customers and employees, and has effectively coped with the impact of the COVID-19 epidemic on the Group's operations through a number of measures. The Group took the lead in donating RMB110 million in the industry. It also launched a special plan for recruiting the children of "Anti-outbreak Angels", provided property purchase discounts and free admission to cultural and tourism parks for medical workers engaged in outbreak prevention and control in Hubei, and carried out other special actions to care for the medical workers. Sunac Cultural & Tourism Group waived the rent payable by over 1,500 merchants for the period from 25 January to the end of February 2020. More than 30,000 employees of Sunac Service Group have built a "defense line" for over 1 million residents.

In 2020, although the nationwide suspension of work and production due to the COVID-19 epidemic has inevitably caused delays to some extent in the Group's launch of new properties and its commencement and completion plans, however, if the impact of the COVID-19 epidemic can be gradually eliminated according to the current good trend, the Group expects, relying on its sufficient land bank, the total saleable resources to achieve RMB820 billion in 2020, maintaining a steady growth as compared with 2019, so sufficient and high-quality saleable resources will strongly support the Group in achieving its sales target.

In 2020, the Group expects that there will be more opportunities to acquire quality land at reasonable prices than previous years in core tier 1 & 2 cities, so it will focus its new land investments more in such cities. However, the Group will remain patient and, provided that the impact of the COVID-19 epidemic on the overall economy and the real estate industry is controllable, the Company remains sufficient liquidity and the long-term declining trend in the leverage ratio will not be affected, the Group will prudently supplement additional high-quality land to its land bank.

Note 1: It refers to the assets obtained as a result of the acquisition of the equity interests of Chengdu Global Century Exhibition & Travel Group Co., Ltd. and Chengdu Times Global Industrial Co., Ltd. by the Group, the details of which are set out in the announcement of the Company dated 27 November 2019.

In 2020, the Group will continue to maintain innovation and upgrading based on its industry-leading product quality. In particular, the Group will pay more attention to continuously meeting customer needs for functional attributes of products, and jointly explore the development of intelligent communities and future communities in cooperation with its powerful partners, thus maintaining high quality product capability to lead the industry.

In 2020, the Group will pay more attention to enhancing its comprehensive competitiveness. Building on its industry-leading competitive advantages including continuous consolidation of established land bank, land acquisition capability, products and services, the Group will build a profit-oriented management system, adjust and optimize its organizational structure and assessment mechanism, realize cost reduction and efficiency improvement through numerous measures, strive to maintain the long-term downward trend of leverage ratio, further enhance its credit image and facilitate a rapid fall in the financing costs.

Sunac Service Group is committed to becoming a large-sized service provider which focuses on core cities and provides high-quality property management services for mid and high-end communities. In 2020, Sunac Service Group will, based on high-quality service, comprehensively enhance the community operational efficiency and comprehensive operational capabilities. At the same time, its large number of projects in the pipeline, its increasingly enhanced exogenous expansion capacity, its diversified business portfolio and multi-type property management capacities will all support Sunac Service to embark on a fast track to continuously achieve rapid growth.

The Group will continue to take property development as its core business. In terms of "real estate +" business, the Group will pay attention to improving its operational capacity and profitability of existing assets, and continuously accumulate competitiveness with focus on long-term value, so as to foster it as a new growth point for the Group in the future. At the same time, it will also give full play to the synergy with the principal business of property development to better support the development of the principal business.

**Sunac China Holdings Limited**
**SUN Hongbin**
*Chairman of the Board*

26 March 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1 REVENUE

For the year ended 31 December 2019, most of the Group's revenue came from sales of residential and commercial properties, with a small proportion of revenue from cultural and tourism city construction and operation, property management and others.

As of 31 December 2019, the Group's real estate development business achieved basically its national layout in tier-1 cities, tier-2 cities and strong tier-3 cities of China, which are divided into 7 major regions for management, namely the Beijing region (including Beijing, Ji'nan and Qingdao, etc.), North China region (including Tianjin, Zhengzhou and Xi'an, etc.), Shanghai region (including Shanghai, Nanjing and Suzhou, etc.), Southwestern China region (including Chongqing, Chengdu and Kunming, etc.), Southeastern China region (including Hangzhou, Xiamen and Hefei, etc.), Central China region (including Wuhan, Changsha and Nanchang, etc.) and South China region (including Guangzhou, Shenzhen and Sanya, etc.).

Total revenue of the Group for the year ended 31 December 2019 amounted to RMB169.32 billion, representing an increase of 35.7% compared with the total revenue of RMB124.75 billion for the year ended 31 December 2018.

For the year ended 31 December 2019, the total revenue from the Group and its joint ventures and associates (excluding Leshi Internet Information & Technology Corp (Beijing) Co., Ltd. ("Leshi Internet"), Lerong Zhixin Electronic Technology (Tianjin) Limited ("Lerong Zhixin"), and Jinke Property Group Co., Ltd., the same below) was RMB293.69 billion, representing a significant increase of RMB79.36 billion (approximately 37.0%) as compared with the total revenue of RMB214.33 billion for the year ended 31 December 2018, of which RMB223.89 billion was attributable to owners of the Company, representing a significant increase of RMB60.02 billion (approximately 36.6%) as compared to RMB163.87 billion for the year ended 31 December 2018.

The following table sets forth certain details of the revenue:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| | **RMB billion** | **%** | RMB billion | % |
| Revenue from sales of properties | **159.47** | **94.2%** | 117.71 | 94.4% |
| Cultural and tourism city construction and operation income | **2.85** | **1.7%** | 2.03 | 1.6% |
| Property management income and other income | **7.00** | **4.1%** | 5.01 | 4.0% |
| Total | **169.32** | **100.0%** | 124.75 | 100.0% |
| Total gross floor area ("GFA") delivered during the year (in million sq. m.) | **12.001** | | 9.515 | |

For the year ended 31 December 2019, revenue from sales of properties increased by RMB41.76 billion (approximately 35.5%) as compared with that for the year ended 31 December 2018. Total area of delivered properties increased by 2.486 million square meters ("sq. m.") (approximately 26.1%) as compared with that for the year ended 31 December 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 year ended 31 December 2019 increased as compared with that for the year ended 31 December 2018, and the increase in the average price of the properties sales.

## 2 COST OF SALES

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

For the year ended 31 December 2019, the Group's cost of sales was RMB127.91 billion, representing an increase of RMB34.30 billion (approximately 36.6%) as compared to the cost of sales of RMB93.61 billion for the year ended 31 December 2018. Increase in cost of sales was mainly due to increase in area of delivered properties.

## 3 GROSS PROFIT

For the year ended 31 December 2019, the Group's gross profit was RMB41.41 billion, which was RMB10.27 billion (approximately 33.0%) higher than the gross profit of RMB31.14 billion for the year ended 31 December 2018. Increase in gross profit was mainly due to increased sales revenue of the Group.

For the year ended 31 December 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 RMB7.24 billion. The Group's gross profit was RMB48.65 billion for the year ended 31 December 2019 without taking into account such impact.

Further, gross profit and gross profit attributable to owners of the Company of the Group and its joint ventures and associates recorded an increase during the year ended 31 December 2019. For the year ended 31 December 2019, total gross profit of the Group and its joint ventures and associates was RMB73.79 billion, with a gross profit margin of 25.1%, of which RMB56.92 billion was gross profit attributable to owners of the Company. For the year ended 31 December 2018, total gross profit of the Group and its joint ventures and associates was RMB55.54 billion, with a gross profit margin of 25.9%, of which RMB42.61 billion was gross profit attributable to owners of the Company.

## 4 SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

The Group's sales and marketing costs increased by 41.4% from RMB4.36 billion for the year ended 31 December 2018 to RMB6.17 billion for the year ended 31 December 2019. The Group's administrative expenses increased by 12.6% from RMB7.36 billion for the year ended 31 December 2018 to RMB8.29 billion for the year ended 31 December 2019. The increase in sales and marketing costs and administrative expenses was mainly due to continuous expansion of business scale, 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 increased by RMB2.34 billion from RMB11.85 billion for the year ended 31 December 2018 to RMB14.19 billion for the year ended 31 December 2019. During the year ended 31 December 2019, the Group's other income and gains mainly included the gains from business combination of RMB4.61 billion, income on capital use fee received by the Group from joint ventures and associates of RMB4.84 billion, and gain on changes in fair value of investment properties of RMB1.24 billion.

## 6 OTHER EXPENSES AND LOSSES

The Group's other expenses and losses decreased by 38.5% from RMB1.99 billion for the year ended 31 December 2018 to RMB1.22 billion for the year ended 31 December 2019, including 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 reports, 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, after the recognised share of losses accounted for using the equity method approximately RMB0.15 billion for the year ended 31 December 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 decreased by 45.7% from RMB3.49 billion for the year ended 31 December 2018 to RMB1.89 billion for the year ended 31 December 2019, mainly due to further provision for expected credit losses of RMB0.34 billion made for the Group's loans and accrued interest to Leshi Internet in November 2017 and 2018, and further provision for expected credit losses of RMB1.25 billion made for the Group's accumulated loans and accrued interest to Lerong Zhixin as at 31 December 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 reports, 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 year ended 31 December 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, and applied to the No. 3 Intermediate People's Court of Beijing Municipality for compulsory enforcement after receiving the Arbitration Awards. As at the date of this report, the case is under normal execution.

### B. LERONG ZHIXIN

For the year ended 31 December 2019, Lerong Zhixin's financial condition did not experience any apparent improvement as compared to that for the year ended 31 December 2018. Therefore, the Group 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).

Based on the results of the assessment, upon discussion with the Company's auditor and out of prudence, the Company recorded further impairment provision of RMB1.25 billion for the accumulated borrowings granted to Lerong Zhixin and accrued interest for the year ended 31 December 2019. Upon such provision, the carrying amount of the Group's net receivables from Lerong Zhixin was reduced to RMB0.17 billion.

## 8 OPERATING PROFIT

Concluding from the above analysis, the Group's operating profit increased by RMB12.23 billion from RMB25.80 billion for the year ended 31 December 2018 to RMB38.03 billion for the year ended 31 December 2019, mainly due to the following reasons:

(i) Gross profit increased by RMB10.27 billion;

(ii) Sales and marketing costs and administrative expenses increased by RMB2.74 billion; and

(iii) Other income and gains increased by RMB2.34 billion, other expenses and losses decreased by RMB0.76 billion and net impairment of financial and contract assets decreased by RMB1.59 billion.

## 9 FINANCE COSTS

The Group's finance costs increased by RMB1.92 billion from RMB2.89 billion for the year ended 31 December 2018 to RMB4.81 billion for the year ended 31 December 2019 mainly due to the following reasons:

(i) As compared to the year ended 31 December 2018, the total interest costs of the Group had increased, of which the interest expenses increased by RMB2.24 billion to RMB3.93 billion for the year ended 31 December 2019 from RMB1.69 billion for the year ended 31 December 2018; and

(ii) The exchange loss decreased by RMB0.33 billion from RMB1.21 billion for the year ended 31 December 2018 to RMB0.88 billion for the year ended 31 December 2019.

The Group's weighted average effective interest rate was 8.56% for the year ended 31 December 2019.

## 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 64.4% from RMB4.96 billion for the year ended 31 December 2018 to RMB8.15 billion for the year ended 31 December 2019, mainly due to the significant increase in revenue of sales of properties recognised by the Group's joint ventures and associates as compared with the year ended 31 December 2018.

## 11 PROFITS

Due to substantial increase in the gross profit, the Group's profits attributable to owners of the Company increased significantly by 57.1% to RMB26.03 billion for the year ended 31 December 2019 from RMB16.57 billion for the year ended 31 December 2018. After excluding the impacts of gains from business combination and its amortization, gain or loss on changes in fair values of financial assets and investment properties, impairment losses on non-core business assets and exchange loss, the Group's profit attributable to owners of the Company was RMB27.07 billion.

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB billion** | RMB billion |
| **Profits during the year** | **28.16** | 17.45 |
| Attributable to: | | |
| Owners of the Company | **26.03** | 16.57 |
| Holders of perpetual capital securities | **0.32** | 0.59 |
| Other non-controlling interests | **1.81** | 0.29 |
| | **28.16** | 17.45 |

## 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 institutions, 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 balance (including restricted cash) increased to RMB125.73 billion as at 31 December 2019 from RMB120.20 billion as at 31 December 2018, of which non-restricted cash increased to RMB77.94 billion as at 31 December 2019 from RMB76.18 billion as at 31 December 2018.

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

(i) RMB27.25 billion of net cash inflow from operating activities was due to increased revenue from pre-sale of the Group's properties;

(ii) RMB62.00 billion of net cash outflow used in investment activities was mainly caused by the new projects obtained by the Group through direct investments or acquisition of equities, and construction costs of cultural and tourism cities; and

(iii) RMB36.39 billion of net cash inflow from financing activities was mainly attributed to RMB76.53 billion of net borrowings inflow, RMB23.89 billion of interest payment and RMB7.59 billion of the increase in restricted funds to secure bank borrowings.

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

## 13 BORROWINGS AND SECURITIES

The Group's total borrowings increased to RMB322.27 billion as at 31 December 2019 from RMB229.41 billion as at 31 December 2018, 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.

As at 31 December 2019, RMB296.78 billion (as at 31 December 2018: RMB202.52 billion) of the Group's total borrowings were secured or jointly secured by the Group's restricted cash, properties under development, completed properties held for sale, etc. (total amount was RMB267.12 billion (as at 31 December 2018: RMB187.53 billion)) and equities of certain of the Group's subsidiaries.

## 14 GEARING RATIO

Net debt to total asset ratio is calculated by dividing the net debt by total assets. Net debt is calculated by deducting cash balance (including restricted cash) from total borrowings (including current and long-term borrowings) and lease liabilities. As at 31 December 2019, the Group's net debt to total asset ratio was 20.5%, representing an increase as compared to 15.2% as at 31 December 2018.

Net debt to total capital ratio is calculated by dividing the net debt by total capital. Total capital is calculated by adding total equities and net debt. As at 31 December 2019, the Group's gearing ratio was 63.3%, 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 asset-debt structure of the Group was continuously optimized, with the debt-asset ratio (calculated by dividing the total liabilities by total assets) achieving a steady decline for three consecutive years, and the liquidity of the Group remained adequate. In addition, in 2020, the Group will continue to accelerate sales, release operating cash flow and take prudent measures in land investment so as to continuously maintain adequate liquidity and its long-term downward trend of gearing ratio.

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

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

| | As at 31 December 2019 RMB billion | As at 31 December 2018 RMB billion |
|---|---|---|
| **Floating interests** | | |
| Less than 12 months | **23.58** | 18.78 |
| 1-5 years | **36.62** | 38.52 |
| Over 5 years | **12.94** | 2.59 |
| Subtotal | **73.14** | 59.89 |
| **Fixed interests** | | |
| Less than 12 months | **112.16** | 73.27 |
| 1-5 years | **136.23** | 95.38 |
| Over 5 years | **0.74** | 0.87 |
| Subtotal | **249.13** | 169.52 |
| Total | **322.27** | 229.41 |

As at 31 December 2019, the Group has implemented certain interest rate swap arrangements to hedge its exposure to interest rate risk. The Group will continue to focus on interest rate swaps, consider refinancing and adjusting the financing structure and monitor its interest rate exposure on a monthly basis.

## 16 FOREIGN EXCHANGE RISKS

As all the Group's operating entities are located in China, the Group operates its business mainly in RMB. Some of the Group's bank deposits and senior notes are denominated in US dollar or Hong Kong dollars, meaning that the Group is exposed to foreign exchange risks. For the year ended 31 December 2019, the Group recorded an exchange loss in the amount of RMB0.88 billion due to fluctuations in foreign exchange rates. However, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. The Group managed its exposure to fluctuations in foreign exchange rates through the implementation of certain foreign exchange swap arrangements, and will continue to closely monitor fluctuations in foreign exchange rates and actively take corresponding measures to minimize foreign exchange risks.

## 17 CONTINGENT LIABILITIES

The Group provides guarantees to banks for the mortgage loans of certain property purchasers to ensure that the purchasers perform their obligations of mortgage loan repayment. The amount of such guarantees was RMB120.50 billion as of 31 December 2019 as compared with RMB88.60 billion as of 31 December 2018. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchasers which will generally occur within an average period of six months of the properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties. The period of guarantee provided by the Group starts from the date when the mortgage is granted.

# BUSINESS HIGHLIGHTS

## 1 SUMMARY OF PRINCIPAL PROPERTIES

As at 31 December 2019, the Group and its joint ventures and associates were engaged in a total of 695 property development projects, with a total site area of approximately 134 million sq.m., an estimated total GFA of approximately 336 million sq.m. and an estimated saleable or rentable GFA of approximately 295 million sq.m.. The breakdown of property development projects by city is as follows:

| City | Total site area | Estimated aggregate GFA | Estimated saleable/ rentable GFA |
|---|---|---|---|
| | '000 sq.m. | '000 sq.m. | '000 sq.m. |
| Chongqing | 11,946.1 | 32,115.7 | 31,084.5 |
| Wuhan | 4,971.8 | 19,061.0 | 18,263.4 |
| Tianjin | 8,133.0 | 18,949.1 | 17,191.1 |
| Qingdao | 10,552.2 | 19,066.3 | 16,745.9 |
| Chengdu | 6,888.9 | 16,107.2 | 13,066.5 |
| Ji'nan | 4,513.2 | 12,528.1 | 11,286.4 |
| Wuxi | 5,677.1 | 11,598.0 | 9,987.7 |
| Xi'an | 2,906.0 | 10,657.6 | 9,874.9 |
| Meishan | 5,528.1 | 9,168.5 | 8,342.6 |
| Kunming | 3,286.5 | 9,379.6 | 7,804.0 |
| Hangzhou | 3,490.2 | 10,048.6 | 7,522.2 |
| Zhengzhou | 3,040.9 | 8,285.3 | 6,658.2 |
| Shijiazhuang | 1,725.0 | 6,502.2 | 5,923.8 |
| Hefei | 2,304.2 | 6,827.7 | 5,518.8 |
| Harbin | 1,587.5 | 5,786.3 | 5,420.1 |
| Guangzhou | 1,400.3 | 6,342.7 | 5,318.8 |
| Shanghai | 3,325.3 | 5,969.1 | 5,270.7 |
| Nanchang | 3,321.0 | 5,512.2 | 4,668.2 |
| Taiyuan | 1,304.0 | 5,776.2 | 4,477.5 |
| Hainan | 3,960.3 | 5,312.7 | 4,186.9 |
| Changsha | 1,584.7 | 5,267.9 | 4,120.2 |
| Xishuangbanna | 3,841.9 | 4,704.8 | 3,861.8 |
| Suzhou | 1,915.5 | 4,632.0 | 3,590.9 |
| Guiyang | 1,173.5 | 3,648.9 | 3,497.2 |
| Jiangmen | 899.4 | 3,256.7 | 3,071.3 |
| Shenyang | 1,211.1 | 3,155.3 | 2,641.1 |
| Qingyuan | 770.1 | 2,718.5 | 2,613.3 |

| City | Total site area<br>'000 sq.m. | Estimated aggregate GFA<br>'000 sq.m. | Estimated saleable/ rentable GFA<br>'000 sq.m. |
|---|---|---|---|
| Nanning | 533.7 | 2,781.5 | 2,554.1 |
| Beijing | 1,302.7 | 3,219.5 | 2,552.4 |
| Wenzhou | 892.5 | 3,191.0 | 2,508.2 |
| Dalian | 985.6 | 2,688.3 | 2,481.0 |
| Yantai | 1,187.1 | 2,688.5 | 2,459.7 |
| Guilin | 2,767.7 | 2,754.0 | 2,407.4 |
| Yinchuan | 631.4 | 2,365.8 | 2,250.5 |
| Ningbo | 973.9 | 2,908.2 | 2,207.1 |
| Xuzhou | 986.2 | 2,195.2 | 2,012.2 |
| Taizhou | 942.9 | 1,853.8 | 1,705.0 |
| Langfang | 673.4 | 2,037.5 | 1,636.8 |
| Fuzhou | 534.8 | 1,624.3 | 1,532.2 |
| Nantong | 884.6 | 1,690.5 | 1,415.8 |
| Huzhou | 821.4 | 1,737.7 | 1,404.8 |
| Xianning | 1,119.7 | 2,008.5 | 1,404.3 |
| Ezhou | 355.5 | 1,376.9 | 1,278.5 |
| Zhaoqing | 399.7 | 1,352.6 | 1,262.6 |
| Zhaotong | 295.4 | 1,391.3 | 1,248.7 |
| Huizhou | 334.6 | 1,206.9 | 1,059.9 |
| Changchun | 523.2 | 1,426.5 | 1,041.3 |
| Zhongshan | 329.0 | 974.1 | 955.4 |
| Zhuhai | 393.9 | 973.3 | 805.0 |
| Other cities | 14,701.6 | 39,218.9 | 34,843.3 |
| **Total** | **133,828.3** | **336,043.0** | **295,034.2** |

# BUSINESS HIGHLIGHTS

## 2. SUMMARY OF LAND BANK

As at 31 December 2019, the Group and its joint ventures and associates had a total land bank of approximately 234 million sq.m. and attributable land bank of approximately 150 million sq.m.. The breakdown of land bank by city is as follows:

| City | Total land bank '000 sq.m. | Attributable land bank '000 sq.m. |
|---|---|---|
| Chongqing | 18,491.8 | 12,819.2 |
| Qingdao | 13,264.4 | 9,619.1 |
| Wuhan | 16,172.2 | 8,161.4 |
| Tianjin | 10,623.7 | 7,784.8 |
| Chengdu | 9,563.0 | 6,879.1 |
| Ji'nan | 8,884.6 | 6,290.0 |
| Zhengzhou | 8,039.6 | 4,988.5 |
| Xi'an | 9,022.4 | 4,938.9 |
| Kunming | 7,355.1 | 4,596.6 |
| Meishan | 8,498.2 | 4,112.0 |
| Hangzhou | 6,702.4 | 3,604.6 |
| Jiangmen | 3,124.6 | 2,917.3 |
| Harbin | 4,156.4 | 2,823.7 |
| Shanghai | 3,627.0 | 2,732.9 |
| Wuxi | 3,605.4 | 2,628.1 |
| Taiyuan | 4,325.5 | 2,573.8 |
| Wenzhou | 3,139.4 | 2,484.3 |
| Qingyuan | 2,619.4 | 2,373.4 |
| Hainan | 3,914.1 | 2,304.6 |
| Xishuangbanna | 2,594.0 | 2,299.2 |
| Dalian | 2,387.5 | 2,284.4 |
| Guangzhou | 3,734.2 | 2,235.0 |
| Guiyang | 3,362.4 | 2,199.4 |
| Hefei | 2,242.2 | 2,113.8 |
| Changsha | 3,229.7 | 2,090.1 |
| Guilin | 2,128.2 | 2,007.0 |
| Nanchang | 1,942.4 | 1,824.7 |

| City | Total land bank '000 sq.m. | Attributable land bank '000 sq.m. |
|---|---|---|
| Yinchuan | 1,790.7 | 1,497.5 |
| Ningbo | 2,289.3 | 1,392.1 |
| Shijiazhuang | 2,655.3 | 1,390.1 |
| Yantai | 2,280.0 | 1,360.4 |
| Zhaotong | 1,332.7 | 1,199.4 |
| Changchun | 1,082.9 | 1,082.9 |
| Shenyang | 2,066.4 | 1,034.0 |
| Nanning | 1,602.2 | 1,028.9 |
| Xianning | 2,008.5 | 1,024.3 |
| Fuzhou | 1,624.3 | 997.6 |
| Langfang | 1,781.9 | 974.9 |
| Zhaoqing | 1,163.5 | 974.1 |
| Nantong | 1,175.5 | 949.6 |
| Suzhou | 2,584.0 | 934.5 |
| Huizhou | 833.6 | 833.6 |
| Huzhou | 1,536.4 | 830.0 |
| Beijing | 1,042.8 | 772.0 |
| Ezhou | 1,315.7 | 723.6 |
| Xuzhou | 1,971.3 | 701.4 |
| Zhongshan | 718.9 | 678.0 |
| Zhuhai | 840.1 | 666.0 |
| Taizhou | 1,422.1 | 660.3 |
| Others | 32,005.9 | 16,789.9 |
| **Total** | **233,873.8** | **150,181.0** |

As at 26 March 2020, the total land bank and attributable land bank of the Group and its joint ventures and associates amounted to approximately 239 million sq. m. and 153 million sq. m., respectively.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. SUN Hongbin,** aged 57, is the Group's founder, the chairman of the board (the "Board") of directors (the "Directors") of the Company, an executive Director, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Sun Hongbin commenced his real estate business in 1994 and has accumulated over 20 years of ample experience in the real estate industry in the PRC over the years. Mr. Sun Hongbin obtained a master's degree in engineering from Tsinghua University in 1985 and completed an advanced management program at Harvard Business School in the United States in 2000. Mr. Sun Hongbin is the father of Mr. Sun Kevin Zheyi, an executive Director and vice president of the Group and president of the Sunac Culture Group.

**Mr. WANG Mengde ("Mr. Wang"),** aged 49, is an executive Director and the chief executive officer of the Group. Mr. Wang has about 20 years of experience in the real estate industry in the PRC. He joined the Group in 2006 and acted as the chief financial officer and the vice president of the Group. He has been the executive president and chief executive officer of the Group since 2011 and September 2015, respectively. Prior to joining the Group, Mr. Wang was the general manager of Sunco China Holdings Limited ("Sunco China") in East China region from 2003 to 2005, and the chief operating officer and chief financial officer of Sunco China, a company engaged in the business of property development in the PRC from 2005 to 2006. Mr. Wang graduated from Nankai University with a bachelor's degree in auditing in 1997.

**Mr. JING Hong ("Mr. Jing"),** aged 58, is an executive Director and the executive president of the Group and the president of the Beijing regional branch of the Group. Mr. Jing has extensive experience in real estate development. He joined the Group in January 2007. Since then, he has been the general manager of Beijing Sunac Hengji Real Estate Co., Ltd. and has been responsible for overall business operations. Prior to joining the Group, from October 2002 to 2006, Mr. Jing served as a vice president of Sunco China. Mr. Jing graduated from the Beijing Jiaotong University (previously known as Northern Jiaotong University) in 1984 with a bachelor's degree in engineering.

**Mr. CHI Xun ("Mr. Chi"),** aged 47, is an executive Director and the executive president of the Group and the president of the North China regional branch of the Group, with over 20 years of experience in real estate industry in the PRC. He joined the Group in 2004 and held the position of deputy general manager of Tianjin Sunac Zhidi Co., Ltd. ("Tianjin Sunac Zhidi") from 2004 to 2005. Since 2005, he has been the general manager of Tianjin Sunac Zhidi. Prior to joining the Group, Mr. Chi worked at various property companies where he was primarily responsible for project development, design and sales. Mr. Chi graduated from Harbin Institute of Technology in 1997 with a bachelor's degree in architecture.

**Mr. TIAN Qiang ("Mr. Tian"),** aged 43, is an executive Director and the executive president of the Group and the president of the Shanghai regional branch of the Group. Mr. Tian joined the Group in 2007 and acted as a deputy general manager of Tianjin Xiangchi Investment Co., Ltd.. In 2007, he held the position of a general manager of Wuxi Sunac Real Estate Co. Ltd.. He has been the general manager of the Shanghai regional branch of the Group since 2012, and has been the executive president of the Group since 2015. Prior to joining the Group, Mr. Tian was a sales manager, deputy general sales manager and general manager between 2002 and 2007 at Sunco China. Mr. Tian graduated from the Tianjin Chengjian University (天津城建大學) (formerly known as Tianjin Urban Construction Institute (天津城市建設學院)) in 1999 with a bachelor's degree in engineering specializing in construction project management.

**Mr. SHANG Yu ("Mr. Shang"),** aged 41, is an executive Director and the executive president of the Group and the president of the Southwest regional branch of the Group. Mr. Shang has over 10 years of experience in the real estate industry in the PRC. He joined the Group in 2003 and was the deputy general manager of Tianjin Sunac Ao Cheng Investment Co., Ltd. and Chongqing Olympic Garden Real Estate Co., Ltd. ("Chongqing Olympic Garden Real Estate") from 2003 to 2004. Since 2006, he has become the general manager of Chongqing Olympic Garden Real Estate. Mr. Shang graduated from Tianjin Chengjian University (天津城建大學) (formerly known as Tianjin Urban Construction Institute (天津城市建設學院)) with a bachelor's degree in property development and management in 2001 and then obtained a master's degree in business administration from the China Europe International Business School in 2008.

**Mr. HUANG Shuping ("Mr. Huang"),** aged 39, is an executive Director and the executive president of the Group and the president of the South China regional branch of the Group. He joined the Group in 2007 and acted successively as a supervisor and the general manager of the capital operations centre, the deputy general manager of the finance management department and the assistant to chief executive officer. He served as the vice president of the Group from 2011 to 2015, and the chief financial officer and company secretary of the Group from 2012 to 2015. He has been the executive president of the Group since 2015. Prior to joining the Group, Mr. Huang was an assistant to the president of Sunco China with responsibilities in capital management from 2005 to 2007. Mr. Huang graduated from Xiamen University with a bachelor's degree in economics in 2003 and received a master's degree from the University of Liverpool in finance in 2004.

**Mr. SUN Kevin Zheyi,** aged 30, is an executive Director and the vice president of the Group and president of the Sunac Culture Group. Mr. Sun Kevin Zheyi joined the Group in 2014 and served various roles relating to capital market, land acquisition and project operation in the Group's headquarters and different regional branches. Prior to joining the Group, Mr. Sun Kevin Zheyi worked in Snow Lake Capital L.P. (雪湖資本有限合夥) and Charm Communications Inc. (昌榮傳播股份有限公司). Mr. Sun Kevin Zheyi graduated from Boston College in 2011 with a dual bachelor's degree in business management and history. Mr. Sun Kevin Zheyi is the son of Mr. Sun Hongbin, who is the chairman of the Board and an executive Director.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. POON Chiu Kwok ("Mr. Poon"),** aged 57, is an independent non-executive Director. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Poon has years of experience in listed companies finance, governance and management. He currently serves as an executive director, vice president and company secretary of Huabao International Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 336) and an independent non-executive director of Yuanda China Holdings Limited (stock code: 2789), Changan Minsheng APLL Logistics Co., Ltd. (stock code: 1292), Tonly Electronics Holdings Limited (stock code: 1249), AUX International Holdings Limited (stock code: 2080), TUS International Limited (stock code: 872), Sany Heavy Equipment International Holdings Company Limited (stock code: 631), Greentown Service Group Co. Ltd. (stock code: 2869), Jinchuan Group International Resources Co. Ltd (stock code: 2362), Honghua Group Limited (stock code: 196) and Yanzhou Coal Mining Company Limited (stock code: 1171) respectively, the shares of each of which are listed on the Main Board of the Stock Exchange. Mr. Poon is a Fellow member of CPA Australia Ltd., the Chartered Governance Institute (formally known as the Institute of Chartered Secretaries and Administrators) in London, United Kingdom, The Hong Kong Institute of Chartered Secretaries and a member of its Technical Consultation Panel, Mainland China Focus Group and Audit Committee. He is also a Fellow member and Associate Instructor of Hong Kong Securities and Investment Institute. He obtained a master's degree in international accounting, a post-graduate diploma in laws, a bachelor's degree in laws and a bachelor's degree in business studies. Mr. Poon has been an independent non-executive Director since June 2011.

**Mr. ZHU Jia ("Mr. Zhu"),** aged 57, is an independent non-executive Director. He is also the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Zhu is a Juris Doctorate degree holder from Cornell Law School in the United States and is currently a managing director of Bain Capital Private Equity (Asia), LLC. Mr. Zhu has solid and extensive experience in a broad range of cross border mergers and acquisitions as well as international financing transactions involving PRC companies. Before joining Bain Capital Private Equity (Asia), LLC in 2006, he was the chief executive officer of the PRC business of Morgan Stanley Asia Limited. Mr. Zhu is currently a non-executive director of Clear Media Limited (stock code: 100) and an independent non-executive director of Greatview Aseptic Packaging Company Limited (stock code: 468), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Zhu is also a director of Rise Education Cayman Ltd listed on Nasdaq. Mr. Zhu served as a non-executive director of SinoMedia Holding Limited (stock code: 623) (whose shares are listed on the Main Board of the Stock Exchange) from November 2006 to May 2013 and GOME Retail Holdings Limited (formerly known as GOME Electrical Appliances Holding Limited ) (stock code: 493) (whose shares are listed on the Main Board of the Stock Exchange) from August 2009 to January 2015. Mr. Zhu has been a non-executive Director since 30 September 2009 and has been re-designated as an independent non-executive Director since 24 November 2016.

**Mr. LI Qin ("Mr. Li"),** aged 79, is an independent non-executive Director. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Li has extensive experience in business management, formulation of comprehensive business plans and strategies and their implementation. Mr. Li graduated from Xi'an University of Technology (西安理工大學) (formerly known as Beijing Institute of Mechanical Engineering (北京機械學院)) with a bachelor's degree in Automatic Control Engineering in 1965. From 1965 to 1984, Mr. Li worked for the Technological Research Institute of Chinese Academy of Sciences. Since 1985, Mr. Li co-founded New Technology Development Company (the predecessor of Legend Holdings Corporation, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3396)), and held the positions of executive vice president and the chairman of the board of supervisors of Legend Holdings over a long period of time until his retirement in 2009 when he has ceased to be an executive vice president, and he has also ceased to be the chairman of the board of supervisors in 2020. From 2001 to December 2007, Mr. Li was also the chairman of the board of directors of Digital China Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 861). Mr. Li has been an independent non-executive Director since August 2009.

**Mr. MA Lishan ("Mr. Ma"),** aged 68, is an independent non-executive Director. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Ma graduated from Beijing Foreign Studies University in 1975. Mr. Ma has extensive experience in corporate operation and management of modern large enterprises and listed companies. Mr. Ma has served various positions such as chairman, executive director and general manager in certain large-scale joint ventures under COFCO (Group) Limited. From January 1996, Mr. Ma served as executive director of China Foods Limited (中國食品有限公司) (stock code: 506). From May 1997 to June 2003, Mr. Ma served as executive director and general manager of China Foods Limited. In 2000, Mr. Ma served as the vice president of COFCO (Group) Limited. Mr. Ma was the deputy chairman of Top Glory International Holdings Limited (鵬利國際集團有限公司) (controlling shareholder of COFCO PROPERTY (GROUP) CO., LTD. from June 2003 to July 2005. Mr. Ma was executive director of Sino Resources Limited from 7 June 2008 to 16 January 2009, whose shares are listed on the Main Board of Stock Exchange (stock code: 223). From September 2010 to August 2012, he was also the executive director, managing director and chairman of Hao Tian Development Group Limited (formerly known as Hao Tian Resources Group Limited), whose shares are listed on the Main Board of the Stock Exchange (stock code: 474). From May 2008 to present, Mr. Ma is an independent non-executive director of Silver Base Group Holdings Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 886). From March 2016 to present, he is an independent non-executive director of SRE Group Limited whose shares are listed on the Main Board of the Stock Exchange (stock code: 1207). From June 2016 to present, Mr. Ma is an independent non-executive director of DIT Group Limited (築友智造科技集團有限公司) (formerly known as China Minsheng DIT Group Limited (中民築友科技集團有限公司)) whose shares are listed on the Main Board of the Stock Exchange (stock code: 726). From August 2016 to present, Mr. Ma is an independent non-executive director of Huarong International Financial Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 993). Mr. Ma has been an independent non-executive Director since August 2009.

## SENIOR MANAGEMENT

**Mr. WANG Peng ("Mr. Wang"),** aged 39, is the executive president of the Group and the president of the Southeast regional branch of the Group. Mr. Wang joined the Group in 2004, and served as the legal manager of the Group from 2004 to 2008 and the general manager of Tianjin Sunac Business Management Company (天津融創商業管理公司) and Tianjin Sunac Property Management Co. Ltd. (天津融創物業管理有限公司) from 2009 to 2011. He also acted as the project general manager of Tianjin Sunac Zhidi in 2012. He has been the general manager of the Hangzhou Company of the Group since 2013. He has been the vice president of the Group from 2015 to 2016, and has been the executive president of the Group since 2016. Mr. Wang graduated from Tianjin Polytechnic University in 2003 with a bachelor's degree in law.

**Ms. MA Zhixia ("Ms. Ma"),** aged 47, is the executive president and the chief operation officer of the Group and responsible for the overall management of the business operations of the Group. Ms. Ma joined the Group in 2003, and acted as the general manager of Tianjin Sunac Zhidi from 2003 to 2005 and the vice president of the Group from 2005 to 2015. She has been the executive president and the chief operation officer of the Group since 2015. Prior to joining the Group, Ms. Ma joined Sunco China in 1998, and acted as the deputy general manager of Tianjin Sunco Construction Company Limited (天津順馳建設有限公司), a subsidiary of Sunco China, from 2000 to 2003. Ms. Ma graduated from Nankai University with a bachelor's degree in economics in 1995.

**Ms. CAO Hongling ("Ms. Cao"),** aged 45, is the executive president of the Group and the president of the Sunac Service Group. Ms. Cao possesses more than 20 years of experience in financial management. Since joining the Group in 2007, she has served various positions such as manager and subsequently as general manager of the Group's financial management center, and as the chief financial officer of the Group from 2015 to 2019. Prior to joining the Group, Ms. Cao was a manager of the accounting department of Sunco Real Estate, a subsidiary of Sunco China since 2002 and was appointed as the manager of the financial management department of Sunco China in 2006. Ms. Cao graduated from the Tianjin University of Finance & Economics in 1998 with a bachelor's degree in accounting. Ms. Cao is a member of The Chinese Institute of Certified Public Accountants.

**Ms. XUE Wen ("Ms. Xue"),** aged 47, is the executive president of the Group and primarily responsible for human resources, administration and legal affairs of the Group. Ms. Xue joined the Group in 2004, and has been the general manager of the Legal Affairs Department, the Human Resources Department and the Administration and Management Department of the Company. Prior to joining the Group, Ms. Xue served successively as a practicing lawyer at China Hualian Law Firm (中國華聯律師事務所) and Ruining Law Firm (瑞寧律師事務所). Ms. Xue graduated from China University of Political science and Law in 1996 with a bachelor's degree in international economic law. Ms. Xue is a member of China Association of registered lawyers.

**Mr. LU Peng ("Mr. Lu"),** aged 44, is the executive president of the Group and the president of the Sunac Culture & Tourism Group fully responsible for its management. Mr. Lu joined the Group in 2003, and served successively as the deputy general manager of Sunac Zhidi with responsibilities in research and development, the general manager of Chongqing Olympic Garden Real Estate, the general manager of APEV Project (重慶亞太商谷項目), Horizon Capital Project in Tianjin (天津海河大觀項目) and TEDA Project in Tianjin (天津泰達項目). Mr. Lu graduated from the School of Materials of Tianjin University in 1999, majoring in welding technology and equipment.

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. WANG Yingjia ("Mr. Wang"),** aged 49, is the executive president of the Group and the president of the Central China regional branch of the Group. Mr. Wang joined the Group since 2004. Since 2012, he has served as a director and general manager of the development department of the Group. He has been the president of Central China regional branch since 2015. He has served successively as vice president and executive president of the Group since 2016. Mr. Wang has accumulated years of experience in real estate industry in the PRC. Mr. Wang graduated from Nankai University in 2004 with a master's degree in management.

**Mr. SHI Yu ("Mr. Shi"),** aged 43, is the senior vice president of the Group and mainly responsible for the Group's product development and research, quality management and customer relationship management. Mr. Shi joined the Group in 2016. Prior to joining the Group, Mr. Shi worked in the Vanke Group for more than 13 years, with extensive experience in project design and construction management. Mr. Shi graduated from Tianjin University in 2003 with a master's degree in power system and automation.

**Mr. GAO Xi ("Mr. Gao"),** aged 39, is the chief financial officer, vice president of the Group and company secretary. Since joining the Group in 2007, he has held different positions in various departments of the Group, including the capital operations centre, financial management department and financing management department. Since 2011, he has acted successively as the manager, director and general manager of the capital management department of the Group, as the company secretary of the Company in 2015 and the chief financial officer of the Group in 2019. Mr. Gao participated in the preparation work in relation to the Company's initial public offering. After the listing of the shares of the Company on the Stock Exchange in 2010, he also contributed to the establishment of the capital management department, where he is mainly responsible for investor relations, listing compliance, corporate governance, and offshore financing related matters. Mr. Gao graduated from Shanxi University of Finance & Economics in 2008 with a master's degree in quantitative economics.

## CHANGES IN INFORMATION OF DIRECTORS

Mr. LI Qin, an independent non-executive Director, ceased to be the chairman of the board of supervisors of Legend Holdings Corporation, whose shares are listed on the main board of the Stock Exchange (stock code: 3396) in March 2020.

Save as disclosed in this report, there is no change in Directors' information that is required to be disclosed in accordance with Rule 13.51(B)(1) of the Listing Rules since the publication of the interim report for the period ended 30 June 2019 by the Company.

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

## CORPORATE GOVERNANCE PRACTICES

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the guidelines for the Directors' dealings in the securities of the Company. Following specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2019 in relation to their securities dealings, if any.

### CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance and had, throughout the year ended 31 December 2019, complied with all applicable Code Provisions under the Corporate Governance Code.

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

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

### TRAININGS OF THE DIRECTORS

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

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

For the year ended 31 December 2019, trainings received by each Director are summarized as follows:

| Name of Director | Reading materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements | Attending conference(s) relevant to the business of the Group/ Listing Rules and Takeovers Code/ Directors' duties |
|---|---|---|
| Mr. Sun Hongbin | √ | √ |
| Mr. Wang Mengde | √ | √ |
| Mr. Jing Hong | √ | √ |
| Mr. Chi Xun | √ | √ |
| Mr. Tian Qiang | √ | √ |
| Mr. Shang Yu | √ | √ |
| Mr. Huang Shuping | √ | √ |
| Mr. Sun Kevin Zheyi | √ | √ |
| Mr. Poon Chiu Kwok | √ | √ |
| Mr. Zhu Jia | √ | √ |
| Mr. Li Qin | √ | √ |
| Mr. Ma Lishan | √ | √ |

## THE BOARD

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

## BOARD COMPOSITION

### EXECUTIVE DIRECTORS

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The Directors' respective biographical information is set out on pages 20 to 24 of this report. The Board members have extensive experience in corporate finance and management both in the Mainland China and Hong Kong, which enables the Group to conduct good corporate governance and meet standards, thereby bringing long-term benefits to the shareholders of the Company. Mr. Sun Kevin Zheyi is the son of Mr. Sun Hongbin who is the chairman of the Board and executive Director. Save for the above, there is no relationship (including financial, business, family or other material relationship) among any other members of the Board.

During the year ended 31 December 2019, the Board had complied with Rule 3.10 and Rule 3.10A of the Listing Rules relating to the appointment of (i) at least three independent non-executive Directors; (ii) independent non-executive directors representing one-third of the Board; and (iii) at least one independent non-executive Director possessing appropriate qualification, or accounting or related financial management expertise. Mr. Poon Chiu Kwok, an independent non-executive Director, possesses accounting and related financial management expertise. The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

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

# CORPORATE GOVERNANCE REPORT

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

## BOARD MEETINGS AND ANNUAL GENERAL MEETING

During the year ended 31 December 2019, the Board convened four regular meetings to discuss corporate strategies, business plans and other significant issues of the Group, and the Company convened an annual general meeting. Details of the attendance at the Board meetings and the annual general meeting convened are set out as follows:

| | **Attendance/Number of meetings required to be attended** | |
|---|---|---|
| **Name of Director** | **Annual General Meeting** | **Board Meeting** |
| **Executive Directors** | | |
| Mr. Sun Hongbin *(Chairman)* | 1/1 | 4/4 |
| Mr. Wang Mengde *(Chief Executive Officer)* | 1/1 | 4/4 |
| Mr. Jing Hong | 1/1 | 4/4 |
| Mr. Chi Xun | 0/1 | 4/4 |
| Mr. Tian Qiang | 0/1 | 4/4 |
| Mr. Shang Yu | 0/1 | 4/4 |
| Mr. Huang Shuping | 0/1 | 4/4 |
| Mr. Sun Kevin Zheyi | 0/1 | 4/4 |
| **Independent Non-executive Directors** | | |
| Mr. Poon Chiu Kwok | 1/1 | 4/4 |
| Mr. Zhu Jia | 0/1 | 4/4 |
| Mr. Li Qin | 0/1 | 4/4 |
| Mr. Ma Lishan | 1/1 | 4/4 |

## BOARD COMMITTEES

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

### AUDIT COMMITTEE

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

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

During the year ended 31 December 2019, the Audit Committee convened two meetings in total, and the individual attendance of each member during the year is set out as follows:

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

The Audit Committee has reviewed the remuneration of the Company's auditor for the year ended 31 December 2019 and has recommended to the Board the re-appointment of PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December 2020, subject to approval by the shareholders of the Company at the forthcoming annual general meeting, which is expected to be held on 28 May 2020.

The work performed by the Audit Committee during 2019 mainly included the following:

(i) reviewed the annual consolidated financial statements and the interim condensed consolidated financial statements of the Group for the year ended 31 December 2018 and the six months ended 30 June 2019, respectively;

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

(iii) reviewed the 2019 cash flow and monitored the Group's overall financial condition;

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

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

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

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

## REMUNERATION COMMITTEE

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

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

The Remuneration Committee held two meetings during the year ended 31 December 2019, and the individual attendance of each member during the period is set out as follows:

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

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

The major work performed by the Remuneration Committee in 2019 mainly included (among others) reviewing and making recommendation to the Board regarding the remuneration package and structure for the Directors and senior management for the year ended 31 December 2019, the remuneration policy in 2020, and the terms of service contracts for the Directors and the senior management.

## NOMINATION COMMITTEE

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

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

The Nomination Committee held two meetings during the year ended 31 December 2019, and the individual attendance of each member at those meetings is set out as follows:

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

The work performed by the Nomination Committee during 2019 mainly included the following:

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

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

(iii) reviewed the Nomination Policy and made recommendations to the Board on the appointment and re-appointment of Directors; and

(iv) reviewed and assessed the implementation of the Board Diversity Policy during 2019.

## NOMINATION POLICY

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

### Selection Criteria

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

(i) reputation for integrity;

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

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

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

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

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

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

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

### Nomination procedure

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

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

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

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

### BOARD DIVERSITY POLICY

The Nomination Committee reviewed and recommended to the Board the adoption of a policy concerning diversity of the Board ("Board Diversity Policy") and the Board, in the Board meeting held on 25 August 2015, adopted such policy to assess the Board composition. In reviewing the composition of the Board, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity. Based on the Nomination Committee's review for the year ended 31 December 2019, the Nomination Committee considered that these measurable objectives have been satisfactorily implemented and that there was sufficient diversity in the Board for the Company's corporate governance and business development needs.

## ANNUAL REMUNERATION PAYABLE TO THE MEMBERS OF SENIOR MANAGEMENT

The annual remuneration of the members of the senior management by band for the year ended 31 December 2019 is as follows:

| Remuneration Bands (RMB) | Number of Individuals |
|---|---|
| 3,000,001-6,000,000 | 2 |
| 6,000,001-10,000,000 | 4 |
| 10,000,001-15,000,000 | 2 |

## AUDITOR'S REMUNERATION

During the year ended 31 December 2019, the remunerations paid or payable to the auditor of the Group, PricewaterhouseCoopers, in respect of its statutory audit services and non-audit services are RMB22 million and RMB2.7 million, respectively. The non-audit services provided were mainly related to issuance of bonds of the Group.

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2019 which give a true and fair view of the state of affairs of the Group and of the operating results and cash flow for the year. The Directors consider that the financial statements have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates, reasonable information and prudent judgment of the Board and the management. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

The statements of the auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group are set out in the section headed "Independent Auditor's Report" on pages 102 to 107 of this report.

## RISK MANAGEMENT AND INTERNAL CONTROL

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

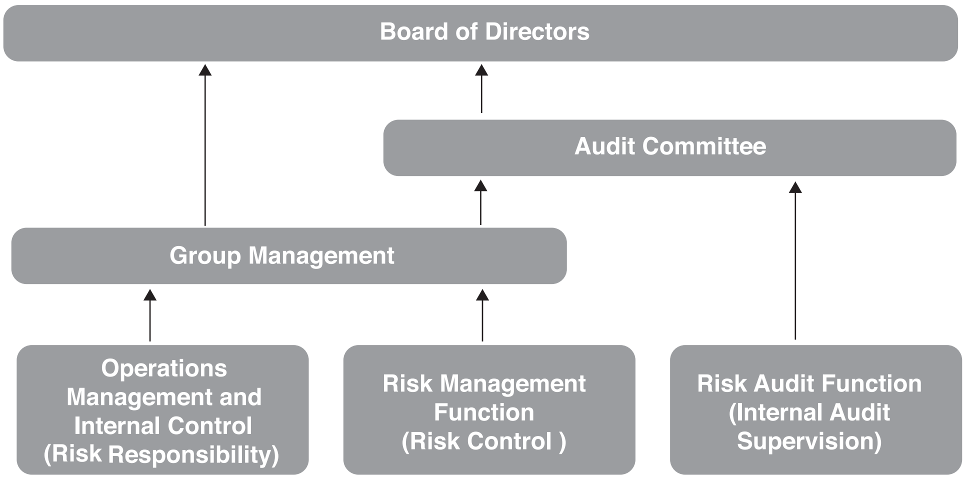
### RISK MANAGEMENT AND INTERNAL CONTROL RESPONSIBILITY

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

## RISK MANAGEMENT STRUCTURE OF THE COMPANY

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

The risk management structure of the Company is as follows:




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

## RISK MANAGEMENT PROCEDURE

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

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

## RISK MANAGEMENT AND INTERNAL CONTROL REVIEW

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

The annual review in respect of the year ended 31 December 2019 has considered, among others (i) whether the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions were adequate; (ii) the scope and quality of the management's ongoing monitoring of risks, the internal control systems and the work of its internal audit function; (iii) whether the risk management and internal control systems, including the extent and frequency of monitoring results to the Board of Directors or the Audit Committee (as the case may be) were sound and effective; and (iv) whether the Group's rules and major business processes could meet the requirements on operations and management and the needs for the rapid development of the Company. The Board also conducted a comprehensive evaluation on the timeliness, effectiveness and normativity of the procedures for handling and releasing inside information of the Company, as well as the effectiveness of the Company's processes for financial reporting and Listing Rule compliance. The results of the annual review were basically satisfactory.

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

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

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

## INFORMATION DISCLOSURE

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

## COMMUNICATION WITH SHAREHOLDERS

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

With reference to the aforesaid, the AGM held on 4 June 2019 was chaired by Mr. Sun Hongbin (the chairman of the Board and executive Director) and attended by, among others, Mr. Wang Mengde (executive Director of the Company and the chief executive officer of the Group), Mr. JING Hong (executive Director of the Company, the executive president of the Group and the president of the Beijing regional branch of the Group), Mr. Poon Chiu Kwok (an independent non-executive Director who is also the chairman of the Audit Committee, and a member of the Remuneration Committee and Nomination Committee), Mr. Ma Lishan (an independent non-executive Director who is also a member of the Audit Committee, the Remuneration Committee and Nomination Committee), Mr. LU Peng (the executive president of the Group and the president of the Sunac Culture & Tourism Group), Mr. Gao Xi (the vice president of the Group and the company secretary) and representatives of the external auditor of the Company.

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

## SHAREHOLDERS' RIGHT

### PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

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

### PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

### PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

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

## COMPANY SECRETARY

Mr. Gao Xi is the chief financial officer and the company secretary of the Company. In compliance with Rule 3.29 of the Listing Rules, Mr. Gao Xi has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2019.

## CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2019.

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

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

During the year ended 31 December 2019, the Company's investor relations team proactively organized and participated in a series of activities such as investor meetings and non-deal road shows which were held in New York, Boston, Singapore, Hong Kong, Taiwan, Macau, Beijing, Shanghai and Shenzhen by securities firms. Meanwhile, it also kept close ties with the capital market through organizing teleconferences and inviting domestic and foreign investors and analysts to have meetings with our management at the Group's headquarters and in various regions and cities and have on-site visits of the Company's projects. During the year ended 31 December 2019, the investor relations team organized a total of 688 meetings with investors and analysts and received 137 on-site project visits with investors and analysts. In addition, the Company held brand Annual General Meeting with industry influence, providing a platform for shareholders to effectively communicate with the Board and our management.

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

Below are the highlights of some investor relations activities during the year ended 31 December 2019:

| No. | Month | Activities | Location | Securities Firms |
|---|---|---|---|---|
| 1 | January | Morgan Stanley Corporate Day | Hong Kong | Morgan Stanley |
| 2 | January | 19th UBS Greater China Forum | Shanghai | UBS |
| 3 | January | Changjiang Securities Long Cycle Shanghai Closed-door Forum | Shanghai | Changjiang Securities |
| 4 | January | Guosheng Securities Capital Market Annual Conference 2019 | Hangzhou | Guosheng Securities |
| 5 | January | BNP Asia Pacific Financial and Property Conference | Hong Kong | BNP |
| 6 | January | 17th Annual DB Access China Conference | Shenzhen | DB |
| 7 | January | Everbright Securities Investment Strategy Conference 2019 | Shanghai | Everbright Securities |
| 8 | February | 16th Citi Asia Pacific Investor Conference | Singapore | Citi |
| 9 | April | Haitong Securities 2019 Spring Forum of Listed Company | Hangzhou | Haitong Securities |
| 10 | May | 15th J.P. Morgan Annual Global China Summit | Beijing | J.P. Morgan |
| 11 | May | Hua Chuang Securities 2019 Interim Strategy Conference | Shanghai | Hua Chuang Securities |
| 12 | May | 24th CLSA China Investment Forum | Qingdao | CLSA |
| 13 | May | Orient Securities Investment Strategy Conference 2019 | Shanghai | Orient Securities |
| 14 | May | Essence Securities 2019 Interim Strategy Conference | Xiamen | Essence Securities |

| No. | Month | Activities | Location | Securities Firms |
|---|---|---|---|---|
| 15 | May | 2019 UBS China Hong Kong Property Conference | Hong Kong | UBS |
| 16 | May | 10th Annual DB Access Asia Conference 2019 | Singapore | DB |
| 17 | May | BAML 2019 Innovative China Conference | Shenzhen | BAML |
| 18 | May | 5th Morgan Stanley China Summit | Beijing | Morgan Stanley |
| 19 | June | Industrial Securities 2019 Interim Strategy Conference | Shanghai | Industrial Securities |
| 20 | June | Everbright Securities 2019 Interim Strategy Conference | Shenzhen | Everbright Securities |
| 21 | June | TF Securities Corporate Day | Qingdao | TF Securities |
| 22 | June | CS China Hong Kong Property Corporate Day | Hong Kong | Credit Suisse |
| 23 | June | CICC Investment Strategy Conference of 2H2019 | Shanghai | CICC |
| 24 | June | Essence International Investment Strategy Conference & Corporate Day | Shenzhen | Essence Securities |
| 25 | June | Citi's Asia Pacific Property Conference 2019 | Hong Kong | Citi |
| 26 | July | Guosen Securities 2019 Interim Strategy Conference | Shenzhen | Guosen Securities |
| 27 | September | Hua Chuang Securities Autumn Investment Strategy Forum 2019 | Beijing | Hua Chuang Securities |
| 28 | September | China Securities Capital Market Autumn Conference 2019 | Beijing | China Securities |
| 29 | September | Nomura China Investor Forum 2019 | Shanghai | Nomura |
| 30 | September | Guosen Securities Autumn Investor Conference of Listed Company 2019 | Shanghai | Guosen Securities |
| 31 | September | BAML 2019 Global Real Estate Conference | New York | BAML |
| 32 | October | J.P. Morgan Asia Credit Conference | Hong Kong | J.P. Morgan |
| 33 | October | Nomura China Property Corporate Day 2019 | Hong Kong | Nomura |
| 34 | October | Haitong Securities Autumn Investment Strategy Forum 2019 | Shanghai | Haitong Securities |
| 35 | October | Guotai Junan 2019 Interim Investment Strategy Conference | Zhuhai | Guotai Junan |
| 36 | November | BAML 2019 China Conference | Beijing | BAML |
| 37 | November | CICC Investment Conference 2019 | Beijing | CICC |
| 38 | November | Nomura Asian High Yield Corporate Day 2019 | Hong Kong | Nomura |
| 39 | November | Goldman Sachs China Conference 2019 | Shenzhen | Goldman Sachs |
| 40 | November | 10th Credit Suisse China Investment Conference | Shenzhen | Credit Suisse |
| 41 | November | 14th Citi China Investor Conference 2019 | Macau | Citi |
| 42 | November | Pacific Securities Investment Strategy Conference 2020 | Beijing | Pacific Securities |
| 43 | November | Industrial Securities Investment Strategy Conference 2020 | Shanghai | Industrial Securities |
| 44 | November | Hua Chuang Securities Investment Strategy Conference 2020 | Shenzhen | Hua Chuang Securities |
| 45 | November | CMS Capital Market Annual Conference 2020 | Beijing | CMS |
| 46 | November | CITIC Securities Investment Strategy Conference 2020 | Shenzhen | CITIC Securities |
| 47 | November | 18th Morgan Stanley Asia Pacific Summit | Singapore | Morgan Stanley |
| 48 | December | Huatai Securities Investment Conference 2020 | Beijing | Huatai Securities |
| 49 | December | Everbright Securities Investment Strategy Conference 2020 | Shanghai | Everbright Securities |
| 50 | December | Guosen Securities Investment Strategy Conference 2020 | Shanghai | Guosen Securities |
| 51 | December | Southwest Securities Investment Strategy Conference 2020 | Chongqing | Southwest Securities |
| 52 | December | SWS Investment Strategy Conference 2020 | Wuhan | SWS |
| 53 | December | Changjiang Securities Cycle&Technology Closed-door Forum 2020 | Shanghai | Changjiang Securities |
| 54 | December | TF Securities Investment Strategy Conference 2020 | Shanghai | TF Securities |
| 55 | December | CITIC Securities Consumption-themed Conference | Beijing | CITIC Securities |

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

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

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

## RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of comprehensive income of the Group on page 110.

## LAND BANK

For the year ended 31 December 2019, the Group increased the land bank and the attributable land bank by 99.70 million sq.m. and 55.58 million sq.m., respectively, with all projects located at tier 1 & 2 cities and strong tier 3 cities in the PRC. A reasonable increase land bank of the Group has laid a solid foundation for the Group's future development. Details of the Group's land bank are set out in the paragraphs headed "1 Summary of principal properties" and "2 Summary of land bank" in the section headed "Business Highlights" of this report.

## MATERIAL ACQUISITION AND DISPOSALS

The following sets forth the material acquisitions of subsidiaries, joint ventures and associates undertaken by the Group during the year ended 31 December 2019:

### (i) ACQUISITION OF 100% INTEREST IN THE BEIJING PROJECT AND THE SHANGHAI PROJECT

On 20 January 2019, 融創房地產集團有限公司 (Sunac Real Estate Group Co., Ltd), a indirect wholly-owned subsidiary of the Company, and 武漢中央商務區股份有限公司 (Wuhan CBD Co., Ltd.) entered into an agreement in relation to the acquisition of 100% equity interest in 泛海建設控股有限公司 (Oceanwide Construction Holdings Co., Ltd.) ("Oceanwide Construction") for a payable consideration of approximately RMB12.553 billion. Oceanwide Construction owns 100% interest in the Beijing Oceanwide International Project Land Lot 1 ("Beijing Project") and the Shanghai Dongjiadu Project ("Shanghai Project"). Please refer to the Company's announcement dated 21 January 2019 for details.

### (ii) ACQUISITION OF 51% EQUITY INTEREST EACH OF TARGET COMPANIES HELD BY YMCI AND COOPERATION ARRANGEMENT WITH INDIVIDUAL SHAREHOLDERS HOLDING 49% EQUITY INTEREST IN THE TARGET COMPANIES

On 27 November 2019, 融創西南房地產開發(集團)有限公司 (Sunac Southwest Real Estate Development (Group) Co., Ltd.) ("Sunac Southwest Group") (an indirect wholly-owned subsidiary of the Company) received the notification of transaction result from 雲南產權交易所有限公司 (Yunnan Equity Exchange Co., Ltd.), confirming that Sunac Southwest Group is the transferee of 51% equity interest each in 環球融創會展文旅集團有限公司 (Global Sunac Exhibition & Cultural Tourism Group Co., Ltd.) (previously called Chengdu Global Century Exhibition & Travel Group Co., Ltd, "Global Century") and 成都時代環球實業有限公司 (Chengdu Times Global Industrial Co., Ltd.) ("Times Global", and together with Global Century collectively referred to as the "Target Companies"), pursuant to which, Sunac Southwest Group acquired 51% equity interest in each of the Target Companies held by Yunnan Metropolitan Construction Investment Group Co., Ltd. ("YMCI") at an aggregate consideration of approximately RMB15.269 billion. In addition, Sunac Southwest Group entered into agreements with the six individual shareholders, pursuant to which, the individual shareholders agreed that upon completion of the aforesaid equity transfer, the Group was fully responsible for the operation and management of the Target Companies and the 18 projects developed by the Target Companies and their subsidiaries; within thirty days upon completion of the aforesaid equity transfer, the Target Companies declared to distribute a profit of RMB7.143 billion to Sunac Southwest Group (consisting of approximately RMB3.643 billion which shall be distributed to Sunac Southwest Group on a pro rata basis and an excess profit of approximately RMB3.5 billion). Please refer to the Company's announcement dated 27 November 2019 for details.

The Group has not undertaken any material disposal of subsidiaries, joint ventures or associates during the year ended 31 December 2019.

## CONTRACTUAL ARRANGEMENTS

### INTRODUCTION

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

On 11 July 2019, the Group acquired a 75.67% equity interest (together with the Target Shares I, "Target Shares") in Beijing Dream Castle Culture Co., Ltd. (北京夢之城文化有限公司) ("Dream Castle", and together with the Target Companies I, "Target Companies") through a contractual arrangement, pursuant to which, the Group owned influential IPs, including "Ali (阿狸)" and "Luo Xiaohei (羅小黑)", and started to establish and expand a platform for derivation and monetization of IPs (Investment II, and together with Investment I, "Investments").

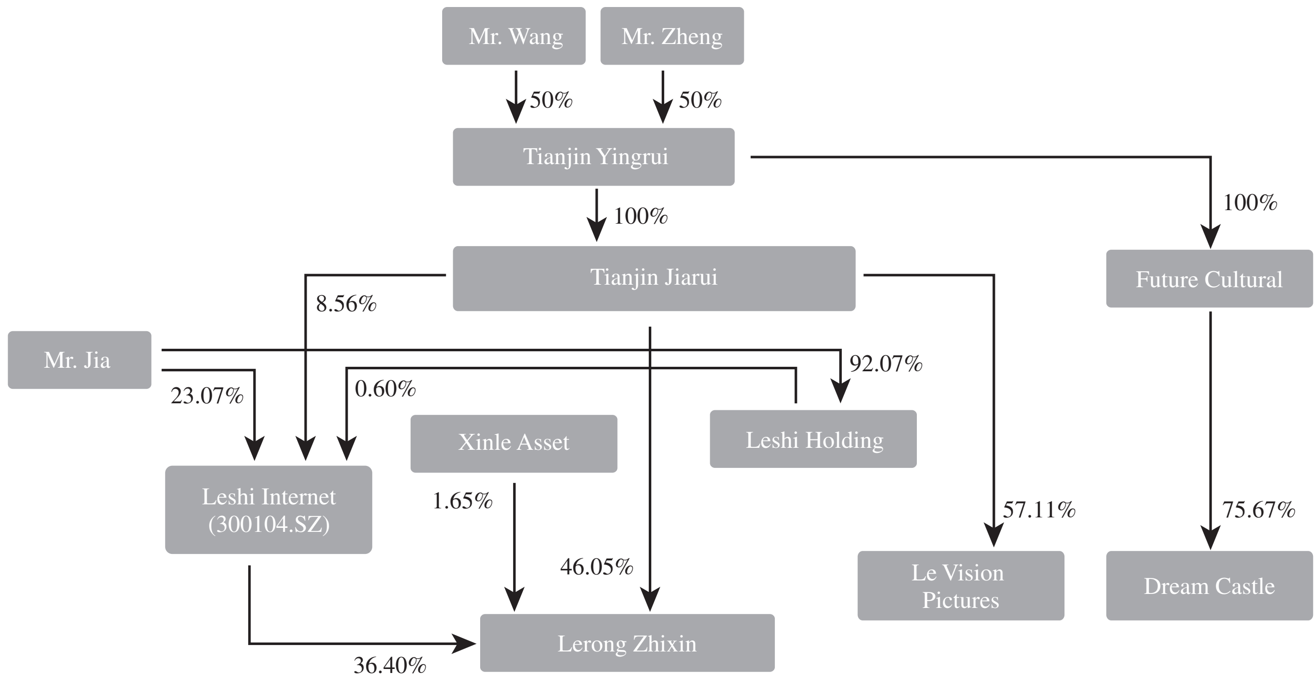
As at January 2017, Mr. Wang Peng ("Mr. Wang") who is the senior management of the Company, and Mr. Zheng Pu ("Mr. Zheng", together with Mr. Wang, the "Registered Shareholders") , established:

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

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

In April 2019, Tianjin Yingrui established Sunac Future Cultural Entertainment (Beijing) Co., Ltd. ("Future Cultural"), a limited liability company established in China, also a wholly-owned subsidiary of Tianjin Yingrui.

As at 31 December 2019, the key shareholding structure of the Contractual Arrangements was as follows:




Notes:

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

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

3. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at 31 December 2019, each of Mr. Jia Yueting ("Mr. Jia"), Xinle Asset and Leshi Holding was independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

Leshi Internet is engaged in advertising, membership and distribution businesses (including fee-based business, copyright business and teleplay distribution revenue) and other businesses based on the entire Internet video service. Le Vision Pictures is engaged in film production, film publicity and release, copyright operations and business development. Lerong Zhixin is engaged in the business of LeTV terminal services. Dream Castle is a cultural and creative operation company that mainly creates and develops original animation works and brands with cartoon images. It operates famous brands with cartoon images, including "Ali (阿狸)", "Luo Xiaohei (羅小黑)", "Almond (杏仁兒)" and "Pichuaizi (皮揣子)".

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

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

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

(ii) the entrustment agreements (the "Entrustment Agreements") between (1) Sunac Real Estate, Tianjin Jiarui and the Registered Shareholders; and (2) Sunac Real Estate, Tianjin Jiarui and Tianjin Yingrui;

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

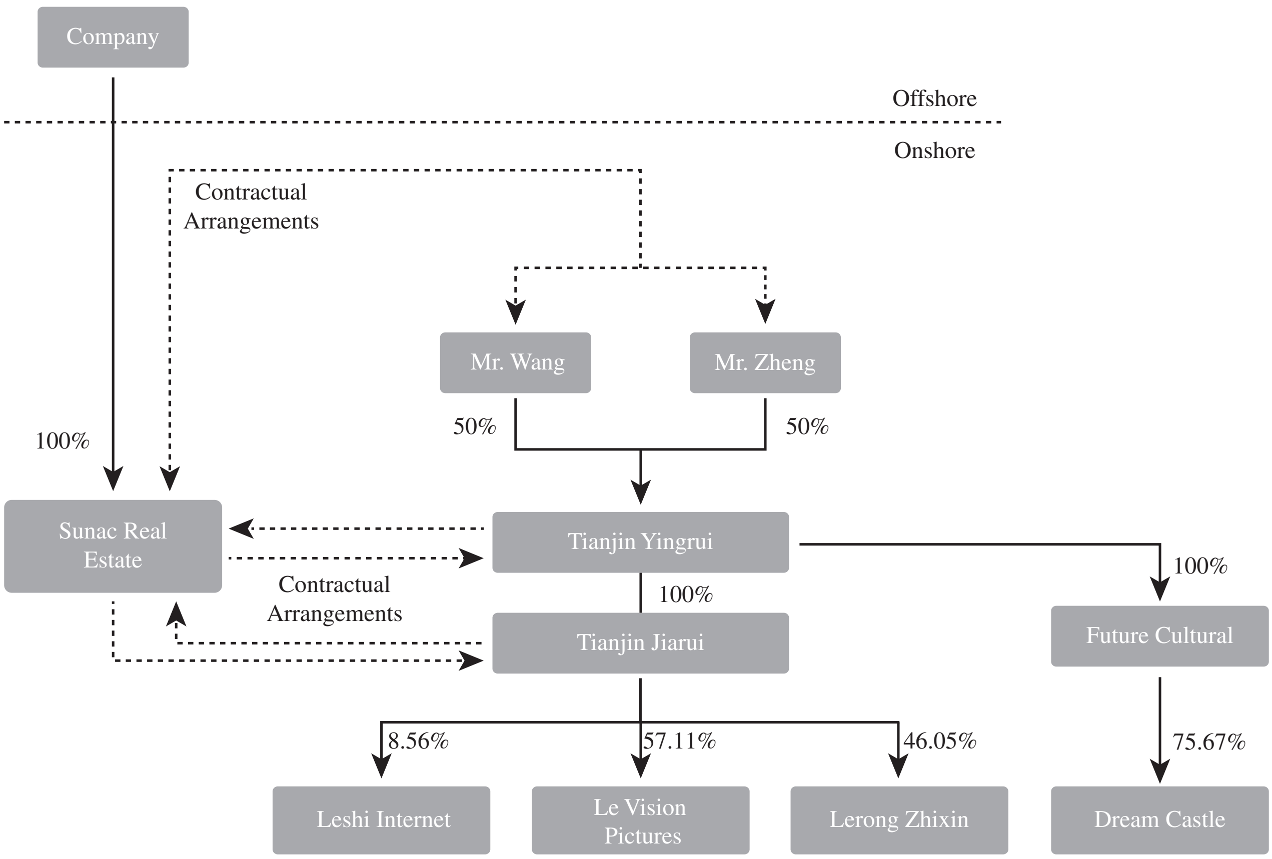
(iv) the loan agreements (the "Loan Agreements") with each of the Registered Shareholders as borrowers;

(v) the equity pledge agreements (the "Equity Pledge Agreements") between (1) Sunac Real Estate and the Registered Shareholders; and (2) Sunac Real Estate and Tianjin Yingrui; and

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

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

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




**(i) Exclusive Technology Consulting and Services Agreement**

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

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

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

**(ii) Entrustment Agreements**

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

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

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

**(iii) Exclusive Option Agreements**

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

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

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

**(iv) Loan Agreements**

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

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

**(v) Equity Pledge Agreements**

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

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

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

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

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

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

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

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

### MATERIAL CHANGE

For the year ended 31 December 2019, the Group acquired a 75.67% equity interest in Dream Castle through Future Cultural in Contractual Arrangements. It is expected that the addition of Dream Castle to the Contractual Arrangements would increase economic benefits in the Target Shares flowing to the Group under the Contractual Arrangements in the future.

Apart from the above, there are no other new Contractual Arrangements entered into or renewed during the year ended 31 December 2019. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2019.

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

Tianjin Yingrui and Tianjin Jiarui were the contracting entities (the "Contracting Entities") established in the PRC for the purpose of the Contractual Arrangements and were owned as to 50% by Mr. Wang and 50% by Mr. Zheng. As at 31 December 2019 and up to the latest practicable date prior to the printing of this report, the Contracting Entities were principally engaged in holding equity interests in the Target Companies. Except that Le Vision Pictures and Dream Castle are indirect subsidiaries of the Company, the investment in Leshi Internet and Lerong Zhixin are accounted for using the equity method and the results of operation and assets and liabilities of the Target Companies are not be consolidated into the consolidated financial statements of the Group. Meanwhile, the Contracting Entities are accounted for as subsidiaries of the Company and their results of operation and assets and liabilities are consolidated in the consolidated financial statements of the Group.

The table below sets out the revenue and loss for the year of the Contracting Entities for the year ended 31 December 2019 and the total assets and total liabilities of the Contracting Entities, including intercompany balances, as at 31 December 2019:

| | For the year ended 31 December 2019 | Approximate percentage of contribution to the Group |
|---|---|---|
| | RMB million | % |
| Revenue | 65 | – |
| Loss for the year | 1,390 | -4.9 |

| | As at 31 December 2019 | Approximate percentage of contribution to the Group |
|---|---|---|
| | RMB million | % |
| Total assets | 2,400 | 0.2 |
| Total liabilities | 19,749 | 2.3 |

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

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

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

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

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

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

(iv) As far as Dream Castle is concerned, the production and operation of broadcasting and TV programs, film-making and Internet cultural activities currently carried out by Dream Castle fall in industries in which foreign investments are forbidden as specified in the "Foreign Investment Guidance Catalogue" (《外商投資指導目錄》).

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

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

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

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

(i) requiring the nullification of the Contractual Arrangements;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### MITIGATION ACTIONS TAKEN BY THE COMPANY

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

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

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year ended 31 December 2019 are set out in note 8 to the consolidated financial statements of the Group.

## BORROWINGS

Details of borrowings during the year ended 31 December 2019 are set out in note 27 to the consolidated financial statements of the Group.

## RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2019 are set out in Note 24 to the consolidated financial statements of the Group.

## FINANCIAL SUMMARY

A financial summary of the Group for the year ended 31 December 2019 is set out on page 4 of this annual report.

## DIVIDEND POLICY AND FINAL DIVIDEND

### DIVIDEND POLICY

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

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

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

(iii) statutory, regulatory and contractual restrictions;

(iv) interests of the shareholders; and

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

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

### FINAL DIVIDEND

The Board proposed to declare a final dividend of RMB1.232 per share in cash, approximately RMB5.726 billion in aggregate, for the year ended 31 December 2019, where the number of shares on which such dividend was calculated was the total number of shares issued as at 26 March 2020, and which is expected to be paid on or about 18 August 2020 to shareholders whose names appear on the register of members of the Company as at 8 June 2020, subject to shareholders' approval at the forthcoming annual general meeting of the Company expected to be held on 28 May 2020 (the "AGM"). The proposed final dividend will be paid in Hong Kong dollars, such amount to be calculated by reference to the central parity rate published by the People's Bank of China for the conversion of RMB to Hong Kong dollars as at 28 May 2020.

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

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 22 May 2020 to Thursday, 28 May 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on Thursday, 21 May 2020.

For the purpose of determining the shareholders' entitlement to the final dividend, the register of members of the Company will also be closed from Wednesday, 3 June 2020 to Monday, 8 June 2020 (both days inclusive), during which period no transfer of shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted on at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on Tuesday, 2 June 2020.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, revenue attributable to the largest customer of the Group amounted to approximately 0.59% of the total revenue in the year and the five largest customers of the Group accounted for 0.84% of the Group's total revenue in the year.

For the year ended 31 December 2019, purchases attributable to the largest supplier of the Group amounted to approximately 6.47% of the total purchases in the year and the five largest suppliers of the Group accounted for 12.32% of the Group's total purchases in the year.

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

## EQUITY LINKED AGREEMENTS

Save for the 2011 Share Option Scheme and 2014 Share Option Scheme as set out under the section headed "Share Option Schemes" of this Report of the Directors, for the year ended 31 December 2019, the Company did not enter into any equity linked agreements.

## SENIOR NOTES ISSUED DURING THE YEAR

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 8.35% 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.

On 1 November 2019, the Company successfully issued the US$650 million 7.5% senior notes due 2024.

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

The purposes of the aforementioned notes issuance were to optimize its debt structure and support a healthier and sustainable development of the Company. Details of the issuance of senior notes by the Company for the year are set out in note 27 to the consolidated financial statements of the Group.

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

Save as disclosed in the section headed "Share Award Scheme" of this Report of the Directors, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019. Details of movements during the year ended 31 December 2019 in the share capital of the Company are set out in note 22 to the consolidated financial statements.

## SUBSEQUENT EVENTS

### SENIOR NOTES ISSUED

On 10 January 2020, the Company successfully issued the US$540 million 6.5% senior notes due 2025. The notes are listed and traded on the Singapore Exchange Securities Trading Limited. The details of the relevant notes are set out in the announcements of the Company dated 8 January 2020 and 13 January 2020.

### PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 17 January 2020, the Company completed the placing of 186,920,000 new shares at a price of HK$42.8 per share, to not less than six independent placees. The total proceeds of the placing were approximately HK$8.0 billion, and the net price of the placing price was approximately HK$42.58 per share after deducting all related costs and expenses of the Company. The net proceeds were approximately HK$7.958 billion. Details of the placing are set out in the announcement of the Company dated 10 January 2020.

### PARTIAL REPURCHASE OF SENIOR NOTES

As at 19 March 2020, the Company has in the open market repurchased part of the notes in an aggregate amount of US$78.6 million, comprising (i) the 8.625% senior notes due 2020 of US$55.8 million in aggregate principal amount; and (ii) the 6.875% senior notes due 2020 of US$22.8 million in aggregate principal amount. The Company cancelled the repurchased notes in accordance with the terms of the notes and indentures. Details of the repurchased notes are set out in the announcement of the Company dated 19 March 2020.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2019 and up to 26 March 2020 are set out below:

### EXECUTIVE DIRECTORS

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

# REPORT OF THE DIRECTORS

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. POON Chiu Kwok
Mr. ZHU Jia
Mr. LI Qin
Mr. MA Lishan

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

In accordance with articles 84(1) and 84(2) of the articles of association of the Company, Mr. SUN Hongbin, Mr. WANG Mengde, Mr. JING Hong and Mr. SHANG Yu shall retire by rotation at the AGM. Mr. SUN Hongbin, Mr. WANG Mengde, Mr. JING Hong and Mr. SHANG Yu, being eligible, have offered themselves for re-election as Directors at the AGM. The proposed re-appointment of these retiring Directors had been reviewed and recommended by the Nomination Committee with reference to the Nomination Policy and Board Diversity Policy as set out under "Nomination Committee" in the "Corporate Governance Report" of this annual report.

## PARTICULARS OF DIRECTORS' SERVICE CONTRACTS

### EXECUTIVE DIRECTORS

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

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group, all being Directors, for the year ended 31 December 2019 are set out in note 49 to the consolidated financial statements of the Group.

None of the Directors waived his emoluments nor has agreed to waive his emoluments for the year ended 31 December 2019.

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

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

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2019, none of the Directors was considered to be interested in any businesses apart from the Group's businesses which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

## MANAGEMENT CONTRACTS

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

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

## COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS AND DIRECTORS

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

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

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

The Covenantors further undertake:

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

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

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

The independent non-executive Directors have reviewed, for the year ended 31 December 2019, the compliance by the Covenantors with their non-competition undertakings and, in particular, the right of first refusal in relation to the Business Opportunity as provided under the Deed. In this connection, the Covenantors have provided all necessary data, including without limitation, details of any proposed investment constituting the Business Opportunity, to the independent non-executive Directors for their review.

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

## RELATED PARTY TRANSACTIONS

During the year ended 31 December 2019, certain Directors and their close family members, and companies controlled by certain Directors and/or their close family members entered into transactions with the Group which are disclosed in note 45 (Related party transactions) to the consolidated financial statements of the Group. None of these related party transactions constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules that needs to be disclosed or a connected transaction of the Company which is not fully exempted under Rule 14A.73 of the Listing Rules.

## SHARE OPTION SCHEMES

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

### THE 2011 SHARE OPTION SCHEME

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

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

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

(i) the maximum number of shares in respect of the share options that may be granted under this scheme (the "2011 Share Options") to participants, being any employee (who must be in a management position) or director of the Company, any subsidiary or an invested entity or any employee considered by the Board to have made contributions to the Company, any subsidiary or an invested entity, shall not exceed 99,900,000 Shares, or 3.33% of the total issued shares as at the 2011 Share Option Scheme Adoption Date;

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

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

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

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

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

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

| Vesting Date | Percentage of the 2011 Share Options vested/ to be vested on the Vesting Date |
|---|---|
| **(1) The 2011 Share Options granted during the 1st Grant Period** | |
| Grant Date | 30% |
| Upon the first anniversary date of the commencement date of the 1st Grant Period | An additional 30% (i.e. up to 60% in total) |
| Upon the second anniversary date of the commencement date of the 1st Grant Period | An additional 40% (i.e. up to 100% in total) |
| **(2) The 2011 Share Options granted during the 2nd Grant Period** | |
| Grant Date | 30% |
| Upon the first anniversary date of the commencement date of the 2nd Grant Period | An additional 30% (i.e. up to 60% in total) |
| Upon the second anniversary date of the commencement date of the 2nd Grant Period | An additional 40% (i.e. up to 100% in total) |

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

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

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

During the year ended 31 December 2019, the details and changes of the 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 grant | Accumulated exercised number from the date of grant to 31 December 2019 | Accumulated cancelled number from the date of grant to 31 December 2019 | Accumulated lapsed number from the date of grant to 31 December 2019 | Outstanding number as at 31 December 2019 | Number exercised during the year ended 31 December 2019 | Weighted-average closing price before the exercise date during the year ended 31 December 2019 (HK$) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 30/9/2011 | 30/9/2011<br>29/4/2012<br>29/4/2013 | 30%<br>30%<br>40% | 28/4/2017 | 1.484 | 1.44 | 39,900,000 | 39,333,800 | 339,000 | 227,200 | — | — | — |
| 21/5/2012 | 21/5/2012<br>29/4/2013<br>29/4/2014 | 30%<br>30%<br>40% | 28/4/2018 | 2.33 | 2.22 | 29,100,000 | 28,355,000 | 651,000 | 94,000 | — | — | — |
| 2/5/2013 | 2/5/2013<br>29/4/2014<br>29/4/2015 | 30%<br>30%<br>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 | |

During the year ended 31 December 2019, movements in the share options granted to Directors and employee under the 2011 Share Option Scheme were as follows:

| Name of grantee | Granted number on 30 September 2011 | Granted number on 21 May 2012 | Granted number on 2 May 2013 | Granted in aggregate | Outstanding number as at 1 January 2019 | Exercised number during the year ended 31 December 2019 | Cancelled number during the year ended 31 December 2019 | Lapsed number during the year ended 31 December 2019 | Outstanding number as at 31 December 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 | — | — | — |

The 2011 Share Option Scheme expired on 28 April 2017. As at the date of this report, the number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the 2011 Share Option Scheme is also zero.

## THE 2014 SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2019, the details and changes of the 2014 Share Options Scheme were as follows:

| Date of grant | Vesting date | Percentage of vesting | Expiry date | Exercise price per share (HK$) | Closing price before the date of grant (HK$) | Number of grant | Accumulated exercised number from the date of grant to 31 December 2019 | Accumulated cancelled number from the date of grant to 31 December 2019 | Accumulated lapsed number from the date of grant to 31 December 2019 | Outstanding number as at 31 December 2019 | Number exercised during the year ended 31 December 2019 | Weighted-average closing price before the exercise date during the year ended 31 December 2019 (HK$) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 5/6/2014 | 30% | | | | | | | | | | |
| 5/6/2014 | 5/6/2015 | 30% | 4/6/2019 | 4.07 | 3.96 | 33,267,000 | 31,544,600 | 1,363,400 | 359,000 | — | 9,491,100 | 34.69 |
| | 5/6/2016 | 40% | | | | | | | | | | |
| | 9/7/2015 | 30% | | | | | | | | | | |
| 9/7/2015 | 9/7/2016 | 30% | 8/7/2020 | 7.27 | 6.34 | 33,267,000 | 18,475,900 | 900,280 | 914,520 | 12,976,300 | 6,760,400 | 35.57 |
| | 9/7/2017 | 40% | | | | | | | | | | |
| | 20/6/2016 | 30% | | | | | | | | | | |
| 20/6/2016 | 20/6/2017 | 30% | 19/6/2021 | 4.62 | 4.56 | 39,920,000 | 20,473,000 | 590,000 | 152,000 | 18,705,000 | 9,134,500 | 37.75 |
| | 20/6/2018 | 40% | | | | | | | | | | |
| | 22/12/2017 | 30% | | | | | | | | | | |
| 22/12/2017 | 22/12/2018 | 30% | 21/12/2022 | 30.25 | 30.25 | 59,920,246 | 11,779,282 | 1,595,000 | 699,000 | 45,846,964 | 11,615,282 | 40.75 |
| | 22/12/2019 | 40% | | | | | | | | | | |
| | | Total | | | | 166,374,246 | 82,272,782 | 4,448,680 | 2,124,520 | 77,528,264 | 37,001,282 | |

During the year ended 31 December 2019, movements in the share options granted to Directors and employees under the 2014 Share Option Scheme were as follows:

| Name of grantee | Granted number on 5 June 2014 | Granted number on 9 July 2015 | Granted number on 20 June 2016 | Granted number on 22 December 2017 | Granted number in aggregate | Outstanding number as at 1 January 2019 | Exercised number during the year ended 31 December 2019 | Cancelled number during the year ended 31 December 2019 | Lapsed number during the year ended 31 December 2019 | Outstanding number as at 31 December 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 | 30,601,282 | 1,112,000[1] | 492,000 | 46,198,182 |
| **Total** | 33,267,000 | 33,267,000 | 39,920,000 | 59,920,246 | 166,374,246 | 116,133,546 | 37,001,282 | 1,112,000[1] | 492,000 | 77,528,264 |

Note 1: The exercise price of 1,112,000 cancelled share options is HK$30.25 per share.

The 2014 Share Option Scheme expired on 18 May 2019. As at the date of this report, the number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the share option Scheme is 67,428,264, representing 1.45% of total number of issued shares.

## 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 optimized the remuneration system for its employees by adjusting the existing remuneration system of integrating salary with share option schemes to one integrating salary with the share award scheme. 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 Shares 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 shares in issue of the Company on the Adoption Date.

During the year ended 31 December 2019, the trustee of the Share Award Scheme purchased on the open market a total of 28,004,000 shares of the Company at the total consideration of approximately HK$0.90 billion pursuant to the terms of the trust deed and the rules of the Share Award Scheme. As at 31 December 2019, on a cumulative basis, the trustee of the Share Award Scheme has purchased on the open market a total 94,653,000 shares at the total consideration of approximately HK$2.57 billion.

From the Adoption Date to 31 December 2019, a total of 21.04 million shares have been granted to selected employees.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 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 contained in Appendix 10 to the Listing Rules, are set out below:

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

| Name of Director | Nature of Interest | Number of Ordinary Shares | Approximate percentage of interest in the Company[2] |
|---|---|---|---|
| Mr. Sun Hongbin | Interest in controlled corporations[1] | 2,091,329,884 | 46.98% |
| | 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 4,451,928,611 Shares in issue as at 31 December 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 | 0.15% |
| 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 4,451,928,611 Shares in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## INTEREST OF SUBSTANTIAL SHAREHOLDERS (LONG POSITION)

To the knowledge of the Company, as at 31 December 2019, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

| Name of shareholder | Nature of interest/Capacity | Number of Shares | Approximate percentage of interest in the Company[3] |
|---|---|---|---|
| Sunac International | Beneficial owner[1] | 2,042,623,884 | 45.88% |
| | Holder of equity derivative[2] | 32,813,000 | 0.74% |
| South Dakota Trust Company LLC | Trustee[1] | 2,042,623,884 | 45.88% |
| | Holder of equity derivative[2] | 32,813,000 | 0.74% |

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. The Company signed a total return swap (the "TRS") transaction with a financial institution (the "TRS Counterparty") in June 2019. As at 31 December 2019, the TRS Counterparty has completed the purchase of a total of 32,813,000 Shares. According to the TRS transaction, the TRS Counterparty may sell the Shares to the trustee of the Share Award Scheme, but will not make physical delivery of the Shares to the Company. Each of Sunac International and South Dakota Trust Company LLC, as the trustee of the New Family Trust, is deemed to have interests in the relevant shares in the TRS transaction through the Company.

3. Calculated on the basis of 4,451,928,611 Shares in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 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.

## PRE-EMPTIVE RIGHTS

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

## DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

As stated in the Company's announcement dated 26 June 2017, on 26 June 2017, Shining View Investments Limited ("Shining View"), an indirect wholly-owned subsidiary of the Company (as borrower), the Company (as guarantor), and Lead Star Holdings Limited, a direct wholly-owned subsidiary of the Company (as chargor), entered into a facility agreement (the "Facility Agreement") with Industrial and Commercial Bank of China (Asia) Limited ("ICBC") (as lender), pursuant to which ICBC 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 (i) ceases to be directly or indirectly the single largest shareholder of the Company or (ii) ceases to control the Company, an event of default will occur in accordance with the Facility Agreement. As at 31 December 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, as at 31 December 2019, there is no other matter which is discloseable pursuant to any requirements under Rule 13.21 of the Listing Rules.

## CORPORATE GOVERNANCE OF THE COMPANY

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

## BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development, description of possible business risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 5 to 7 of this annual report. Also, an analysis of the key financial performance indicators, and the interest rate risk and foreign exchange risk of the Group are elaborated in the Management Discussion and Analysis on pages 8 to 15 of this annual report, and the financial risk management objectives and policies of the Group can be found in Note 4 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2019 are provided in Note 47 to the consolidated financial statements. The five-year Financial Summary of the Group is provided on page 4. In addition, a discussion on the Group's environmental policies and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the section headed "Environment Protection" and "Compliance with Laws and Regulations" below and the Environmental, Social and Governance Report on pages 75 to 101 of this annual report, and our relationship with investors is stated in the Investor Relations Report on pages 39 to 40 of this annual report.

## ENVIRONMENTAL PROTECTION

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

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

## COMPLIANCE WITH LAWS AND REGULATIONS

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

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

## PUBLIC WELFARE

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

## RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

## EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group had a total of 50,834 employees in the Mainland China and Hong Kong. For the year ended 31 December 2019, the staff cost of the Group was approximately RMB12.19 billion.

The employees' remuneration policy of the Group is determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal 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 Mainland China 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 61 to 67 of this 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 trust deed and rules of the Share Award Scheme, details of which are set out on pages 67 to 68 of this report. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness. The Group did not experience any major difficulties in recruitment of employees, nor did it experience any material loss in manpower or any material labour dispute for the year ended 31 December 2019.

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

## PERMITTED INDEMNITY PROVISIONS

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

## SUBSEQUENT EVENTS

Details of significant events after 31 December 2019 are set out in note 47 to the consolidated financial statements.

## SUFFICIENCY OF PUBLIC FLOAT

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

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

## AUDITOR

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

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

Hong Kong, 26 March 2020

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

This environmental, social and governance ("ESG") report ("this report") has been prepared by the Group through identifying and sorting key stakeholders and the important issues it is concerned about and collecting and sorting the relevant information and statistics. The purpose of this report is to disclose the management measures and the performance of the Group in the environmental, social and governance aspects during 2019.

## PREPARATION BASIS

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

## SCOPE OF THIS REPORT

The scope of this report is the year of 2019 (from 1 January 2019 to 31 December 2019) (the "Reporting Period"). The scope of disclosure of this report covers the main business of the Group: property development and investment and property management. The environmental performance indicators cover the emissions produced and resources used during the operation by the headquarter of the Group, regional groups and municipal companies as well as its property development projects and property management projects.

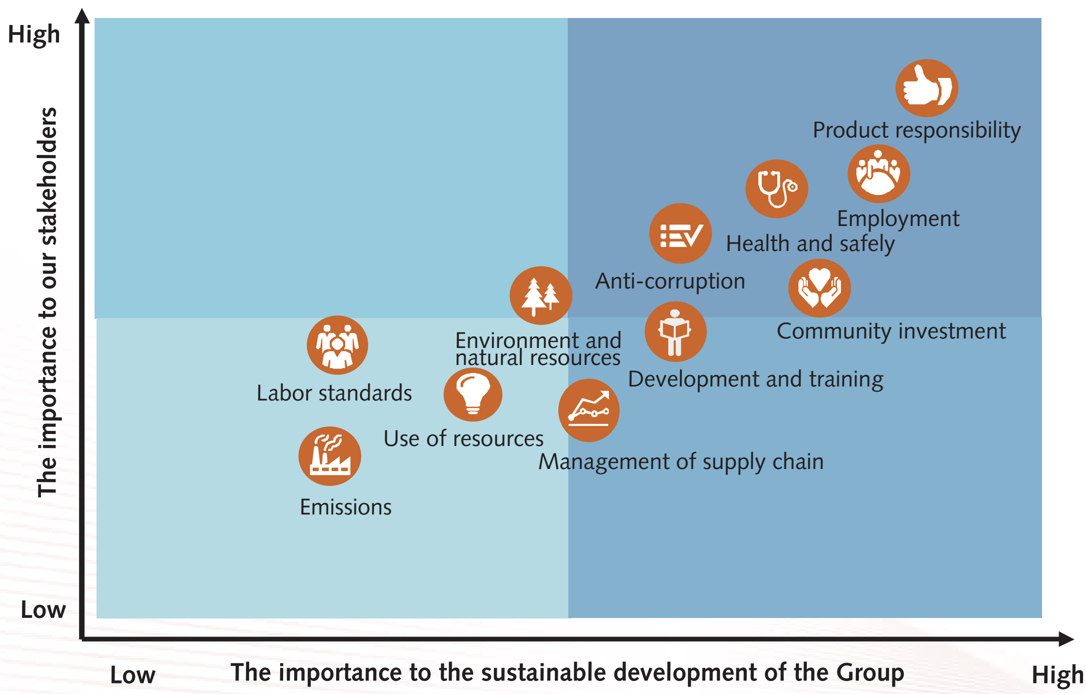
## STAKEHOLDERS ENGAGEMENT

The sustainable development of enterprises cannot be realized without the engagement and support of all stakeholders. The Group carried out communications with stakeholders regarding sustainable development and related issues through various channels:

| Stakeholders | Major communication channels | Major concerns |
|---|---|---|
| Government and regulators | Policy and guideline, daily communication, working conference, information disclosure and social public welfare activities | • Compliance with relevant laws<br>• Tax paid according to law<br>• Employment<br>• Community investment<br>• Emissions<br>• Use of resources<br>• The environment and natural resources<br>• Labour standards |
| Shareholders and investors | Shareholders meetings, investor forum, annual and interim report, announcement | • Product responsibility<br>• Corporate governance<br>• Anti-corruption |

| Stakeholders | Major communication channels | Major concerns |
|---|---|---|
| Employees | Employee meeting, training and activities | • Employment<br>• Development and training<br>• Health and safety<br>• Product responsibility<br>• Suppliers management |
| Customers | Customer complaint hotline, customer satisfaction survey, customer service center, discussion and communications | • Product responsibility |
| Partners | Cooperation, communication and interaction | • Fair cooperation<br>• Honor contracts with integrity<br>• Mutual growth |
| Communities and the public | Public welfare, community education and promotion, forum and communication, enterprise recruitment publicity etc. | • Community investment<br>• Employment |

The Company has complied with the "comply or explain" provisions set out in the ESG Reporting Guide for the year ended 31 December 2019. Based on the 11 aspects as specified in the "ESG Reporting Guide" issued by the Stock Exchange, the Company has evaluated the importance of various key aspects to our internal and external stakeholders and identified the major ESG issues that our stakeholders are concerned about, including the most important issues: "product responsibility", "employment", "health and safety" and "anti-corruption"; relatively important issues: "community investment", "development and training", "environment and natural resources"; and the related issues: "supply chain management", "use of resources", "labor standards" and "emissions". The Group constantly makes improvement on such issues in daily operations to address the concerns of our stakeholders, enhance trust and cooperation, and jointly promote the sustainable development of the Group and the society.



## MANAGEMENT OF EMISSIONS

The Group complies with the national and local laws and regulations such as the "Environmental Protection Law of the People's Republic of China", adheres to the concept of sustainable development comprehensively, optimizes operations and management, and manages emissions from the perspectives of office space and property development, so as to minimize the impact of the Group's operations on the environment.

### THE OFFICE AREA

In order to make continual progress in the management of emissions, the Group promotes green office, and strives to reduce the generation of wastes. Office wastes will be collected in a centralized way in waste classification and recycling bins for further processing by professional companies. Recyclable and reusable items will be reused to reduce waste emissions. The Group promotes knowledge on waste classification and recycling through trainings for employees, and encourages employees to properly dispose of waste.

### PROPERTY DEVELOPMENT

The Group has formulated and implemented the "Environmental Work Standards of Sunac Group for Construction Sites" in accordance with the relevant laws and regulations such as the "Construction Laws of the People's Republic of China", "Regulations on the Administration of Construction Project Environmental Protection", "JGJ 146-2013 Construction Site Environment and Hygiene Standards for Construction Projects" and "GB/T50378-2019 Green Building Evaluation Standards". In addition, the Group proactively promotes assembled buildings in line with national requirements, and requires building contractors to implement green construction, thus reducing water consumption, noise and air pollution during the construction course as well as the generation of wastes on construction sites. The Group will consider the impact of projects on surrounding environment at the very beginning of site selection and project design. The impact of projects on environment will be assessed, the results of which will be submitted to local environmental protection authority for approval. The Group will also practically strengthen the environment management of construction sites through implementing measures such as on-site dust control, noise control, and garbage and sewage control at the site construction stage.

**Dust control:** In strict compliance with laws and regulations including the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Group requires the building contractors to take dust prevention measures during the process of operation such as closing and fencing the sites, solidifying the sites, covering bare soils, greening the sites, cleaning vehicles passing through the sites, closed transportation of vehicles carrying dregs and installing fog cannon dust suppression equipment to effectively implement dust control. At the same time, the Group strictly abides by relevant regulations of places where projects are located, stops earthwork transportation and backfilling when the local authority issues a weather warning on severe pollution, and carries out corresponding dust reduction and control measures such as watering and dust reduction.

**Noise Control:** In order to reduce noise pollution, the Group strictly abides by the regulatory requirements of the "Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution" and "GB-12523-2011 Emission Standard of Environment Noise for Boundary of Construction Sites" to strengthen noise management during the construction phase of the construction sites. Construction vehicles and machinery are strictly prohibited from honking trebly. It is forbidden to throw or tip the materials during loading and unloading, or conduct construction operation at night. In case of night work due to requirements of production process or special needs, the Group will report such to the local authority for approval and issue an announcement to the nearby residents.

**Waste control:** The Group requires the building contractors to classify waste properly, collect and clean waste in a timely manner, set up a waste transfer area for stack waste in a centralized manner, and dispose of waste via qualified professional companies.

**Sewage control:** Wastewater and mud must be handled in a centralized manner prior to discharge, and sewage sedimentation tanks must be set up to implement rain and sewage diversion to reduce environmental impact.

Emissions from the operations of the Group mainly include greenhouse gas emissions from the use of energy, and non-hazardous wastes. Among them, non-hazardous wastes mainly include office wastes, domestic wastes, waste electrical and electronic equipment, and kitchen wastes, which will be collected and classified for disposal by a professional third-party, the domestic sewage is discharged from the urban pipeline network into the urban sewage treatment plants for processing. The few hazardous wastes generated during the operation are all recycled or disposed of by qualified professional companies, the impact of which is immaterial to the environment and is hence not disclosed.

## EMISSIONS PERFORMANCE IN 2019

**Emission Performance Table[1]**

| Indicators | Performance |
|---|---|
| Total Greenhouse Gas (GHG) Emissions (Scope 1 and Scope 2) (tons)[2, 3] | 85,488.03 |
| GHG Emission Density (Scope 1 and Scope 2) (tons/Million in RMB Income) | 0.51 |
| Total amount of non-hazardous waste (tons) | 6,428.83 |
| Density of non-hazardous waste (kg/Million in RMB Income) | 38.62 |

Notes:

1. Based on the nature of the Group's business, gas emissions are mainly GHG emissions generated from the use of fossil fuel-converted electricity and fuels;

2. The Group's GHG inventory mainly includes carbon dioxide, methane and nitrous oxide. GHG emissions data are presented in CO2 equivalent and are calculated in accordance with the Chinese Regional Power Grid Baseline Emission Factors for 2017 Emission Reduction Projects (2017年度減排項目中國區域電網基準線排放因數) and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (2006年IPCC國家溫室氣體清單指南);

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

## USE OF RESOURCES

The Group conscientiously abides by relevant laws and regulations such as the "Law of the People's Republic of China on Conserving Energy" to reduce resource consumption.

### THE OFFICE AREA

In terms of energy conservation in the office area, in order to achieve resource conservation in the office area and reduce the impact on the environment, the Group promotes sustainable office methods. The Group actively uses natural light and energy-efficient and low-energy appliances such as using energy-saving and environmental protection methods for lighting including LED lights. The Group sets reasonable air-conditioning temperature in the office area to reduce power consumption, posts energy-saving signs in conspicuous places, and requires its employees to turn off the power after use. In terms of water use and conservation, the Group's water in the office area is mainly supplied by property companies of office buildings. The Group uses water-saving faucets in toilets and post tips to remind employees to save water. In terms of reducing consumables in the office area, the Group continues to promote paperless office and double-sided printing and copying, and office supplies and other consumables are managed and distributed in a unified manner and on demand to reduce damages to items and the generation of wastes.

### PROPERTY DEVELOPMENT

The Group has vigorously promoted new construction techniques, implemented the use of new materials and launched the "Glorious Construction" (臻營造) technique system to reduce resource consumption. These specific measures include the use of new construction process methods such as standardized formwork, prefabricated partition walls, plaster-free techniques and dry decorations to significantly reduce timber usage and wet construction at construction sites, enhance the quality and efficiency of construction and reduce labor intensity and resource use. As of 31 December 2019, 76% of the Group's new projects adopted the "Glorious Construction" (臻營造) technique system.

The Group applies the management tools of the actual and real measurement and delivery evaluation for all of our projects under construction and carried out inspections and evaluations through professional third-party inspection mechanism to strictly manage construction quality and reduce waste in demolition, reconstruction and rework. The Group has vigorously promoted the delivery of finished houses[1] which adopt the standardized design, high-quality materials and high-standard construction techniques. As of 31 December 2019, more than 55% of the Group's projects under construction are finished houses.

### PROPERTY MANAGEMENT

In order to reduce the resource consumption in the property management region, the Group has formulated the "Energy Conservation Management Regulations", and adopted various energy conservation products, energy conservation methods and water saving measures in various property management projects in public areas, including using LED lighting and adjusting the lighting time and brightness according to the change of the duration of day and night and adopting water-saving systems and water-saving equipment, and the reclaimed water, which is compliant after municipal sewage treatment, is used for daily work including greening, maintenance and watering of the park.

Note 1: According to the Implementation Rules on "Fully Furnished Private Household (商品住宅裝修一次到位實施細則)", finished house refers to household that are fully furnished.

## PERFORMANCE OF USE OF RESOURCES IN 2019

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

**Resources Utilization Performance Table[1]**

| Indicators | Performance |
|---|---|
| Total comprehensive energy consumption (MWh)[2] | 156,829.87 |
| Comprehensive energy consumption density (MWh/Million in RMB Income) | 0.94 |
| Direct energy consumption (MWh)[2] | 33,180.97 |
| Gasoline (Litre) | 2,217,601.00 |
| Diesel (Litre) | 112,254.50 |
| LPG (kg) | 548,810.14 |
| Natural gas ($m^3$) | 479,530.44 |
| Indirect energy consumption (MWh)[2] | 123,648.90 |
| Purchased electricity (MWh) | 123,648.90 |
| Water consumption (tons) | 4,653,696.55 |
| Water consumption density (tons/Million in RMB Income) | 27.96 |

Notes:

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

2. Total comprehensive energy consumption is derived from direct and indirect energy consumption based on the conversion factors as set out in the General Principles for Calculation of the Comprehensive energy Consumption (GB/T 2589-2008).

## ENVIRONMENT AND NATURAL RESOURCES

The Group regards environmental protection as one of its key areas of work, and has always strictly complied with relevant environmental protection laws and regulations. The Group is committed to reducing the environmental impact of the whole process of property development and management, and pays attention to the protection of ecology and biodiversity. We focus on the conservation of local species at the ecological design level, and actively carry out ecological restoration and governance. The Group has actively developed the green building and proactively promoted using of sustainable and environmentally friendly materials for providing comfortable living environment for customers while fulfilling our commitment to environmental protection.

## GREEN RESEARCH AND DEVELOPMENT

The Group is committed to establishing specialized and leading research and development bases for continuously carrying out technical research projects and systematic training. Currently, the Group has established specialized research and development bases in Chongqing and Shanghai, and organized and implemented various technical research projects involving new building materials, assembled interior decoration techniques, materials techniques for Chinese building, green building materials passive houses low energy consumption building and other relevant technologies. The Group promotes the sharing and application of research results in a timely manner, and continues to improve the quality of Sunac products while protecting the environment and saving resources.

## GREEN BUILDING MATERIALS

In the project development process, the Group promotes the use of standardized formwork to save a large amount of timber. At present, about 60% of the Group's projects under construction use standardized formwork, saving tens of millions square meters of wood models compared to traditional construction models throughout the year. Meantime, the Group uses artificial materials such as metal and ceramic tiles and PC components to replace some wood and stone materials, thereby prolonging the service life of materials, reducing the use of volatile paint and resources, and mitigating damages to the environment while ensuring effects and functions of materials.

## GREEN BUILDING APPLICATIONS

The Group actively implements the green concept and is committed to the development of green buildings. For a healthy and environmentally friendly living and office environment of our customers, the Group has implemented strict full-cycle environmental management measures covering from design to operations in respect of its projects. The Group actively explores and promotes the applications of green buildings such as assembled buildings, passive buildings and fully-furnished houses. In 2019, the Group has applied assembled buildings for 50 projects with area of 6 million square meters. Among them, the Jinan Sunac Cultural and Tourism City project has passed the assembly demonstration project evaluation of Shandong Province, and the assembly demonstration project evaluation of the Ministry of Construction is also in progress; and Sunac City in Luancheng County, Shijiazhuang City has been designed and implemented according to the Design Standards for Energy Efficiency of Passive Ultra-low Energy Consumption Residential Buildings (《被動式超低能耗居住建築節能設計標準》); the Xi an Qujiangyin apartment project has passed the American WELL gold level pre certification for a healthy building.

**Case 1: Jinan Sunac Cultural and Tourism City Project**

The Jinan Sunac Cultural and Tourism City project, located in Licheng District, Jinan City, has adopted assembled construction method for above-ground part of the project and was an excellent practice of assembled buildings.

The project mainly applies the following key green technologies:

**Application of prefabricated components:** the project uses a large number of prefabricated components such as double T plates, prefabricated columns, prefabricated beams and prefabricated stairs. These prefabricated components are designed and manufactured in professional factories, which can ensure sound structural and mechanical properties and works such as pouring at the construction site are not necessary. Benefiting from convenient installation process, it can significantly shorten the construction cycle, and reduce environmental impacts and resource use;

**Prefabricated internal partition wall board:** prefabricated internal partition wall is made of autoclaved aerated concrete (AAC) board, with sound heat insulation and fire resistance. At the same time, there are a large number of even and disconnected tiny air holes inside the board, with good sound insulation performance;

**Whole bathroom:** the whole bathroom is an independent sanitary unit which is formed by an integrated waterproof chassis, spliced wallboard and an overall roof frame as well as bathroom components of various functions. Its main material is SMC composite materials (sheet molding plastics) with the characteristics of high mechanical strength, green, no radiation, corrosion resistance, thermal insulation, etc.

**Application of BIM:** in the project, the BIM technology is deeply applied in the deep design of assembled components, comprehensive optimization of pipelines, statistics of work quantity, construction analogue and 5D supporting construction management, thus solving key problems in the key design and simulation construction.

**Case 2: Luancheng Sunac City in Shijiazhuang**

Luancheng Sunac City in Shijiazhuang is designed as passive houses according to the Design Standards for Energy Efficiency of Passive Ultra-low Energy Consumption Residential Buildings (被動式超低能耗居住建築節能設計標準) ((DB13(J)/T273-2018), and applies the following key green technologies:

**More efficient exterior thermal insulation:** Uses B1 grade graphite polystyrene boards as insulation material, and uses non-thermal bridge anchorage parts, which reduces energy loss of conjunction parts and leads to a significant reduction in thermal conduction coefficient of the non-transparent building envelope (including roofing and exterior wall) compared to traditional building envelope, thereby effectively maintaining the indoor temperature and providing a warm and sweet home for our customers;

**Building envelope with no thermal bridge:** the project's thermal insulation layer continuously and completely covers the building envelope, ensuring a sound thermal insulation effect. When a pipeline must penetrate the thermal insulation layer, the enlarged hole should be treated with dense heat preservation;

**More efficient exterior door and window system:** the thermal insulation and airtightness performance of the doors and windows has reached the highest level as set out in the national grading list for performance of exterior doors and windows of buildings (representing heat transfer coefficient of no more than 1.0 W/（$m^2$·K）for the exterior windows and exterior doors, and airtightness of level 8 for the exterior windows), and the fire resistance integrity of the exterior doors and windows reaches 0.5 hours;

**High efficiency heat recovery fresh air conditioning system:** The project applies environmental energy integrated machines, which provide functions of refrigeration, heating, fresh air and haze removal. The indoor and outdoor air passes the special structure of the fresh air system to complete energy recovery while ventilating. The heat recovery efficiency is ≥70%, ensuring fresh indoor air while reducing resource consumption;

**Better airtightness:** a complete airtight layer surrounding the entire passive area (in case of a pressure difference between the interior and the exterior of 50Pa, the air change per hour shall be no more than 0.6 times); Under the same conditions in traditional buildings, the number of air exchanges is about 2-3 times/hour, thus further reduces the frequency of indoor and outdoor air exchange and reduces energy loss;

**Rainwater collection:** The project actively implements the concept of Sponge City Construction, by setting up a rainwater storage pool with a size of approximately 317m$^3$ to collect and use rainwater.

## EMPLOYMENT

The Group's rapid development is based on the unremitting efforts of every employee, and the employees are also the foundation of the Group's sustainable development. The Group complies with relevant laws and regulations such as the "Labor Law of the People's Republic of China (中華人民共和國勞動法) and Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法)". The Group attaches great importance to human resources management, and strives to provide a fair, healthy, safe, comfortable and harmonious work environment. In 2019, the Group has been granted by China Real Estate Association with three awards, namely "Best Employer in China's Real Estate Industry for 2019 (2019中國房地產最佳僱主企業)", "Best Human Resource Team in China's Real Estate Industry for 2019 (2019中國房地產最佳人力資源團隊)" and "Talent Cultivating Enterprise in China's Real Estate Industry for 2019 (2019中國房地產優質人才培養企業)", among which the award of "Best Employer in China's Real Estate Industry for 2019 (2019中國房地產最佳僱主企業)" has been granted to the Group for five consecutive years.

### EMPLOYEE RECRUITMENT AND PROMOTION

The Group regards equal opportunities as the criteria and fully respects employees in different backgrounds during the recruitment process. There is no discrimination in the Group on the basis of age, gender, race, etc., and a fair and harmonious work environment is provided. In order to enhance the image of the Group as a good employer and improve talent introduction, the Group has formulated recruitment policies in accordance with the Group's development plan and corporate culture. The Group's headquarters also provides guidance on the recruitment of sub-groups in various regions. The Group strictly implements the labor contract system, and signs a labor contract with all employees, which clearly provides working hours, work content, labor remuneration and labor conditions.

The Group has established a clear resignation and dismissal system and detailed the instructions for termination of employment in the labor contract. The Group strongly encourages the promotion of internal talents and conducts annual appraisal and assessment of the performance of employees to assess rank.

The Group attaches great importance to the recruitment and training of college students, deepens the cooperation between schools and enterprises, actively explores the channel of campus recruitment and provides college students with various kinds of internship opportunities. The Group held the national campus marketing challenge contest for four consecutive years. In 2019, the Group has been granted with the "2019 China Best Practice Award in Terms of Human Resource Management (2019中國人力資源管理最佳實踐獎)" by China Human Resources Management Institute as well as the "2019 Newly Emerged Excellent Employer Award (2019新銳非凡雇主獎)" by liepin.com.

## REMUNERATION AND BENEFITS

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

The Group is committed to creating a warm and sweet experience for its employees and has established a welfare system covering seven dimensions, namely "festival, sports, food, office, health, family and public welfare "with an aim to create "big benevolence with small warmth" as well as efficient, smooth and happy work and life for every employee:

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

(ii) The Group has established the Sunac Employee Mutual Aid Association to provide financial assistance to employees or their lineal relatives who have financial difficulties due to serious illnesses or accidental injuries. The Group has designated Thanksgiving Day as the donation day of SUNAC on which employees make donations for colleagues and pass warmth in need of financial help;

(iii) The Group has established the "SUNAC Club" with an aim to set up a platform for employees to display their interests and hobbies, organize sports events and hold festivals and health parties, and thus give them a sense of enrichment created by work-life balance;

In 2019, the Group was awarded the "Best Employer in Respect of Corporate Welfare（最佳企業福利僱主）" for two consecutive years.

## EQUAL AND MUTUAL-TRUST WORK ENVIRONMENT

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

(i) **Comprehensive information release channels:** Employees can learn about the Company's business developments, important events and notifications at any time through the Group's website, instant communication tools and company e-mails;

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

(iii) **Considerate employee relations specialist:** The Group has opened a dedicated staff communication channel, specifically designated the head of employee relations in the HR Department and encouraged employees to give comments and suggestions;

(iv) **Objective employee satisfaction survey:** Through third parties, the Group has conducted employee satisfaction surveys in the form of questionnaires or interviews, and consulted employees on business, management and other aspects.

## HEALTH AND SAFETY

The Group attaches great importance to the occupational safety of its employees, strictly monitors and manages the health and safety hazards in workplaces; also, the Group has established strict safety regulations. In addition, the Group organizes a free health examination for all staff members every year.

### THE OFFICE AREA

The Group requires employees to know all kinds of safety labels in the office area, be familiar with all the emergency exits and evacuation routes, and properly maintain various types of safety equipment in the Group, including the fire-fighting facilities, and not to remove or possess such equipment and facilities casually.

To deal with sudden calamity and work injury, etc. in the office area, the Group has compiled the corresponding emergency measures, and requires employees to understand such emergency measures and handling procedures. If any unsafe condition has occurred, employees should report to the direct senior officer-in-charge and implement corresponding procedures immediately. Meantime, the Group provides ergonomically designed tables and chairs in the office area, and adopts suitable interior design to provide employees with bright and soft indoor light. To ensure a healthy work environment, the Company will carry out cleaning service to air-conditioning systems on a regular basis, and clean and disinfect carpets periodically, thus creating a healthy and comfortable office environment from multiple perspectives for employees.

### PROPERTY DEVELOPMENT

The Group attaches great importance to safe production, strictly abides by relevant laws and regulations such as the "Administrative Regulations on the Work Safety of Construction Projects (建設工程安全生產管理條例) and the Standards for Construction Safety Inspection（建築施工安全檢查標準）", and has accordingly formulated the "Safety Management Standards of Sunac Group (融創集團安全管理標準)". The Group has established a defined and sound organizational structure for safety management, and arranged professional management personnel with clarified management responsibilities and work content on safety production at all levels. At the same time, the Group requires and supervises the compliance with relevant requirements on safe production for the project development and the building contractors.

(i) Based on meeting requirements of relevant laws and regulations, the Group has further clarified the safety management standards for the project development and the building contractors, and defined detailed management requirements. The Group requires them to formulate proper safety management plans, faithfully implement safety regulations and operating procedures and strictly avoid inappropriate operations and risky commands, so as to ensure the safety of operations. The Group has taken measures to ensure construction safety, including carrying out safety education and training, providing qualified labor protection equipment, ensuring the safety performance of equipment, organizing emergency drills and formulating emergency contact lists with local emergency authorities;

(ii) The Group has strengthened the implementation of safety emergency plans and organized emergency drills to improve accident prevention and emergency response capabilities, thus ensuring the production safety and sound operation of the Group;

(iii) The Group organizes several education and trainings on safety and first-aid knowledge, and carries out "Engineering Lecture (工程大講堂)" online training, providing convenient trainings and safety knowledge for all employees;

(iv) The Group provides employees with qualified protection equipment including working clothes, safety helmets and labor protection shoes;

(v) In order to promote safety management, the Group invites independent third party testing agencies to conduct surprise inspections of projects under construction at all stages in line with the policy "three no and two direct (三不兩直)" of "no prior notice", "no prior notification", "no reception", "direct access to production sites" and "direct identification and rectification of problems".

### PROPERTY MANAGEMENT

The Group screens occupational health risks for employees in the course of property management. Based on results of such screens, the Group has formulated corresponding management measures for high-risk operations such as work high above the ground, fire work and work within confined space. For high-risk operations such as mechanical and electrical operators and maintenance personnel of large equipment, the Group carries out trainings on safety operation, requires personnel in special positions to obtain relevant certificates, and provides corresponding personal protection equipment according to the corresponding risks related to their positions and regular occupational health examination for employees.

## DEVELOPMENT AND TRAININGS

The Group provides posts that promote the personal growth of employees based on their work experience, professional direction and personal expectations for career development. The Group focuses on growing together with employees, and providing smooth dual-channel career development and comprehensive and multi-level trainings. The Group promotes and supports the full development of employees, and continuously improves the internal development capacities of the organization. In 2019, the Group has further developed the SUNAC Academy (融創學院) to provide employees with high-quality and diversified trainings. In 2019, the Group established the Marketing Military Academy (營銷軍校) to provide professional assistance for the growth of marketing employees. With a view to providing better support for the growth of employees and the Group, the Group continues to improve its online course platform which provides employees with more flexible and diversified training methods and scenarios.

In 2019, the number of Group's participants of on-site trainings was approximately 380,000 person-time. In order to effectively enhance the overall quality of the Company's talent, the Group has carried out centralized trainings according to the real conditions of various employees, such as:

(i) **Creators' cultivation:** For the campus recruited employees, the Group promotes their rapid growth through senior management's exchanges, mentors' career development guidance, skillful workers' business guidance, predecessors' Baton Plan (接力棒計劃), business course trainings, and challenging task trainings;

(ii) **New employee training:** Provides new employees with training information about the Group's strategy, culture, products, business operations, and system requirements, assists new employees in adapting to the working environment quickly, enhances their professional skills, and deepens their understanding of the Group's culture and systems;

(iii) **Professional training:** In order to make it easier for employees to adapt to their job functions and development requirements of the Group, the Group has conducted various forms of internal and external trainings and enhanced the professional capabilities of employees;

(iv) **Leadership training:** The Group regularly organizes systematic management trainings and senior management's teaching and exchange activities to enhance management personnel's control on the management process, improve their strategic planning capabilities, and deepen their understanding of the practical work;

(v) **Training for reserve talent:** The Group organizes high-level case studies, strategic analysis, management research and corporate cultural exchanges for core talents on a regular basis. All training courses are taught by the Chairman, presidents and vice presidents to improve the understanding of corporate strategies and expand management horizons and thinking, thereby enhancing the construction of corporate culture.

The Group also provides employees with a lot of online learning opportunities. In 2019, the Group has provided a total of 2,162 courses and 7,709 sets of training materials through its online platform to encourage employees to learn independently.

## LABOR STANDARDS

The Group has strictly complied with laws on prohibition of child and forced labor, and implemented stringent internal recruitment management system to prohibit the employment of child labor and forced labor for all operations. During the recruitment process, the Group accurately verifies the identity of candidates to avoid fraudulent use of identity information. The Group did not identify any employment of child labor and forced labor in 2019.

## SUPPLY CHAIN MANAGEMENT

The Group actively cooperates with suppliers and maintains a sustainable supply chain to facilitate their compliance with the Group's standards on business ethics, environment, health and safety. The Group has been consistently adhering to the principles of fairness, transparency and impartiality in tenders and procurements, and formulated rules and systems to ensure the traceability of choice, management and assessment of suppliers, and promoted suppliers to comply with relevant laws and regulations on environmental protection, occupational health and safety. For cooperation with key suppliers, the Group conducts on-site reviews on suppliers, including on product quality, production capacity and working environment of employees. In addition, the Group also pays attention to the use of green products, and will preferentially select suppliers that provide environment-friendly products in the process of procurement.

For daily management of suppliers, the Group emphasizes two-party communication, including regular communication, mutual visits by senior management on non-regular basis, and exchange on project technologies, etc., to safeguard the stable and sustainable development of the Group's relationship with its suppliers. At the same time, both parties shall sign the "Anti-corruption Agreement (廉潔協議)" as a prerequisite to the Contract on Supply of Goods of the project to ensure the compliance with integrity, self-discipline, as well as compliance with law and disciplinary requirements of supplier and employees during goods delivery.

## PRODUCT RESPONSIBILITY

The Group has attached great importance to providing customers with high-quality products and services, and on this basis, it has continued to improve relevant capabilities. During the entire production and service cycle of projects, the Group strictly controls product liability according to relevant laws and regulations such as the "Urban Real Estate Administration Law of the People's Republic of China (中華人民共和國城市房地產管理法)" and the "Advertising Law of the People's Republic of China (中華人民共和國廣告法)", and strives to provide high-quality products and services, while avoiding advertising with material misrepresentation.

### SUNAC INTELLIGENT MANUFACTURING (融創智造)

In 2019, the Group has fully upgraded the engineering management software "Digital Engineering (數字工程)" to "Sunac Intelligent Manufacturing (融創智造)". Based on its original functions, the engineering management software has further improved the on-site management segment to support internal on-site control and management which includes 19 modules such as acceptance related work (process acceptance, material acceptance and safety acceptance), inspection related work (quality inspection, safety inspection, and special inspection), management related work (management signboard, image and progress, and notification and notice) and special work (epidemic prevention and control). By virtue of the monitoring and management covering the whole process of product construction, the Sunac Intelligent Manufacturing continuously improves the refined and intelligent management capabilities of the Group, gradually forms an online digital engineering management system, and replaces traditional communication modes such as offline paper operations. By solidifying management actions and quality standards with software, the Sunac Intelligent Manufacturing achieves efficient communication and an effective closed loop, forming a full-dimensional product construction management tool based on point acceptance.

### CONSTRUCTION PRODUCTS QUALITY

In order to guarantee the quality of construction products, the Group has formulated the "Quality Internal Control System (質量內控體系)" that meets or exceeds the national quality standards and specifications, including more than 1,500 sub-items of eight categories related to the quality of civil engineering projects and the assessment of project risk sources, including raw material selection, infrastructure construction, decoration and other aspects, to ensure excellent product quality.

### QUALITY CONTROL

The Group requests building contractors to carry out the construction activities strictly in accordance with the contract requirements and relevant standards and specifications, and has set up an internal self-inspection system. The Group's projects/engineering management departments at all levels conduct regular inspections on all construction projects of the Group. Meanwhile, in order to ensure project quality, the Group invited independent third party testing agencies to conduct regular/irregular process inspections and evaluations on projects during construction in terms of the actual measurement, quality risk, leakage risk and implementation of standard management actions. In addition, the Group conducted delivery evaluations on interior decoration, public areas, facades of product, garden landscape, mechanical, electrical and fire protection facilities, elevators, and intelligence equipment prior the delivery of products. In 2019, the Group further enhanced its requirements on product quality inspection. The process inspection added a teardown inspection of leakage risks in related hidden processes, while based on customers' concerns, the delivery inspection added special testing to relevant functions, thus further ensuring the high quality of products.

In 2019, the Group deepened the "Inspection Policy for Engineering Materials (工程材料檢查制度)", which further clarified the requirements for engineering materials inspection and relevant punishment policies for non-conformities. In order to avoid the entry of counterfeit or inferior engineering materials into project sites and mismatch of goods, the Group carried out spot inspections on engineering materials for its projects to ensure that the quality of engineering materials meets relevant requirements. The Group refined the "Grading List for Material Categories and Technical Specifications (材料品類及技術指標分級表)" which provided 4,804 technical specifications for 128 categories and 305 types of common materials used on construction sites, and standardized the materials management methods.

## PRODUCT INNOVATION

The Group launched a series of Chinese-style products which adopted Chinese architecture styles with innovations to make a better representation of traditional lifestyles.

In 2019, Shanghai Taohuayuan was honored the "2019 TOP10 Chinese residential works (2019中國住宅十大作品)" and Mansion series product was honored "Top 10 Light Luxury Boutique Products (輕奢精品產品系TOP10)" by CRIC and launched new products such as the Yasong series (雅頌系), Shanshui series (山水系), and Chenyuan series (宸院系).

**Yasong series (雅頌系)**: It is a product series with styles of the Song Dynasty, and another master work after the Taohuayuan series. The Yasong series originates from the most prominent aesthetics styles of the Song Dynasty, and is based on the art aesthetics at that time. It inherits and translates the architectural techniques of the Song Dynasty to integrate the life style of Chinese literati and officialdom, and creates an elegant and poetic life scene with organized etiquette, innovative forms, spiritual space, exquisite structure and decent living culture.

Chongqing Changle Yasong

**Shanshui series (山水系)**: Riding on the trend of "Shanshui Renaissance", the Shanshui series sophisticatedly the humanistic and minimalist aesthetics in architectural arts. The authentic building fully restored the Buddhist concept and form from mountains and waters, and is committed to create a century collection with Chinese spirit, modern style and appearance of Jiangnan.

Suzhou Shanshui Yuelanting

**Chenyuan series (宸院系)**: The Chinese character "宸" originally means a building, and refers to the North Star in the descendant generations. The North Star guides the direction towards the North, and also the Chinese tradition of saluting to dreams and restoring original hearts. Courtyard (院) is a basic layout of traditional Chinese architecture as well as a familiar living form of Chinese people. An individual follows its heart by whether pursuing great expectations for government posts or enjoying the mountains and forests at ease, and would not feel being criticized or arrogant, which is also the essence of the Chenyuan series. The Chenyuan series is developed for restoring real life scenes with three courtyards, namely the planning courtyard, the community courtyard and the residential courtyard, bringing back the real meaning of courtyard and bearing the residents' dream for life.

Kaifeng Chenyuan

## PROPERTY SERVICE QUALITY

Sunac Property Management Service Group Co., Ltd., a subsidiary of the Group, with Level I qualification of property management, is the standing council unit of the China Property Management Institute. With the service vision of "commitment to excellence and beauty (至善，致美)", it is committed to becoming the first choice of Chinese families as a "quality life service expert". It adheres to the core principle of serving customers and continuously creates a better life. In 2019, Sunac Service Group won the awards of "2019 China Top 3 Leading Brand Enterprises in Terms of Quality Property Service (2019中國物業品質服務領先品牌企業TOP3)" and "2019 China Leading Brand Enterprises in Terms of Specialized Operation of Property Service (2019中國物業服務專業化運營領先品牌企業)".

Sunac Service Group continuously carries out innovation and makes breakthroughs. It considers the provision of services that exceed the industry standard in details. Sunac Service Group adheres to the strategies of being deeply engaged in regions and high-quality service development. It strives to build a service model for each city, and devotes itself to building China's leading brand in terms of all forms of property services, with ingenuity and a high-quality service strategy.

Sunac Service Group and its management projects are based on a standardized and comprehensive property management system. It passed SGS quality management system certification. It focuses on serving Sunac high-end residential quarters, and with the internationalized and scientific management philosophy, it has established a high-quality and professional service team to provide customers with better-than-expected quality services and led a good place for living of the city.

## CUSTOMER COMMUNICATION AND INFORMATION PROTECTION

The Group attaches great importance to the opinions and suggestions of customers. It has established a complaint and report handling mechanism and set up "400" service hotlines, complaint mailboxes, official accounts etc., to collect and follow up the opinions and suggestions of customers. In addition, the Group has cooperated with third-party institutions to carry out regular customer satisfaction surveys and continuously improve work according to customer feedback.

With regard to the protection of customer privacy information, the Group has formulated strict customer information confidentiality measures and appointed confidentiality management specialists to carry out confidential management of items involving personal privacy information including customer identity and telephone numbers, so as to ensure that the key customer information will be hidden after being recorded in the system. The privilege to search for and use customer information is also strictly managed. The Group regularly checks the implementation of the customer information confidentiality system to ensure that relevant measures are effectively implemented and comply with laws and regulations.

## PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

The Group attaches great importance to the protection of intellectual property rights, ensures the quality of products and services, and maintains the corporate reputation. It has established a sound management system for intellectual property rights. The legal affairs center manages the intellectual property rights matters in daily business operations.

Protection of intellectual property rights includes but not limited to the following:

(i) Timely applying for trademarks and other intellectual property rights to ensure effective legal protection;

(ii) Regularly monitoring trademarks similar to "融創" and "SUNAC" and taking measures including raising objections, applying for invalidation or cancellation of similar trademarks;

(iii) Organizing and coordinating all business departments to collect evidences of use and safeguard the trademark rights of the Group if other persons raise an objection to or apply for cancellation of the trademark of the Group;

(iv) Establishing a normal mechanism for trademark protection to conduct centralized investigation of trademark infringement and unfair competition. With regard to a suspected infringement case, the Group will negotiate with the infringer, report to the administrative department for industry and commerce for investigation and treatment and/or file a lawsuit, etc., to protect the legitimate rights and interests of the Group.

## ANTI-CORRUPTION

The Group complies with national and regional laws and regulations as well as internal norms including the "Internal Audit System (內部審計制度)" and the "Audit and Punishment Management System (審計處罰管理制度)" in its operations, adopts a zero-tolerance attitude towards corruption and fraud, prohibits any form of bribery, extortion, fraud and money laundering, and requires all employees to comply with laws and regulations and adhere to the principle of good faith and morality in daily business:

### PRINCIPLES OF INTEGRITY AND MORALITY

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

(ii) Provision of false or intentionally misleading information to the Company internally or externally is forbidden, the information disclosure system of the Company should be strictly complied with.

### GIFTS AND ENTERTAINMENT

(i) Employees and their family members are prohibited from accepting or giving gifts and entertainment that may affect their business decisions and independent judgment, or receiving cash or cash equivalent gifts;

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

### STAKEHOLDERS

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

(ii) Employees should respect partners. Any infringement against legitimate interest of the partners is strictly prohibited.

The Group joined the China Enterprise Anti-Fraud Alliance in 2016, and has actively participated in anti-fraud work communication. In 2019, the Group revised the "Employee Integrity Agreement (員工廉潔協議)" and organized all employees to sign and confirm the agreement, so as to strengthen anti-corruption management of employees. The Group regularly conducts anti-fraud training of employees in order to establish the value of integrity. In 2019, the Group carried out 186 training sessions on integrity culture and integrity examinations to enhance the training effect.

The Group encourages employees to report illegal, non-compliant and dishonest behavior in the Group, and protects whistle-blowers. The audit and supervision center of the Group is responsible for receiving reports on fraud. There are special posts to collect and process the reported information, and report directly to the department head. In 2019, the Group upgraded its reporting management information system and updated the "Audit and Punishment Management System (審計處罰管理制度)" to strengthen the hierarchic management of authority, control the scope of the knowers, strictly keep reported content confidential, protect whistle-blowers, and punish employees who threaten and retaliate against whistle-blowers.

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

## COMMUNITY INVESTMENT

While providing Chinese families with a good life style, the Group has implemented the development philosophy of "social citizen for better lifestyle". It has actively undertaken social responsibilities, and established Sunac Foundation, which focuses on the three major fields, namely education support, rural revitalization and architectural heritage conservation. Sunac Foundation continuously promoted the implementation of public welfare projects and has jointly participated in public welfare actions together with employees, residents, professionals and partners, and promoted the innovative development of public welfare undertakings, and established a long-term public welfare charity mechanism.

During the Reporting Period, the Group donated approximately RMB1.5 billion in poverty alleviation, education and environmental protection.

## SAPLINGS CHARITY PROGRAM

In order to help balance education in urban and rural areas and promote the comprehensive development of children in poor areas, since 2015, the Group has partnered with 56 rural schools in 17 provinces across China and supported the construction of 1 primary school of love in Daliang Mountain, Sichuan. In addition to continuous investment in the construction of hardware facilities and donation of the Love Book Houses, the Group has created the student aid and education support model "one-in + one-out + comprehensive visit (一進+一出+全面探訪)", in consideration of its cultural and tourism resources, thus providing diversified support to more than 10 thousand children in poor areas in a deep, long-term and sustainable manner.

In 2019, the Saplings Charity Program was comprehensively upgraded. With a travel of 2.139 million km, approximately 750 Sunac volunteers carried out the Saplings Charity Program in 44 schools of 17 provinces. Through contents including "Good Topics (益課題)", "Good Movies (益觀影)" and "Good Labor (益勞動)", they spent a fun, fruitful and happy summer with the children, and opened up their horizons and planted a seed in their hearts to discover a wonderful world.



## RURAL REVITALIZATION PROGRAM

"Rural Revitalization Program" is a comprehensive poverty alleviation program that integrates cultural tourism focuses, industry promotion, cultural activation, educational assistance, etc. In active response to the national call, the Group has given full play to its industrial advantages. Subject to respecting the original features of villages, it has comprehensively built villages with cultural characteristics, stimulated the endogenous motivation of villagers, and driven villagers to get rid of poverty. It has established a sustainable development model and created a beautiful lifestyle of urban-rural integration and a model for rural revitalization.

As early as August 2018, the Group cooperated with the People's Government of Leishan County of Guizhou Province and the YouChange China Social Entrepreneur Foundation in providing support for Longtang Village, Leishan County. Through a series of measures including industrial support, poverty alleviation through consumption, community construction and educational assistance, Longtang Village has basically lifted itself out of poverty in 2019, with the revenue of the villagers cooperatives exceeding RMB2 million. In the future, the Group will make full use of its advantages in the cultural and tourism industry to promote the cultural and tourism development in Longtang Village, bringing sustainable development momentum to the village and helping create a "Longtang Sample" for rural revitalization.

In addition to Longtang Village in Guizhou, in 2019, the Group supported and focused on participation in targeted poverty alleviation for 21 poor villages of 13 provinces including Wanzhuang Village in Yan`an, Shaanxi, Hongwei Village in Xishuangbanna, Yunnan, and Paigang Village in Hainan.

## SHANZHU CHINA (善築中國) PROGRAM

Making the best Chinese products to realize the dwelling ideal of Chinese people represents the Group's product strategy and its active assumption of social responsibilities.

The Classical Gardens of Suzhou, as a model of oriental gardening art, originated from the Eastern Jin Dynasty and flourished in the Ming and Qing Dynasties. They condensed the Chinese people's aesthetic understanding, emotional sustenance and ingenious pursuit of nature, architecture and lifestyle for thousands of years. Over the years, through the construction of Chinese-style projects such as Taohuayuan, the Group has cooperated with the Xiangshan group of "national craftsmen" of intangible cultural heritage, to study ancient garden architecture systems. While accumulating substantial processes and techniques on traditional Chinese-style architecture, the Group has actively undertaken the responsibility and obligation to protect and repair historic architectural heritage.

In July 2019, the signing ceremony for Sunac special fund for the protection of ancient buildings – Tiger Hill Communal Garden (虎丘塔影園) Project was held in Tiger Hill Scenic Area (蘇州虎丘山風景名勝區) in Suzhou. The Group has cooperated with the Management Office of the Tiger Hill Scenic Area and the China Foundation for Cultural Heritage Conservation and has actively participated in the protection and development plan of Tiger Hill Communal Garden, an outstanding representative of the Classical Gardens of Suzhou, through the establishment of a garden innovation research institute, digital preservation and restoration, craftsmanship training, garden culture inheritance and promotion, etc.

Through the project, the Group has given full play to its own research and development strength and experience in Chinese-style products. The Group further understood the essence of the Classical Gardens of Suzhou, deeply learned from and drawn on the "Suzhou experience" of garden protection. It has recreated the past scenery of the Communal Garden and made positive contributions to the inheritance of traditional garden techniques and the cultivation of craftsmen. It has led cultural and value recognition of the Classical Gardens of Suzhou and Chinese-style buildings in the society. It has found a new carrier for Chinese traditional gardens.


## SUNAC VOLUNTEER ALLIANCE

Many a little makes a mickle; dedication of love for a good life. In May 2019, Sunac Volunteer Alliance was officially established to integrate public welfare projects and resources, gather the love and strength of Sunac employees, residents and good-hearted people, enabling them to participate in public welfare actions and volunteer services, thus promoting the construction of a harmonious society.

The Group attaches great importance to public welfare innovation and focuses on the integration of the advantages of resource platforms, to gather all social forces for building a "public welfare community". Launched in 2019, the "Sunac Public Welfare" sharing platform provides Sunac employees, residents and warm-hearted people with more convenient methods for participation in public welfare activities as well as open and sharing public welfare interaction experience, through online and onsite participation channels. At the end of 2019, the platform had a total of more than 60 thousand registered users, launching approximately 100 public welfare activities in 45 cities in 23 provinces. We have truly gathered the strength of love from the warm-hearted people and enable more and more people to "participate in public welfare activities readily", conveniently, at any time and place.



## HARMONIOUS COMMUNITY

With the continuous expansion of the scope of services and the population, the Group has also continuously strived and tried to provide residents with a higher quality of life. In 2019, the Group actively carried out community cultural activities and improved both the content and form of the activities. Relying on rich cultural and tourism resources, the Group diversified the types of activities, thus greatly enhancing the participants' experience. We focused on activities including the Walking Future (健走未來), Shell Program (果殼計劃), Neighbourhood Program (鄰里計劃), and Spring Festival Gala for residents (業主春晚), to increase the participation of residents in all age groups and make all of them happy.

**Walking Future**

In "Walking Future", we invited families of residents to participate in nationwide fitness campaigns including jogging and shining run, to create a healthy and sunny community culture of Sunac. Walking Future is closely linked to public welfare activities. In 2019, Walking Future covered 19 cities, with the participation of approximately 40 thousand groups of residents and the total number of steps exceeding 40 million. Meanwhile, during the year, Walking Future was upgraded to "Cultural and Tourism Run" of "Set Out for Happiness" in the 7 major cultural and tourism cities, in order to create happy feasts in the most fashionable and excited form with different themes, and to interpret a new way of healthy life with sports. It set off a wave of fitness throughout the country.



**Shell Program**

The "Shell Program" is a series of branded activities organized by the Group specifically for children of residents, that promote family interactions and care for healthy physical and mental growth of children, and is an important component of Sunac's community culture. The Shell Program is organized every summer, including, among others, children's oil painting interest-oriented classes, children's health and safety lectures, swimming training classes, children's second classroom and children's fun sports game, which held large parties for "exploring the unknown and the dream of children (探索未知、童夢奇緣)" for nearly 10,000 children of residents of the Group in China. During winter vacation, the "Fruit Exploration Camp (探果營地)" held in Sunac Cultural and Tourism in Harbin created a wonderful fairy tale journey for children.

**Neighbourhood Program**

The "Neighbourhood Program" is designed to build up friendship in the neighbourhood and create a happy and harmonious community culture of Sunac through diverse activities in various project communities.

In 2019, according to the advantageous resources and regional characteristics of each city, organizations of the Group in different regions held special activities tailored to the needs of the residents, including community reunion dinner, the residents' movie day, colorful fruit market, free health examination for middle-aged and elderly residents, autumn garden picking, etc., so as to help the residents regain their long-lost "neighborhood friendship" and build a pleasant neighborhood atmosphere in the community through a series of warm activities, so that the neighbors can become close fellows, considerate friends and closest relatives. Such activities promote neighborhood relations, help build a harmonious community of neighborliness, and the atmosphere of "we are friends and family members".


**Spring Festival Gala for Residents**

"Spring Festival Gala for Residents" is an annual family reunion, a reunion of bosom friends from all over the world, and a joyous agreement to keep the beauty going.

In 2019, the Spring Festival Gala for Residents with the theme of "start from the heart and build a better future together" provided a unique new year's celebration and unforgettable memories for the residents in China after careful preparation. In order to present a higher level of audio-visual and get-together experience, the Group started a new "residents' talent show" in August, and received enthusiastic responses from tens of thousands of residents as well as 123 program submissions, with the participation of more than 500 residents. In the end, Sunac residents from different cities across China gathered in Wuxi Sunac Cultural and Tourism City to show their talents, share happiness and jointly welcome a beautiful New Year. With the philosophy of "having a family, a life, and a bosom friend", Sunac warmed the hearts of the residents once again with its high-quality, professional and considerate services.


## FIGHT AGAINST THE OUTBREAK OF COVID-19

In the face of the sudden outbreak of COVID-19, the Group has made proper preparation to take active measures for active prevention and control. All business lines have responded positively to national policies for outbreak prevention and emergency response. The Group has established the leadership group to take charge of outbreak prevention and control by gathering strength and integrating resources. In the aspects of protection of the health and safety of employees, protection of customer safety and social assistance, the Group is committed to fighting against the epidemic together with the society to overcome difficulties.

### PROTECTION OF THE HEALTH AND SAFETY OF EMPLOYEES

The Group regards employees as the most precious asset and considers the protection of employees' health and safety as the most basic responsibility. The Group has effectively protected employees' health and life safety according to the situation, of epidemic, and prevention and control requirements of local authorities. The Group has carried out a number of measures to protect employees' health and safety, mainly including the following:

(i) The Group has responded to the relevant national policies, extending employees' holidays and carrying out telecommuting;

(ii) All business lines of the Group have established an outbreak prevention leadership group before resumption of work, so as to coordinate and organize outbreak prevention and health checkup, and check the health status of employees individually;

(iii) The Group has adopted the mode of resuming work in batches and has continued to implement the mechanism of daily feedback on the health status of all employees after the resumption of work. The Group has also formulated a plan for outbreak monitoring and emergency response;

(iv) The Group has purchased and stored important materials for outbreak prevention, such as masks, body temperature guns, antibacterial hand sanitizers, disinfectant alcohol, disinfectant and medical gloves;

(v) The Group has regularly distributed masks to all employees in office buildings and other workplaces, taken the body temperature of employees before employees enter the workplace, and focused on disinfection for areas filled with people. The Group has set up waste mask recycling areas and emergency isolation rooms. Furthermore, the Group has reduced cross-contact of fingerprints by using card swiping or face recognition technology for attendance and entrance guard, and suspended activities that gather many people;

(vi) The Group has carried out publicity and education on outbreak prevention knowledge.

### PROTECTION OF CUSTOMER SAFETY

Comprehensive protection for a good meeting. During the outbreak, the Group has made every effort to ensure the health and safety of its customers. It has set up and opened the "Worry-free Sales Office", and has taken thoughtful measures to protect the safety of customers and provide them with a safe, worry-free and comfortable environment of viewing property:

(i) Through online communication, the Group understands the health status of each customer in advance, controls the number of appointments during the viewing, and ensures that there are not many visitors at the same time. The Group carries out high-frequency disinfection for its sales offices, reserves sufficient medical protection materials, and makes considerate emergency plans for emergencies;

(ii) During the service, the Group reduces the customers' touch of elevator buttons, promotional materials and other areas that are frequently touched. The Group's consultants will disinfect their hands before and after receiving customers, wear masks and gloves during the reception and service process, and keep a distance of at least 1 meter from customers;

(iii) After the viewing property, the Group cleans and disinfects the furniture and articles used by the visitors in a timely manner, and properly disposes of masks and disinfecting wipes. Meanwhile, the Group pays a return visit to visitors, so as to confirm their health status and check whether the service satisfies them;

(iv) For customers who are not convenient to participate in on-site service, the Group provides 24-hour on-line showing service to make the showing more flexible and convenient for customers.

In terms of providing residents with a safe life guarantee, the Group has set up a "three prevention system" for group level defense, community epidemic prevention, and living security to build a "security lines of defense", the main measures include:

(i) The Group provides entrance guards check, records the information of vehicles entering and takes the body temperature of persons 24 hours a day, strengthens the central control system and community patrol, and comprehensively monitors the health status of the community;

(ii) In order to cope with the inconvenience caused by the isolation to the residents, online "contactless" warm-hearted services including sending a parcel, taking delivery of food, disposing of garbage, buying vegetable and fruits are provided to solve the "last one hundred meters" difficulty of the residents in relation to community goods and materials;

(iii) The Group has introduced medical resources and cooperated with several online free diagnosis platforms, to provide 24/7 online free diagnosis services for residents, caring for the health of the residents;

(iv) The property management organization strictly controls the disinfection, and carries out comprehensive disinfection in the community, leaving no blind spots in community to ensure community safety.


## SOCIAL ASSISTANCE

The outbreak is merciless but there is love in the world. In order to help Wuhan fight against COVID-19 and play a leading role among industry to practice social responsibility, the Group has taken the lead in making a donation of RMB110 million for the purchase of urgently needed materials including masks, protective clothing, disinfectant, goggles and medical supplies, and has provided help to frontline medical workers and patients in outbreak prevention and control areas.

In order to practically support the fight against the epidemic and assure medical workers fighting against the epidemic and alleviate their worries, the Group launched a special recruitment plan for the children of "Anti-epidemic Angels" across China, which gives them priority in terms of interview and employment opportunities under the same conditions. The Group launched a special care service plan for frontline medical workers in Hubei, providing four major guarantees: care for community life, humanistic care for family, care for happy travel, and care for housing purchase (housing purchase discount). In addition, during the difficult epidemic period, the Group has waived the rent payable for the stores in commercial projects operated in the cultural and tourism city, for the period from 25 January 2020 to 29 February 2020, and has provided frontline medical workers who support the fight against the epidemic in Hubei, with free admission to park, snow world, water world and other projects, and transformed the exhibition halls in Wuhan International Expo Center into a shelter hospital with more than 1,000 beds.

The shadow of the epidemic will eventually disappear. During the difficult period, the Group is willing to stand with the society, continuously spread the harmony and warmth, overcome difficulties with practical actions, and make joint efforts "for a better life". A bright future is expected after overcoming the difficulties.

# INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

## Opinion

### WHAT WE HAVE AUDITED

The consolidated financial statements of Sunac China Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 108 to 232, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

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

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

### INDEPENDENCE

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

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong*
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

## Key Audit Matters

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

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

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

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Assessment of net realisable value of properties under development and completed properties held for sale** | |
| Refer to note 2.15 of accounting policy of properties under development, note 2.16 of accounting policy of completed properties held for sale, note 6(C) of critical accounting estimates and judgements, note 15 of properties under development and note 16 of completed properties held for sale to the consolidated financial statements.<br><br>At 31 December 2019, properties under development ("PUD") and completed properties held for sale ("PHS") totalled RMB481,973 million and accounted for approximately 50% of the Group's total assets. PUD and PHS are stated at the lower of cost and net realisable value with accumulated provision of losses on realisable value amounted to RMB2,008 million as at 31 December 2019.<br><br>We identified the net realisable value assessment of the Group's PUD and PHS as a key audit matter because the determination of net realisable values of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD. | We have performed the following procedures to address this key audit matter:<br><br>• We understood, evaluated and tested the internal control over the Group's process in determining the costs to completion of PUD;<br><br>• We compared the actual selling price in current year of relevant PUD and PHS, on a sample basis, against the result of management's net realisable value assessment made in the prior year to consider, with hindsight, whether management's net realisable value assessment estimation process had been subject to management bias;<br><br>• We obtained management's net realisable value assessment on PUD and PHS and performed the following audit procedures:<br><br>(i) Estimated selling price which is based on the prevailing market conditions, we compared the estimated selling price, on a sample basis, to the recent market transactions by making reference to the Group's selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar type, size and location; |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Assessment of net realisable value of properties under development and completed properties held for sale (continued)** | |
| | (ii) Estimated variable selling expenses as a percentage of the related estimated selling price of the properties, we compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent year; and<br>(iii) Estimated costs to completion for PUD, we reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the signed construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group.<br><br>We found the data used and the key estimations adopted by management were consistent with the evidence we obtained. |
| **Valuation of investment properties** | |
| Refer to note 2.8 of accounting policy of investment properties, note 6(D) of critical accounting estimates and judgements and note 9 of investment properties to the consolidated financial statements.<br><br>As at 31 December 2019, the Group's investment properties were measured at fair value of RMB26,845 million, with fair value gains of RMB1,235 million recorded in the consolidated statement of comprehensive income for the year then ended. The Group's investment property portfolio comprises completed properties and properties under development in mainland China. | We have performed the following procedures to address this key audit matter:<br><br>• We evaluated the independent external valuers' competence, capabilities and objectivity;<br>• We involved our in-house valuation experts to assess the appropriateness of the valuation models adopted, and to challenge the reasonableness of the key inputs and assumptions by comparing the capitalisation rates and discount rates to comparable market transactions for similar properties, and comparing the developer's profit rates to historical records based on relevant market data where appropriate; |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Valuation of investment properties (continued)** | |
| The valuation techniques mainly include income capitalisation approach, discounted cash flow approach and residual approach based on the operation model and construction status of each property. The inputs adopted mainly include market rental prices, profit rates, capitalisation rates and discount rates. Furthermore, residual approach also involves inputs of developer's profit rates and estimated costs to completion.<br><br>Independent valuers were engaged by the Group for the whole property portfolio in order to support management's estimates.<br><br>We identified the valuation of investment properties as a key audit matter because the valuation of investment properties involved significant judgements and estimates, which mainly included the determination of valuation techniques and the selection of inputs accordingly. | • We checked and tested, on a sample basis, the accuracy and relevance of the input data used, including the market rental prices and profit rate, by comparing with the current rental contracts of the Group and market data of comparable properties. For the estimated costs to completion, we checked to the construction budget approved by management and examined, on a sample basis, the signed construction contracts or compared the anticipated completion costs to the actual costs of historical information of similar properties of the Group; and<br><br>• We also checked the mathematical accuracy of the valuation calculations and the underlying data used in the calculations.<br><br>We found that the data used and key assumptions in the valuations were supported by the available evidence. |

## Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**PricewaterhouseCoopers**
Certified Public Accountants

Hong Kong, 26 March 2020

# CONSOLIDATED BALANCE SHEET

| | Note | As at 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | **70,101,779** | 49,224,305 |
| Investment properties | 9 | **26,845,510** | 16,195,739 |
| Right-of-use assets | 10 | **14,918,041** | — |
| Intangible assets | 11 | **7,667,411** | — |
| Land use rights and intangible assets | 11 | **—** | 16,020,807 |
| Deferred tax assets | 13 | **8,585,312** | 2,984,740 |
| Investments accounted for using the equity method | 12 | **88,994,292** | 65,496,826 |
| Financial assets at fair value through profit or loss | 14 | **15,588,783** | 9,872,592 |
| Receivables | 17 | **48,000** | 558,000 |
| Prepayments | 18 | **3,018,098** | 2,276,912 |
| Derivative financial instruments | 28 | **31,629** | 125,817 |
| Amounts due from related companies | 45(D) | **170,000** | 666,452 |
| | | **235,968,855** | 163,422,190 |
| **Current assets** | | | |
| Properties under development | 15 | **426,783,378** | 291,913,575 |
| Completed properties held for sale | 16 | **55,189,210** | 47,336,265 |
| Inventories | | **490,307** | 14,967 |
| Trade and other receivables | 17 | **47,154,324** | 27,392,266 |
| Contract assets | 7 | **2,059,897** | 932,328 |
| Derivative financial instruments | 28 | **—** | 153,507 |
| Amounts due from related companies | 45(D) | **40,688,593** | 48,299,169 |
| Prepayments | 18 | **14,662,840** | 10,414,376 |
| Prepaid income tax | | **7,320,149** | 6,449,795 |
| Restricted cash | 19 | **47,787,028** | 44,017,011 |
| Cash and cash equivalents | 20 | **77,943,661** | 76,181,041 |
| Assets classified as held for sale | 21 | **4,401,000** | — |
| Financial assets at fair value through profit or loss | 14 | **200,000** | 133,500 |
| | | **724,680,387** | 553,237,800 |
| **Total assets** | | **960,649,242** | 716,659,990 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 22 | **382,339** | 378,421 |
| Other reserves | 24 | **17,510,617** | 14,259,603 |
| Retained earnings | | **65,180,292** | 42,198,205 |
| | | **83,073,248** | 56,836,229 |
| Perpetual capital securities | 25 | **2,789,505** | 5,526,772 |
| Other non-controlling interests | | **28,231,491** | 10,743,568 |
| **Total equity** | | **114,094,244** | 73,106,569 |

| | Note | As at 31 December<br>**2019**<br>**RMB'000** | <br>2018<br>RMB'000 |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 27 | **186,542,102** | 137,363,520 |
| Derivative financial instruments | 28 | **14,358** | 79,509 |
| Lease liabilities | 10 | **436,848** | — |
| Deferred tax liabilities | 13 | **38,534,748** | 33,383,440 |
| Other payables | 26 | **145,727** | 1,474,373 |
| | | **225,673,783** | 172,300,842 |
| **Current liabilities** | | | |
| Trade and other payables | 26 | **147,133,931** | 92,786,353 |
| Contract liabilities | 7 | **240,818,329** | 199,378,610 |
| Amounts due to related companies | 45(D) | **58,933,995** | 62,663,166 |
| Current tax liabilities | | **37,323,267** | 23,753,921 |
| Borrowings | 27 | **135,732,857** | 92,045,543 |
| Lease liabilities | 10 | **176,499** | — |
| Derivative financial instruments | 28 | — | 14,017 |
| Provisions | 29 | **762,337** | 610,969 |
| | | **620,881,215** | 471,252,579 |
| **Total liabilities** | | **846,554,998** | 643,553,421 |
| **Total equity and liabilities** | | **960,649,242** | 716,659,990 |

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

The financial statements on pages 108 to 232 were approved by the Board of Directors on 26 March 2020 and were signed on its behalf.

**Sun Hongbin**
*Director*

**Wang Mengde**
*Director*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| Revenue | 7 | **169,316,010** | 124,745,623 |
| Cost of sales | 30 | **(127,909,685)** | (93,609,587) |
| **Gross profit** | | **41,406,325** | 31,136,036 |
| Other income and gains | 32 | **14,187,962** | 11,848,091 |
| Selling and marketing costs | 30 | **(6,166,473)** | (4,360,530) |
| Administrative expenses | 30 | **(8,286,551)** | (7,356,570) |
| Other expenses and losses | 33 | **(1,222,133)** | (1,986,111) |
| Net impairment losses on financial and contract assets | 30 | **(1,894,122)** | (3,485,395) |
| **Operating profit** | | **38,025,008** | 25,795,521 |
| Finance income | 34 | **1,183,244** | 806,208 |
| Finance expenses | 34 | **(4,808,250)** | (2,893,493) |
| Finance expenses – net | 34 | **(3,625,006)** | (2,087,285) |
| Share of post-tax profits of associates and joint ventures accounted for using the equity method, net | 12 | **8,146,321** | 4,955,994 |
| **Profit before income tax** | | **42,546,323** | 28,664,230 |
| Income tax expense | 35 | **(14,390,265)** | (11,219,229) |
| **Profit for the year** | | **28,156,058** | 17,445,001 |
| **Other comprehensive income for the year** | | — | — |
| **Total comprehensive income for the year** | | **28,156,058** | 17,445,001 |
| **Total comprehensive income attributable to:** | | | |
| – Owners of the Company | | **26,027,505** | 16,566,535 |
| – Holders of perpetual capital securities | | **319,010** | 591,179 |
| – Other non-controlling interests | | **1,809,543** | 287,287 |
| | | **28,156,058** | 17,445,001 |
| **Earnings per share attributable to owners of the Company (expressed in RMB per share):** | 36 | | |
| – Basic earnings per share | | **5.99** | 3.79 |
| – Diluted earnings per share | | **5.92** | 3.74 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Note | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital | Other reserves | Retained earnings | Total | Perpetual capital securities | Other non-controlling interests | Total equity |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Balance at 1 January 2018** | | 377,608 | 16,649,452 | 26,703,707 | 43,730,767 | 9,288,432 | 7,547,553 | 60,566,752 |
| **Total comprehensive income** | | — | — | 16,566,535 | 16,566,535 | 591,179 | 287,287 | 17,445,001 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | |
| Non-controlling interests arising on business combination | | — | — | — | — | — | 2,552,901 | 2,552,901 |
| Capital contributions from non-controlling interests | | — | — | — | — | — | 568,143 | 568,143 |
| Disposal of subsidiaries | | — | — | — | — | — | 10,280 | 10,280 |
| Transactions with non-controlling interests | | — | (129,860) | — | (129,860) | — | (30,596) | (160,456) |
| Dividends to non-controlling interests | | — | — | — | — | — | (192,000) | (192,000) |
| Issue of perpetual capital securities | | — | — | — | — | 340,600 | — | 340,600 |
| Redemption of perpetual capital securities | | — | — | — | — | (4,017,800) | — | (4,017,800) |
| Distributions to holders of perpetual capital securities | | — | — | — | — | (675,639) | — | (675,639) |
| Employees share option schemes: | | | | | | | | |
| – Value of employee services | 24 | — | 291,035 | — | 291,035 | — | — | 291,035 |
| – Proceeds from shares issued | 22,24 | 813 | 42,277 | — | 43,090 | — | — | 43,090 |
| Purchase of shares for share award scheme | 24 | — | (1,464,565) | — | (1,464,565) | — | — | (1,464,565) |
| Statutory reserve | | — | 1,072,037 | (1,072,037) | — | — | — | — |
| Dividends relating to 2017 | | — | (2,200,773) | — | (2,200,773) | — | — | (2,200,773) |
| | | 813 | (2,389,849) | (1,072,037) | (3,461,073) | (4,352,839) | 2,908,728 | (4,905,184) |
| **Balance at 31 December 2018** | | 378,421 | 14,259,603 | 42,198,205 | 56,836,229 | 5,526,772 | 10,743,568 | 73,106,569 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Note | Attributable to owners of the Company | | | | Perpetual capital securities | Other non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | 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 2019** | | 378,421 | 14,259,603 | 42,198,205 | 56,836,229 | 5,526,772 | 10,743,568 | 73,106,569 |
| **Total comprehensive income** | | — | — | 26,027,505 | 26,027,505 | 319,010 | 1,809,543 | 28,156,058 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | |
| Non-controlling interests arising on business combination | 43(B) | — | — | — | — | — | 10,594,924 | 10,594,924 |
| Capital contributions from non-controlling interests | | — | — | — | — | — | 11,407,094 | 11,407,094 |
| Disposal of subsidiaries | 44 | — | — | — | — | — | (11,974) | (11,974) |
| Transactions with non-controlling interests | 42 | — | 3,526,449 | — | 3,526,449 | — | (6,034,941) | (2,508,492) |
| Capital deduction of a subsidiary | | — | — | — | — | — | (180,000) | (180,000) |
| Dividends to non-controlling interests | | — | — | — | — | — | (96,723) | (96,723) |
| Redemption of perpetual capital securities | 25 | — | — | — | — | (2,680,300) | — | (2,680,300) |
| Distributions to holders of perpetual capital securities | 25 | — | — | — | — | (375,977) | — | (375,977) |
| Employees share option schemes: | | | | | | | | |
| – Value of employee services | 24 | — | 117,021 | — | 117,021 | — | — | 117,021 |
| – Proceeds from shares issued | 22,24 | 3,918 | 462,104 | — | 466,022 | — | — | 466,022 |
| Share award scheme: | | | | | | | | |
| – Value of employee services | 24 | — | 460,966 | — | 460,966 | — | — | 460,966 |
| Purchase of shares for share award scheme | 24 | — | (716,306) | — | (716,306) | — | — | (716,306) |
| Statutory reserve | | — | 3,045,418 | (3,045,418) | — | — | — | — |
| Dividends relating to 2018 | 46 | — | (3,644,638) | — | (3,644,638) | — | — | (3,644,638) |
| | | 3,918 | 3,251,014 | (3,045,418) | 209,514 | (3,056,277) | 15,678,380 | 12,831,617 |
| **Balance at 31 December 2019** | | 382,339 | 17,510,617 | 65,180,292 | 83,073,248 | 2,789,505 | 28,231,491 | 114,094,244 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Year ended 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 37 | **40,457,467** | 63,249,311 |
| Income tax paid | | **(13,203,415)** | (11,194,605) |
| **Net cash generated from operating activities** | | **27,254,052** | 52,054,706 |
| **Cash flows from investing activities** | | | |
| Payments for business combinations, net | 43 | **(12,212,797)** | (4,272,673) |
| Disposal of subsidiaries | 44 | **(402,357)** | (1,738,404) |
| Proceeds from disposal of or capital deduction of joint ventures and associates | | **2,259,274** | 3,172,766 |
| Payments for equity transactions | | **(9,441,205)** | (6,162,230) |
| Cash advance received from equity investment partners | | **66,282** | 6,899,936 |
| Investments in joint ventures and associates | | **(31,258,905)** | (9,745,498) |
| Dividend received from joint ventures and associates | | **778,305** | 440,334 |
| Loans granted to joint ventures and associates | | **(5,329,306)** | (16,342,608) |
| Loan repayments received from joint ventures and associates | | **16,285,785** | 10,339,019 |
| Loan repayments received from equity investment partners | | **—** | 398,075 |
| Payments for financial assets at fair value through profit or loss ("FVPL") | | **(6,891,818)** | (5,575,640) |
| Purchases of property, plant and equipment ("PP&E"), land use rights, intangible assets and investment properties | | **(18,574,519)** | (13,639,331) |
| Proceeds from redemption of financial assets at FVPL | | **198,637** | 340,000 |
| Interests received | | **2,313,343** | 1,764,897 |
| Others | | **208,313** | 42,493 |
| **Net cash used in investing activities** | | **(62,000,968)** | (34,078,864) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Year ended 31 December 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | | **466,022** | 43,090 |
| Proceeds paid for purchase of shares for share award scheme | | **(716,306)** | (1,464,565) |
| Proceeds from issuance of perpetual capital securities | | — | 340,600 |
| Redemption of perpetual capital securities | | **(2,680,300)** | (4,017,800) |
| Proceeds from borrowings | | **240,740,649** | 118,691,208 |
| Repayments of borrowings | | **(164,207,962)** | (106,354,120) |
| Proceeds from/(payments for) derivative financial instruments | | **24,730** | (59,762) |
| Distribution paid to holders of perpetual capital securities | | **(375,977)** | (675,639) |
| Dividends paid to Company's shareholders | | **(3,644,638)** | (2,200,773) |
| Dividends or deemed distribution paid to non-controlling interests | | **(1,171,976)** | (2,299,176) |
| Loans from non-controlling interests | | **2,460,271** | 2,495,256 |
| Loans repayments to non-controlling interests | | **(2,179,974)** | (1,813,953) |
| Proceeds payments for transaction with non-controlling interests | | **(2,508,492)** | (56,418) |
| Restricted cash guaranteed for bank borrowings | | **(7,585,268)** | (130,723) |
| Contribution from non-controlling interests | | **1,778,586** | 565,142 |
| Principal elements of lease payments | | **(120,353)** | — |
| Interest paid | | **(23,885,645)** | (13,489,256) |
| **Net cash generated from/(used in) financing activities** | | **36,393,367** | (10,426,889) |
| **Net increase in cash and cash equivalents** | | **1,646,451** | 7,548,953 |
| Cash and cash equivalents at beginning of year | | **76,181,041** | 68,433,256 |
| Effects of exchange difference | | **116,169** | 198,832 |
| **Cash and cash equivalents at end of year** | 20 | **77,943,661** | 76,181,041 |

The above consolidated statement of cash flows should be read in conjunction with the accompany 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 limited liability company incorporated in Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1- 9005, Cayman Islands.

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

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

## 2 Summary of significant accounting policies

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

### 2.1 BASIS OF PREPARATION

#### (i) Compliance with HKFRS and HKCO

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

#### (ii) Historical cost convention

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

#### (iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 *Leases*
- *Prepayment Features with Negative Compensation – Amendments to* HKFRS 9
- *Long-term Interests in Associates and Joint Ventures – Amendments to* HKAS 28

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 BASIS OF PREPARATION *(Continued)*

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

- *Annual Improvements to HKFRS Standards 2015 – 2017 Cycle*
- *Plan Amendment, Curtailment or Settlement – Amendments to* HKAS 19
- *Interpretation 23 Uncertainty over Income Tax Treatments*

The Group had to change its accounting policies as a result of adopting HKFRS 16 and elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 3. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group also elected to early adopt the *amendments* to HKFRS 3 *Definition of a Business* which issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The amendments are effective for the financial year beginning or after 1 January 2020. This improvement to HKFRS 3 sets out an optional test (the concentration test) to permit a simplified assessment of whether an acquired set of activities and assets is a business or not. On adoption of the amendments, the Group elected to apply the concentration test to assess certain acquisition transactions occurred in 2019 individually. The acquisition transaction would be accounted for as asset acquisitions if the concentration test was met. As permitted by HKFRS 3, this application was prospectively from 1 January 2019 and there was no impact on the amounts recognised in prior periods.

**(iv) New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

| | Effective for the financial year beginning on or after |
|---|---|
| *Definition of Material – Amendments to* HKAS 1 *and* HKAS 8 | 1 January 2020 |
| *Classification of liabilities as current or non-current – Amendments to* HKAS 1 | 1 January 2020 |
| Revised *Conceptual framework for financial reporting* | 1 January 2020 |
| HKFRS 17 *Insurance contracts* | 1 January 2021 |

## 2 Summary of significant accounting policies *(Continued)*

### 2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

#### (i) Subsidiaries

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

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

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

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

#### (ii) Associates

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

#### (iii) Joint arrangements

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

## 2 Summary of significant accounting policies *(Continued)*

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

#### (iv) Equity method

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

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

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

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

#### (v) Changes in ownership interests

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

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

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.3 BUSINESS COMBINATIONS

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.4 SEPARATE FINANCIAL STATEMENTS

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

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

### 2.5 SEGMENT REPORTING

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

### 2.6 FOREIGN CURRENCY TRANSLATION

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss, within 'finance expenses – net'. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.6 FOREIGN CURRENCY TRANSLATION *(Continued)*

#### (iii) Group companies

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

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

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

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

### 2.7 PROPERTY, PLANT AND EQUIPMENT

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

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

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

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

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

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

### 2.8 INVESTMENT PROPERTIES

Investment properties, principally freehold office buildings, shopping malls and commercial properties are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment properties when the rest of the definition of investment properties are met. Investment properties are initially measured at cost including related transaction costs and where applicable borrowing cost.

After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Properties that are being constructed or developed as investment properties are carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (wherever is earlier).

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

Changes in fair values are presented in profit or loss as part of other income or other expense.

## 2 Summary of significant accounting policies *(Continued)*

### 2.9 INTANGIBLE ASSETS

#### (i) Goodwill

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

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

#### (ii) Trademark

Trademark is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the shorter of budgeted useful lives and contractually useful lives.

#### (iii) Software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis.

Accounting policies applied until 31 December 2018

*Land use right*

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

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS

#### (i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## 2 Summary of significant accounting policies *(Continued)*

### 2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(Continued)*

#### (iii) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

## 2 Summary of significant accounting policies *(Continued)*

### 2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(Continued)*

**(iii) Measurement** *(Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**(iv) Impairment**

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For contract assets and trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### 2.12 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

### 2.13 FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 *Financial Instruments* and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers*.

## 2 Summary of significant accounting policies *(Continued)*

### 2.13 FINANCIAL GUARANTEE CONTRACTS *(Continued)*

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

### 2.14 DERIVATIVES AND HEDGING ACTIVITIES

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

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

### 2.15 PROPERTIES UNDER DEVELOPMENT ("PUD")

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

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

### 2.16 COMPLETED PROPERTIES HELD FOR SALE ("CPHFS")

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

Cost comprises development costs attributable to the unsold properties.

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.17 INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost, being cost of purchase, is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.18 TRADE RECEIVABLES

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 17 for further information about the Group's accounting for trade receivables and note 2.11 for a description of the Group's impairment policies.

### 2.19 CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 2.20 SHARE CAPITAL AND SHARES HELD FOR EMPLOYEE SHARE SCHEME

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the Company are disclosed as treasury shares and deducted from contributed equity.

## 2 Summary of significant accounting policies *(Continued)*

### 2.21 PERPETUAL CAPITAL INSTRUMENTS

Perpetual capital instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

### 2.22 TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### 2.23 BORROWINGS

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

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

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

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.24 BORROWING COSTS

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings.

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

### 2.25 CURRENT AND DEFERRED INCOME TAX

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

**Current income tax**

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.25 CURRENT AND DEFERRED INCOME TAX *(Continued)*

**Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 2 Summary of significant accounting policies *(Continued)*

### 2.26 EMPLOYEE BENEFITS

#### (i) Short-term obligations

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

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

#### (ii) Retirement benefits

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

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

#### (iii) Termination benefits

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.27 SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Company's share option schemes and an employee share award scheme. Information relating to these schemes is set out in note 23.

**(i) Employee options**

The fair value of options granted under the Company's employee option schemes is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (e.g. the entity's share price)

– excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

– including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

**(ii) Share-based payment transactions among Group entities**

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

## 2 Summary of significant accounting policies *(Continued)*

### 2.27 SHARE-BASED PAYMENTS *(Continued)*

**(iii) Employee share award scheme**

Under the employee share award scheme, the Company entrusts the trustee to purchase existing ordinary shares in the open market based on the overall remuneration incentive plan. The trustee will hold such shares on behalf of the relevant selected employees on trust, until such shares are vested with the relevant selected employees in accordance with the scheme rules (see note 2.20).

The fair value of the shares granted to selected employees for nil consideration under the employee share award scheme is recognised as an expense over the relevant service period and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture.

### 2.28 PROVISIONS

Provisions for legal claims, onerous contract and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### 2.29 REVENUE RECOGNITION

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.29 REVENUE RECOGNITION *(Continued)*

**(i) Sales of properties**

The Group develops and sells residential and commercial properties. Revenues are recognised when or as the control of the property is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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

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

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or properties are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

For contract where the period between the payment by the customer and the transfer of the promised property exceeds one year, the promised amount of consideration is adjusted for the effects of a significant financing component.

**(ii) Rental income**

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

**(iii) Service income**

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.29 REVENUE RECOGNITION *(Continued)*

#### (iv) Hotel operations

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

#### (v) Theme parks operations

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

#### (vi) Fitting and decoration services

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

### 2.30 EARNINGS PER SHARE

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## 2 Summary of significant accounting policies *(Continued)*

### 2.31 DIVIDEND INCOME

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

### 2.32 LEASES

Upon adopted HKFRS16, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change is disclosed in note 3.

Until 31 December 2018, leases of PP&E where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was 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 PP&E acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 38). 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.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

## 2 Summary of significant accounting policies *(Continued)*

### 2.32 LEASES *(Continued)*

- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.32 LEASES *(Continued)*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Land use rights were reclassified as right-of-use assets since the initial adoption of HKFRS 16 on 1 January 2019. All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights. Land use rights which are held for development for sale are inventories and measured at lower of cost and net realisable value. Land use rights which are held for self-use are stated at cost and amortised over the use terms using straight-line method with fixed period of 40 years.

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 9). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

### 2.33 DIVIDEND DISTRIBUTION

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### 2.34 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

## 2 Summary of significant accounting policies *(Continued)*

### 2.35 INTEREST INCOME

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### 2.36 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

## 3 Change in accounting policy

As indicated in note 2.1 above, the Group has adopted HKFRS 16 *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition 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. The new accounting policies are disclosed in note 2.32.

## 3 Change in accounting policy *(Continued)*

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%.

### (I) PRACTICAL EXPEDIENTS APPLIED

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

### (II) MEASUREMENT OF LEASE LIABILITIES

| | **2019**<br>**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 not recognised as a liability | **(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** |

## 3 Change in accounting policy *(Continued)*

### (III) MEASUREMENT OF RIGHT-OF-USE ASSETS

The 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.

### (IV) ADJUSTMENTS RECOGNISED IN THE BALANCE SHEET ON 1 JANUARY 2019

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.

### (V) LESSOR ACCOUNTING

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

## 4 Financial risk management

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

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

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS

#### (a) Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. The foreign currency balances as at 31 December 2019 were primarily related to bank deposits, borrowings and the senior notes denominated in United States dollar ("USD") and Hong Kong dollar ("HKD").

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

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

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Assets | | |
| USD | **1,553,039** | 2,650,538 |
| HKD | **270,825** | 61,616 |
| | **1,823,864** | 2,712,154 |
| Liabilities | | |
| USD | **54,913,113** | 24,613,876 |
| HKD | **3,970,196** | 3,676,208 |
| EUR | — | 332,631 |
| | **58,883,309** | 28,622,715 |

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (a) Market risk *(Continued)*

(i) Foreign exchange risk *(Continued)*

The aggregate net foreign exchange losses recognised in profit or loss were:

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Exchange losses on foreign currency borrowing included in finance costs | **878,035** | 1,206,738 |
| Total net foreign exchange losses recognised in profit before income tax for the period | **878,035** | 1,206,738 |

As at 31 December 2019, if RMB had strengthened/weakened by 5% against the HK dollar with all other variables held constant, the post-tax profit for the year would have been RMB176 million higher/lower (2018: RMB172 million higher/lower).

As at 31 December 2019, if RMB had strengthened/weakened by 5% against the US dollar with all other variables held constant, the post-tax profit for the year would have been RMB2,541 million higher/lower (2018: RMB1,046 million higher/lower).

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings and interest-bearing amounts due from related companies. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings issued and amounts due from related companies with fixed rates expose the Group to fair value interest-rate risk. In 2019, the Group's borrowings were denominated in RMB, USD and HKD. (2018: RMB, USD, HKD and EUR).

The Group has implemented certain interest rate swap arrangements to hedge its exposure to interest rate risk. The interest swap contracts do not satisfy the requirements for hedge accounting and are accounted for as held for trading with gains/(losses) recognised in profit or loss.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk *(Continued)*

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

| RMB' million | Floating rates Less than 1 year | 1 to 5 years | over 5 years | Sub-total | Fixed rates Less than 1 year | 1 to 5 years | over 5 years | Sub-total | Total |
|---|---|---|---|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | | | | | |
| Amount due from related companies | — | — | — | — | **6,316** | — | — | **6,316** | **6,316** |
| Borrowings | **23,578** | **36,615** | **12,942** | **73,135** | **112,155** | **136,231** | **754** | **249,140** | **322,275** |
| Lease liabilities | — | — | — | — | **176** | **274** | **163** | **613** | **613** |
| At 31 December 2018 | | | | | | | | | |
| Amount due from related companies | — | — | — | — | 20,308 | — | — | 20,308 | 20,308 |
| Borrowings | 18,778 | 38,526 | 2,586 | 59,890 | 73,268 | 95,378 | 873 | 169,519 | 229,409 |

As at 31 December 2019, if the interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been lower/higher by RMB81.93 million (2018: lower/higher by RMB48.49 million) and the capitalised interest for the year would have been higher/lower by RMB505.61 million (2018: higher/lower by RMB495.85 million) respectively.

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

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

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (a) Market risk *(Continued)*

(iii) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet as financial assets at FVPL (note 14). The Group monitor the pricing change of these equity securities during each reporting period to manage the price risk.

The Group's listed equity securities are publicly in the Hong Kong Stock Exchange. As at 31 December 2019, if the pricing of securities has increased/decreased by 5% with all other variables held constant, the post-tax profit for the year would have been RMB5.12 million higher/lower (2018: RMB12.7 million higher/lower).

#### (b) Credit risk

(i) Risk management

The Group has no significant concentrations of credit risk. The maximum extent of the Group's credit exposure in relation to financial assets is represented by the aggregate balance of cash and cash equivalents, restricted cash, contract assets, trade and other receivable, amounts due from related companies, financial assets at FVPL and derivative financial instruments included in the consolidated balance sheets and financial guarantees provided to related companies and guarantees on mortgage facilities.

Cash transactions are limited to high-credit-quality banks. The Group has policies in place to ensure that sales of properties are made to customers with an appropriate financial strength and appropriate percentage of down payment. Credit is granted to customers with sufficient financial strength. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

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

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (b) Credit risk *(Continued)*

(ii) Impairment of financial assets

The Group has four types of financial assets that are subject to the expected credit loss model:

- trade receivables for properties sold or services performed in the ordinary course of business
- contract assets relating to property development and sales contracts
- other receivables (excluding loans to third parties)
- loans to related and third parties

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

*Contract assets and trade receivables*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contract assets and trade receivables.

To measure the expected credit losses, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the ageing analysis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

*Contract assets and trade receivables (Continued)*

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for contract assets and trade receivables:

| **31 December 2019** | **Current RMB'000** | **More than 90 days RMB'000** | **More than 180 days RMB'000** | **More than 1 years RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|
| Expected loss rate | 0.03% | 0.30% | 2.30% | 11.30% | 2.57% |
| Gross carrying amount | 1,167,804 | 12,517 | 211,952 | 350,149 | 1,742,422 |
| **Loss allowance** | 358 | 37 | 4,882 | 39,572 | 44,849 |

| 31 December 2018 | Current RMB'000 | More than 90 days RMB'000 | More than 180 days RMB'000 | More than 1 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Expected loss rate | 0.01% | 0.29% | 2.30% | 3.38% | 1.29% |
| Gross carrying amount | 769,425 | 42,911 | 145,901 | 420,722 | 1,378,959 |
| **Loss allowance** | 82 | 126 | 3,361 | 14,238 | 17,807 |

*Other receivables (excluding loans to third parties)*

Other receivables (excluding loans to third parties) such as guarantee and deposit are considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for financial instruments when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. On that basis, the loss allowance for other receivables (excluding loans to third parties) was RMB143.44 million as at 31 December 2019.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

*Loans to related and third parties*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

– internal credit rating

– external credit rating (as far as available)

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– actual or expected significant changes in the operating results of the borrower

– significant increases in credit risk on other financial instruments of the same borrower

– significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

*Loans to related and third parties (Continued)*

The Group uses four categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

| Category | Group definition of category | Basis for recognition of expected credit loss provision |
|---|---|---|
| Performing | Customers have a low risk of default and a strong capacity to meet contractual cash flows | 12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime |
| Underperforming | Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due | Lifetime expected losses |
| Non-performing | Interest and/or principal repayments are 90 days past due | Lifetime expected losses |
| Write-off | There is no reasonable expectation of recovery | Asset is written off |

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 31 December 2019, the Group provides for credit losses against loans to related parties and third parties as follows:

| Company internal credit rating | Expected credit loss rate | Basis for recognition of expected credit loss provision | Estimated gross carrying amount at default RMB'000 | Carrying amount (net of impairment provision) RMB'000 | Basis for calculation of interest revenue |
|---|---|---|---|---|---|
| Performing | 0.96% | 12 months expected losses | 19,415,430 | 19,229,836 | Gross carrying amount |
| Non-performing | 97.55% | Lifetime expected losses | 6,928,304 | 170,000 | Amortised cost carrying amount (net of credit allowance) |

No significant changes to estimation techniques or assumptions were made during the reporting period.

# 4 Financial risk management *(Continued)*

## 4.1 FINANCIAL RISK FACTORS *(Continued)*

### (b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

*Loans to related and third parties (Continued)*

The loss allowance for contract assets, trade and other receivables and amounts due from related parties as at 31 December reconciles to the opening loss allowance as follows:

| | Contract assets | | Trade and other receivables | | Amounts due from related parties | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Opening loss allowance as at 1 January** | **35** | 10 | **307,068** | 750,642 | **5,178,539** | 1,493,257 |
| Increase in loss allowance recognised in profit or loss during the year | **323** | 25 | **131,672** | 85,827 | **1,600,758** | 3,685,282 |
| Receivables written off during the year as uncollectible | — | — | **(86,208)** | — | — | — |
| Unused amount reversed | — | — | — | (529,401) | — | — |
| **Closing loss allowance at 31 December** | **358** | 35 | **352,532** | 307,068 | **6,779,297** | 5,178,539 |

Contract assets, trade and other receivables and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Impairment losses on contract assets, trade and other receivables and amounts due from related parties are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (b) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

*Loans to related and third parties (Continued)*

During the year, the following impairment losses or reversal were recognised in profit or loss in relation to impaired financial assets:

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Impairment losses | | |
| movement in loss allowance for contract assets and trade and other receivables and amounts due from related parties | **1,732,753** | 3,771,134 |
| Expected credit losses on financial guarantee | **161,369** | 243,662 |
| Reversal of previous impairment losses | **—** | (529,401) |
| Net impairment losses on financial and contract assets | **1,894,122** | 3,485,395 |

Of the above impairment losses, RMB27.04 million (2018 – RMB1.37 million) relate to receivables arising from contracts with customers.

*Financial assets at fair value through profit or loss*

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (2019 – RMB1,162.11 million; 2018 – RMB788.1 million).

*Financial guarantees*

The loss allowance for financial guarantee contracts was determined based on the same policy as loans to related and third parties. On that basis, the loss allowance for financial guarantees was RMB610.97 million as at 1 January 2019 and a further increase in the allowance of RMB151.37 million as at 31 December 2019.

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (c) Liquidity risk

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

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

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

(i) Financing arrangements

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

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| – Expiring within one year (bank loans) | **10,050,820** | 7,593,256 |
| – Expiring beyond one year (bank loans) | **15,888,470** | 34,867,140 |
| | **25,939,290** | 42,460,396 |

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in either RMB or USD and have an average maturity of 1.73 years (2018: 1.66 years).

## 4 Financial risk management *(Continued)*

### 4.1 FINANCIAL RISK FACTORS *(Continued)*

#### (c) Liquidity risk *(Continued)*

(ii) Maturities of financial liabilities

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

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

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

| In RMB' million | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | |
| Borrowings and interest payments | **157,586** | **115,881** | **76,865** | **17,339** | **367,671** |
| Trade and other payables (note 26) | **140,731** | **45** | **74** | **27** | **140,877** |
| Amounts due to related companies (note 45(D)) | **58,934** | — | — | — | **58,934** |
| Derivative financial instruments (note 28) | — | **14** | — | — | **14** |
| Financial guarantee contracts (note 39) | **134,526** | **11,790** | **15,962** | — | **162,278** |
| Lease liabilities | **185** | **138** | **215** | **360** | **898** |
| **At 31 December 2018** | | | | | |
| Borrowings and interest payments | 106,645 | 83,492 | 63,236 | 4,038 | 257,411 |
| Trade and other payables (note 26) | 86,403 | — | 1,474 | — | 87,877 |
| Amounts due to related companies (note 45(D)) | 62,663 | — | — | — | 62,663 |
| Derivative financial instruments (note 28) | 14 | — | 80 | — | 94 |
| Financial guarantee contracts (note 39) | 95,525 | 10,976 | 5,918 | — | 112,419 |

Note:

– The interest payments on borrowings are calculated based on borrowings held as at 31 December 2019 and 2018 without taking into account of future borrowings. Floating-rate interest is estimated using the current interest rate at 31 December 2019 and 2018 respectively.

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

## 4 Financial risk management *(Continued)*

### 4.2 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to

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

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

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

The gearing ratios of the Group as at 31 December 2019 and 2018 and as at 1 January 2019 were as follows:

| | **31 December 2019 RMB'000** | **1 January 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|---|
| Total borrowings (note 27) | **322,274,959** | **229,409,063** | 229,409,063 |
| Lease liabilities (note 10) | **613,347** | **433,162** | — |
| Less: Restricted cash (note 19) | **(47,787,028)** | **(44,017,011)** | (44,017,011) |
| Cash and cash equivalents (note 20) | **(77,943,661)** | **(76,181,041)** | (76,181,041) |
| Net debt | **197,157,617** | **109,644,173** | 109,211,011 |
| Total capital | **311,251,861** | **182,750,742** | 182,317,580 |
| Gearing ratio | **63.34%** | **60.00%** | 59.90% |

The gearing ratio increased from 59.9% to 60.0% following the adoption of HKFRS 16 Leases. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019. See note 3 for further information.

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- the fixed charge coverage ratio of consolidated EBITDA to consolidated fixed charges must be not less than 2 to 1 (the consolidated fixed charges mainly included consolidated interest expenses and dividend paid and declared during a period),
- the liabilities/assets ratio of individual subsidiary must be not more than 70% to 90%, and
- the equity/assets ratio of individual subsidiary must be not less than 30%.

## 5 Fair value estimation

### (A) FINANCIAL ASSETS AND LIABILITIES

#### (i) Fair value hierarchy

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

Recurring fair value measurements

| **At 31 December 2019** | Note | **Level 1 RMB'000** | **Level 2 RMB'000** | **Level 3 RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Financial assets at FVPL | 14 | **121,585** | — | **15,667,198** | **15,788,783** |
| Derivative financial instruments | 28 | — | **31,629** | — | **31,629** |
| **Financial liabilities** | | | | | |
| Derivative financial instruments | 28 | — | **14,358** | — | **14,358** |

Recurring fair value measurements

| 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 | 14 | 302,296 | — | 9,703,796 | 10,006,092 |
| Derivative financial instruments | 28 | — | 153,507 | 125,817 | 279,324 |
| **Financial liabilities** | | | | | |
| Derivative financial instruments | 28 | — | 93,526 | — | 93,526 |

## 5 Fair value estimation *(Continued)*

### (A) FINANCIAL ASSETS AND LIABILITIES *(Continued)*

#### (i) Fair value hierarchy *(Continued)*

During the year ended 31 December 2019, there were no transfers between different levels for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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

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

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

#### (ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model with unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- price/booking multiple method, backsolve method, equity allocation model and option pricing method with observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, discount rate, market multiples rate 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 — trinomial option pricing model and monte carlo simulation model with prominent factors that will materially affect value of the options, including terms and conditions of the option of the bonds, volatilities of the market interest rates and etc.

## 5 Fair value estimation *(Continued)*

### (A) FINANCIAL ASSETS AND LIABILITIES *(Continued)*

#### (ii) Valuation techniques used to determine fair values *(Continued)*

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

#### (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 31 December 2019 and 31 December 2018:

| | | 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 2018** | — | **871,578** | — | **871,578** |
| Acquisitions | — | 7,698,945 | 841,399 | 8,540,344 |
| Disposals | — | (339,001) | — | (339,001) |
| Transfer to level 1 | — | (257,996) | — | (257,996) |
| Gains/(losses) recognised in other income* | 125,817 | 942,131 | (53,260) | 888,871 |
| **Closing balance 31 December 2018** | **125,817** | **8,915,657** | **788,139** | **9,703,796** |
| Acquisitions | — | 4,569,722 | 307,475 | 4,877,197 |
| Acquisition of subsidiary | — | — | 200,000 | 200,000 |
| Disposals | — | (30,000) | (133,500) | (163,500) |
| Transfer | (125,817) | 125,817 | — | 125,817 |
| Gains recognised in other income* | — | 923,888 | — | 923,888 |
| **Closing balance 31 December 2019** | — | 14,505,084 | 1,162,114 | 15,667,198 |

* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period

| | | | | |
|---|---|---|---|---|
| **2019** | — | **923,888** | — | **923,888** |
| 2018 | 125,817 | 942,131 | (53,260) | 888,871 |

## 5 Fair value estimation *(Continued)*

### (A) FINANCIAL ASSETS AND LIABILITIES *(Continued)*

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

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

| Description | Fair value at 31 Dec 2019 RMB'000 | Fair value at 31 Dec 2018 RMB'000 | Valuation method | Significant unobservable inputs | Range of significant unobservable inputs 2019 | Range of significant unobservable inputs 2018 |
|---|---|---|---|---|---|---|
| Unlisted equity securities and forward contracts embedded in acquisition contract | **14,505,084** | 9,041,474 | Price/booking multiple method, backsolve method, equity allocation model,option pricing method and discounted cash flow model | Lack of marketability discount rate | **10%** | 12%-25% |
| | | | | Expected volatility rate | **30.78%-54.36%** | 48.91%-55.38% |
| | | | | Discount rate | **13%** | 13% |
| Other financial instruments | **1,162,114** | 788,139 | Discounted cash flow model | Discount rate | **4.2%-4.85%** | 6.50%-10% |

Relationships of unobservable inputs to fair value are as follows:

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

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

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

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 31 December 2019:

| | Carrying amount RMB'000 | Fair value RMB'000 |
|---|---|---|
| **Non-current borrowings:** | | |
| – Corporate bonds (note 27) | 7,818,085 | 7,983,480 |
| – Private domestic corporate bonds (note 27) | 16,969,539 | 18,512,829 |

## 5 Fair value estimation *(Continued)*

### (B) NON-FINANCIAL ASSETS AND LIABILITIES

#### (i) Fair value hierarchy

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

| **At 31 December 2019** | Note | **Level 1 RMB'000** | **Level 2 RMB'000** | **Level 3 RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|
| Investment properties | 9 | — | — | **26,845,510** | **26,845,510** |

| At 31 December 2018 | Note | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Investment properties | 9 | — | — | 16,195,739 | 16,195,739 |

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

During the year ended 31 December 2019, there were no reclassifications of non-financial assets and non-financial liabilities and no transfers between different levels for recurring fair value measurements.

#### (ii) Valuation techniques used to determine level 3 fair values

At the end of each reporting period, the management of the Group update their assessment of the fair value of the investment properties, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the management determine the fair value based on below valuation techniques:

- Income capitalisation approach – capitalised income derived from the existing tenancies and the reversionary potential with unobservable inputs mainly including capitalisation rates and market rental prices;

- Residual approach – used in valuing investment properties under development by establishing the market value on the premise that the properties will be developed and completed in accordance with its latest development plan. The residual valuation of valued properties can be expressed as the market value deducts the estimated costs to complete and developers' profit to reflect the total value of the partially completed development;

- Discounted cash flow method – discounted cash flow projections based on reliable estimates of future cash flows.

## 5 Fair value estimation *(Continued)*

### (B) NON-FINANCIAL ASSETS AND LIABILITIES *(Continued)*

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

See note 9 for further information about the changes in level 3 items for the periods ended 31 December 2019 and 2018.

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.

| Description | Fair value at 31 Dec 2019 RMB'000 | Fair value at 31 Dec 2018 RMB'000 | Valuation method | Significant unobservable inputs | Range of significant unobservable inputs 2019 | Range of significant unobservable inputs 2018 |
|---|---|---|---|---|---|---|
| Office buildings and commercial properties | **1,639,210** | 1,414,113 | Income capitalisation approach | Market rental prices; capitalisation rate | RMB36-RMB265 per unit per month capitalisation rates: 4%-6% | RMB90-RMB185 per unit per month capitalisation rates: 4%-5.25% |
| Shopping malls | **19,529,300** | 10,610,000 | Income capitalisation approach | Market rental prices; capitalisation rate | RMB50-RMB600 per unit per month capitalisation rates: 4.5%-7% | RMB55-RMB240 per unit per month capitalisation rates: 4.5%-7% |
| Shopping malls | **4,556,000** | — | Discounted cash flow method | Market rental prices; discount rates; profit rate | RMB94-RMB246 per unit per month discount rates: 8.0% profit rate: 56%-71% | — |
| Construction in progress | **1,121,000** | 4,171,626 | Residual method; Income capitalisation approach | Market rental prices; capitalisation rate; developer's profit rate | RMB45-RMB258 per unit per month capitalisation rate: 4.5%-6.0% developer's profit rate: 15%-20% | RMB70-RMB220 per unit per month capitalisation rate: 4.5%-5.5% developer's profit rate: 10%-15% |

## 5 Fair value estimation *(Continued)*

### (B) NON-FINANCIAL ASSETS AND LIABILITIES *(Continued)*

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

Relationships of unobservable inputs to fair value are as follows:

- The higher market rental price, the higher fair value;
- The higher rate of capitalisation rate, the lower fair value;
- The higher rate of discount rate, the lower fair value;
- The higher developer's profit rate, the lower fair value;
- The higher profit rate, the higher fair value.

#### (iv) Valuation processes

As at 31 December 2019, management obtains independent valuations for its investment properties including office buildings, shopping malls and commercial properties. The independent valuation of these buildings was performed by DTZ Cushman & Wakefield Limited.

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

Office buildings, shopping malls and commercial properties – market rental prices, capitalisation rates, profit rates and discount rates are estimated by independent valuer or management based on comparable transactions and industry data;

Construction in progress – developer's profit rate is estimated based on market conditions as at 31 December 2019. The estimated costs to completion are consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions.

## 6 Critical accounting estimates and judgements

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

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

### (A) PRC CORPORATE INCOME TAXES AND DEFERRED TAXATION

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

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

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

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

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

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

## 6 Critical accounting estimates and judgements *(Continued)*

### (D) FAIR VALUE OF INVESTMENT PROPERTIES

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

### (E) IMPAIRMENT OF INVESTMENT

The Group tests assets for impairment whenever investments suffer any impairment in accordance to the accounting policies. Investments are reviewed for impairment, whenever events or changes in circumstances that may cause the carrying amounts to the investments to exceed their recoverable amounts. The recoverable amount of an investment is determined as the higher of cash generating unit (CGU)'s fair value less cost to sell and its value-in-use which require the use of assumptions. The estimation of fair value less cost of disposal was made mainly from public market information. The estimated future cash flows used in the value in use assessments are based on assumptions, such as selling price, sales volume, gross margin, box office receipts, distribution commissions, promotion expenditures, and discount rates.

### (F) IMPAIRMENT OF FINANCIAL ASSETS

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 4.1(b).

### (G) REVENUE RECOGNITION

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

## 6 Critical accounting estimates and judgements *(Continued)*

### (G) REVENUE RECOGNITION *(Continued)*

As disclosed in note 39, the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are mortgaged to banks by the purchasers. In order to obtain mortgage loans, the purchasers need to settle certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The Directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulting in the calling of the bank guarantees provided. Accordingly, the Directors believe that control of the properties have been transferred to the purchasers.

### (H) GAINS FROM BUSINESS COMBINATION

For the acquired business, the excess amounts of fair values of net amounts of the identifiable assets acquired and the liabilities over the considerations were recognised as gains in consolidated statement of comprehensive income. The Group exercised significant estimates and judgment in determination of the fair value of identifiable assets acquired which mainly included the determination of valuation techniques and the selection of inputs accordingly. The valuation techniques mainly include discounted cash flow approach, income capitalisation approach, direct comparison method and residual approach. The key assumption adopted mainly include the future unit selling price, market rental price, profit rates, estimated future costs to finish the completion of the whole project development, capitalisation rates and discount rate. The estimates and judgment mainly based on the operation model and construction status of each property, the market information and historical records.

### (I) ESTIMATION OF GOODWILL IMPAIRMENT

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2019 and 2018 reporting period, the recoverable amount of a cash generating unit (CGU) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial estimate of management covering a reasonably forecast period.

Cash flows beyond the forecasting period are extrapolated using the estimated growth rates stated in note 11. These growth rates are consistent with management's expectations of market development specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in note 11.

### (J) ESTIMATION OF THE FAIR VALUE OF CERTAIN FINANCIAL ASSETS

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 5(A).

## 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

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 expenses, defined as segment results. The segment results exclude the fair value gains or losses on financial assets at FVPL and derivative financial instruments and share of profits or losses and impairment losses of certain non-core business investments accounted for using the equity method, which are managed on a central basis.

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

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

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

## 7 Segment information *(Continued)*

The segment results are as follows:

| | Year ended 31 December 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 | 159,470,451 | 2,852,522 | 19,297,424 | 181,620,397 |
| Recognised at a point in time | 114,745,997 | 1,120,711 | — | 115,866,708 |
| Recognised over time | 44,724,454 | 1,731,811 | 19,297,424 | 65,753,689 |
| Inter-segment revenue | — | — | (12,304,387) | (12,304,387) |
| **Revenue from external customers** | 159,470,451 | 2,852,522 | 6,993,037 | 169,316,010 |
| **Segment gross profit** | 38,730,174 | 1,215,850 | 2,554,610 | 42,500,634 |
| Net impairment losses on financial and contract assets | (214,914) | — | — | (214,914) |
| Selling and marketing costs | (5,588,721) | (260,306) | (258,622) | (6,107,649) |
| Administrative expenses | (5,614,192) | (851,011) | (1,153,348) | (7,618,551) |
| Other income and gains | 11,863,498 | 1,283,216 | 106,480 | 13,253,194 |
| Other expenses and losses | (403,713) | (5,205) | (45,974) | (454,892) |
| Finance income | 1,177,407 | — | 5,837 | 1,183,244 |
| Share of post-tax profits/(losses) of associates and joint ventures accounted for using the equity method, net | 8,434,875 | — | (137,048) | 8,297,827 |
| **Segment results** | 48,384,414 | 1,382,544 | 1,071,935 | 50,838,893 |

| | As at 31 December 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** | 788,834,530 | 100,117,656 | 35,400,183 | 924,352,369 |
| **Total segment liabilities** | 724,874,620 | 22,470,962 | 22,767,941 | 770,113,523 |

## 7 Segment information *(Continued)*

| | Year ended 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 revenue | 117,714,286 | 2,027,898 | 8,746,886 | 128,489,070 |
| Recognised at a point in time | 87,761,403 | 704,318 | — | 88,465,721 |
| Recognised over time | 29,952,883 | 1,323,580 | 8,746,886 | 40,023,349 |
| Inter-segment revenue | — | — | (3,743,447) | (3,743,447) |
| **Revenue from external customers** | 117,714,286 | 2,027,898 | 5,003,439 | 124,745,623 |
| **Segment gross profit** | 27,963,424 | 914,749 | 2,913,020 | 31,791,193 |
| Net impairment losses on financial and contract assets | (206,924) | — | — | (206,924) |
| Selling and marketing costs | (4,062,549) | (150,980) | (76,310) | (4,289,839) |
| Administrative expenses | (5,824,482) | (703,425) | (562,347) | (7,090,254) |
| Other income and gains | 10,275,942 | 240,025 | 21,939 | 10,537,906 |
| Other expenses and losses | (665,309) | (41,284) | (8,470) | (715,063) |
| Finance income | 806,208 | — | — | 806,208 |
| Share of post-tax profits of associates and joint ventures accounted for using the equity method, net | 5,326,269 | — | — | 5,326,269 |
| **Segment results** | 33,612,579 | 259,085 | 2,287,832 | 36,159,496 |

| | 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 segments results are reconciled to total profit for the year as follows:

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Total segment results | **50,838,893** | 36,159,496 |
| Net impairment losses on financial and contract assets | **(1,679,208)** | (3,278,471) |
| Depreciation and amortisation | **(1,821,133)** | (992,164) |
| Finance costs | **(4,808,250)** | (2,893,493) |
| Other income and gains | **934,768** | 1,310,185 |
| Other expenses and losses | **(767,241)** | (1,271,048) |
| Share of losses of investments accounted for using the equity method, net | **(151,506)** | (370,275) |
| Income tax expenses | **(14,390,265)** | (11,219,229) |
| **Profit for the year** | **28,156,058** | 17,445,001 |

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

| | 31 December<br>2019<br>RMB'000 | 31 December<br>2018<br>RMB'000 |
|---|---|---|
| Total segment assets | **924,352,369** | 700,069,472 |
| Deferred tax assets | **8,585,312** | 2,984,740 |
| Other assets | **27,711,561** | 13,605,778 |
| **Total assets** | **960,649,242** | 716,659,990 |
| Total segment liabilities | **770,113,523** | 585,848,040 |
| Deferred tax liabilities | **38,534,748** | 33,383,440 |
| Other liabilities | **37,906,727** | 24,321,941 |
| **Total liabilities** | **846,554,998** | 643,553,421 |

## 7 Segment information *(Continued)*

### CHANGES IN ACCOUNTING POLICY

The adoption of the new leasing standard described in note 3 had the following impact on the segment disclosures in the current year.

| | Depreciation | Segment results | Increase Segment assets | Segment liabilities |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Property development | 158,100 | 177,157 | 562,818 | 604,467 |
| Cultural and tourism city construction and operation | 5,486 | 4,587 | 7,296 | 8,880 |
| All other segments | — | — | — | — |
| | 163,586 | 181,744 | 570,114 | 613,347 |

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items noted above is not entirely comparable to the information disclosed for the prior year.

### ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Related to development and sales of properties contracts: | | |
| Current contract assets | **41,366** | 19,333 |
| Cost to obtain the contract | **2,018,889** | 913,030 |
| Loss allowance | **(358)** | (35) |
| Total contract assets | **2,059,897** | 932,328 |
| Contract liabilities | **240,818,329** | 199,378,610 |

## 7 Segment information *(Continued)*

### ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS *(Continued)*

**(i) Significant changes in contract assets and liabilities**

As at 31 December 2019, the contract assets mainly consisted of unbilled amount resulting from sale of properties when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer and unamortised incremental cost to obtain the contract.

As at 31 December 2019, the contract liabilities mainly included the payments received from sales of properties which were usually received in advance of the performance under the contracts. The increase in contract liabilities during the year was in line with the growth of the Group's contracted sales and due to an amount of RMB5.82 billion recognised in relation to business combination.

**(ii) Revenue recognised in relation to contract liabilities**

Revenue totalled approximately RMB141.69 billion was recognised in current reporting period that was included in the contract liability balance at the beginning of the year.

As of 31 December 2019, management expected that the contract amounts allocated to unsatisfied performance obligations of RMB 174.41 billion would be recognised as revenue during the reporting period of 2020 and the contract amounts of RMB 108.56 billion would be recognised as revenue in or after the reporting period of 2021.

**(iii) Assets recognised from costs to obtain a contract**

The Group has recognised the sales commissions directly attributable to obtaining a contract as contract assets in the balance sheet. These assets will be amortised as selling expenses in line with relevant revenue recognition. Sales commissions totalled RMB1.42 billion recognised as contract assets during the year and RMB0.32 billion has been amortised in current reporting period. Management expects that the majority of the contract assets will be recognised during the next reporting period.

## 8 Property, plant and equipment

| | Note | Buildings and equipment | Vehicles | Furniture and office equipment | Leasehold Improve-ments | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **At 1 January 2018** | | | | | | | |
| Cost | | 21,987,326 | 112,827 | 227,274 | 208,665 | 17,058,907 | 39,594,999 |
| Accumulated depreciation | | (244,722) | (44,051) | (2,181) | (41,425) | — | (332,379) |
| Net book amount | | 21,742,604 | 68,776 | 225,093 | 167,240 | 17,058,907 | 39,262,620 |
| **Year ended 31 December 2018** | | | | | | | |
| At 1 January 2018 | | 21,742,604 | 68,776 | 225,093 | 167,240 | 17,058,907 | 39,262,620 |
| Additions | | 1,046,430 | 42,230 | 194,078 | 88,405 | 8,023,587 | 9,394,730 |
| Transfers | | 4,745,309 | — | — | — | (4,745,309) | — |
| Transfer to investment properties | 9 | (324,677) | — | — | — | — | (324,677) |
| Acquisition of subsidiaries | | 85,256 | 2,929 | 8,347 | 4,619 | 1,681,744 | 1,782,895 |
| Disposal of subsidiaries | | — | — | (2,809) | — | — | (2,809) |
| Disposals | | (22,858) | (4,263) | (29,758) | (603) | — | (57,482) |
| Depreciation charges | | (664,386) | (30,008) | (87,160) | (49,418) | — | (830,972) |
| At 31 December 2018 | | 26,607,678 | 79,664 | 307,791 | 210,243 | 22,018,929 | 49,224,305 |
| **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 |
| **Year ended 31 December 2019** | | | | | | | |
| At 1 January 2019 | | **26,607,678** | **79,664** | **307,791** | **210,243** | **22,018,929** | **49,224,305** |
| Additions | | **444,150** | **50,825** | **216,339** | **265,847** | **16,998,846** | **17,976,007** |
| Transfer from CPHFS | | **110,846** | — | — | — | — | **110,846** |
| Transfers | | **22,303,063** | — | — | — | **(22,303,063)** | — |
| Acquisition of subsidiaries | 43(B) | **6,354,143** | **8,257** | **45,444** | **7,766** | **1,405,487** | **7,821,097** |
| Transfer to assets classified as held for sale | 21 | **(3,799,700)** | — | — | — | — | **(3,799,700)** |
| Disposal of subsidiaries | 44 | — | — | **(24)** | — | — | **(24)** |
| Disposals | | — | **(4,832)** | **(24,976)** | — | — | **(29,808)** |
| Depreciation charges | | **(998,213)** | **(34,779)** | **(121,643)** | **(46,309)** | — | **(1,200,944)** |
| At 31 December 2019 | | **51,021,967** | **99,135** | **422,931** | **437,547** | **18,120,199** | **70,101,779** |
| **At 31 December 2019** | | | | | | | |
| Cost | | **52,929,256** | **188,790** | **598,781** | **574,699** | **18,120,199** | **72,411,725** |
| Accumulated depreciation | | **(1,907,289)** | **(89,655)** | **(175,850)** | **(137,152)** | — | **(2,309,946)** |
| Net book amount | | **51,021,967** | **99,135** | **422,931** | **437,547** | **18,120,199** | **70,101,779** |

## 8 Property, plant and equipment *(Continued)*

Depreciation expense of RMB895 million (2018: RMB602 million) has been charged to "cost of sales", RMB46 million (2018: RMB70 million) in "selling and marketing costs" and RMB260 million (2018: RMB159 million) in "administrative expenses".

### (I) NON-CURRENT ASSETS PLEDGED AS SECURITY

Refer to note 40 for information on non-current assets pledged as security by the Group.

### (II) CONTRACTUAL OBLIGATIONS

Refer to note 38 for disclosure of contractual obligations to purchase, construct or develop buildings.

## 9 Investment properties

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

| | Note | Completed Investment properties RMB'000 | Investment properties under development RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2018 | | 8,835,107 | 3,986,504 | 12,821,611 |
| Additions | | — | 1,852,280 | 1,852,280 |
| Fair value changes | | (31,671) | 234,842 | 203,171 |
| Transfer from PP&E | 8 | 324,677 | — | 324,677 |
| Transfer from CPHFS and PUD | | 886,000 | 108,000 | 994,000 |
| Transfers | | 2,010,000 | (2,010,000) | — |
| At 31 December 2018 | | 12,024,113 | 4,171,626 | 16,195,739 |
| At 1 January 2019 | | **12,024,113** | **4,171,626** | **16,195,739** |
| Additions | | — | **3,800,612** | **3,800,612** |
| Acquisition of subsidiaries | 43(B) | **6,092,000** | — | **6,092,000** |
| Fair value changes | 32 | **69,309** | **1,165,850** | **1,235,159** |
| Transfer to assets classified as held for sale | 21 | **(478,000)** | — | **(478,000)** |
| Transfers | | **8,017,088** | **(8,017,088)** | — |
| At 31 December 2019 | | **25,724,510** | **1,121,000** | **26,845,510** |

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

See note 5(B) for the valuation techniques and significant inputs used in fair value measurements of investment properties.

## 9 Investment properties *(Continued)*

### (I) AMOUNTS RECOGNISED IN PROFIT OR LOSS FOR INVESTMENT PROPERTIES

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Rental income | **589,756** | 501,252 |
| Direct operating expenses from property that generated rental income | **(147,834)** | (78,263) |
| Fair value gain recognised in other income | **1,235,159** | 203,171 |

### (II) NON-CURRENT ASSETS PLEDGED AS SECURITY

Refer to note 40 for information on non-current assets pledged as security by the Group.

### (III) CONTRACTUAL OBLIGATIONS

Refer to note 38 for disclosure of contractual obligations to purchase construct or develop investment properties.

### (IV) LEASING ARRANGEMENTS

The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no significant variable lease payments that depend on an index or rate.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Within 1 year | **628,766** | 418,371 |
| Later than 1 year but no later than 5 years | **1,377,616** | 756,297 |
| Later than 5 years | **571,608** | 344,763 |
| | **2,577,990** | 1,519,431 |

## 10 Leases

This note provides information for leases where the Group is a lessee.

### (I) AMOUNTS RECOGNISED IN THE BALANCE SHEET

The balance sheet shows the following amounts relating to leases:

| | Land use rights RMB'000 | Properties RMB'000 | Vehicles RMB'000 | Total right-of-use assets RMB'000 |
|---|---|---|---|---|
| **1 January 2019 (note 3, note 11)** | 9,851,328 | 427,049 | 6,113 | 10,284,490 |
| Addition | 3,395,005 | 295,874 | 4,664 | 3,695,543 |
| Acquisition of subsidiaries (note 43(B)) | 1,603,209 | — | — | 1,603,209 |
| Transfer to assets classified as held for sale (note 21) | (123,300) | — | — | (123,300) |
| Depreciation | (378,315) | (159,363) | (4,223) | (541,901) |
| **31 December 2019** | 14,347,927 | 563,560 | 6,554 | 14,918,041 |

| | 31 December 2019 RMB'000 | 1 January 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|---|
| **Lease liabilities** | | | |
| Current | 176,499 | 151,304 | — |
| Non-current | 436,848 | 281,858 | — |
| Total lease liabilities | 613,347 | 433,162 | — |

For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to note 3.

Depreciation expense of RMB343 million (2018:nil) has been charged to "administrative expenses" and RMB199 million (2018: nil) has been charged to "cost of sales".

## 10 Leases *(Continued)*

### (II) AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

The statement of profit or loss shows the following amounts relating to leases:

| | 2019<br>RMB'000 |
|---|---|
| **Depreciation charge of right-of-use assets** | |
| Land use rights | (378,315) |
| Properties | (159,363) |
| Vehicles | (4,223) |
| Total depreciation charge of right-of-use assets | (541,901) |
| Interest expense (included in finance cost) | 61,391 |
| Expense relating to short-term leases (included in cost of goods sold and administrative expenses) | 73,953 |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses) | 138 |
| Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses) | — |

The total cash outflow for leases in 2019 was RMB255.83 million.

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

The Group obtained land use rights from the mainland China government with fixed period of 40 years. Beside this, the Group leases various offices and vehicles. Rental contracts are typically made for fixed periods of 1 to 15 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

## 11 Intangible assets (Land use rights and intangible assets 2018)

| | Land use rights | Intangible assets | | |
|---|---|---|---|---|
| | | Goodwill (A) | Others | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **At 1 January 2018** | | | | |
| Cost | 2,818,800 | 906,791 | 224,181 | 3,949,772 |
| Accumulated amortisation and impairment | (21,099) | (267,279) | (24,263) | (312,641) |
| Net book amount | 2,797,701 | 639,512 | 199,918 | 3,637,131 |
| **Year ended 31 December 2018** | | | | |
| Opening net book amount | 2,797,701 | 639,512 | 199,918 | 3,637,131 |
| Acquisition of subsidiaries | 20,124 | 4,654,913 | 211 | 4,675,248 |
| Additions | 7,150,880 | — | 1,300,119 | 8,450,999 |
| Disposals subsidiaries | — | (23,928) | — | (23,928) |
| Impairment charge | — | (189,020) | (368,431) | (557,451) |
| Amortisation charge | (117,377) | — | (43,815) | (161,192) |
| Closing net book amount | 9,851,328 | 5,081,477 | 1,088,002 | 16,020,807 |
| **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 3, note 10) | (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 |
| **Year ended 31 December 2019** | | | | |
| Opening net book amount | — | **5,081,477** | **1,088,002** | **6,169,479** |
| Acquisition of subsidiaries (note 43) | — | **1,114,668** | **382,052** | **1,496,720** |
| Additions | — | — | **137,837** | **137,837** |
| Impairment charge | — | **(58,337)** | — | **(58,337)** |
| Amortisation charge | — | — | **(78,288)** | **(78,288)** |
| Closing net book amount | — | **6,137,808** | **1,529,603** | **7,667,411** |
| **At 31 December 2019** | | | | |
| Cost | — | **6,652,444** | **2,044,400** | **8,696,844** |
| Accumulated amortisation and impairment | — | **(514,636)** | **(514,797)** | **(1,029,433)** |
| Net book amount | — | **6,137,808** | **1,529,603** | **7,667,411** |

Amortisation expense of RMB13 million (2018: RMB1 million) in "selling and marketing costs" and RMB65 million (2018: RMB43 million) in "administrative expenses".

## 11 Intangible assets (Land use 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. Each project is identified as a CGU and the recoverable amount of a CGU is determined based on value-in-use method.

A segment-level summary of the goodwill allocation is presented below.

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Cultural and tourism city construction and operation (i) | **4,392,488** | 4,392,488 |
| Property development (ii) | **732,805** | 655,379 |
| All other segments (iii) | **1,012,515** | 33,610 |
| | **6,137,808** | 5,081,477 |

(i) The goodwill allocated into segment of cultural and tourism city construction and operation was generated from acquisition of cultural and tourism management companies in 2018. Management monitors the goodwill on group of CGUs basis which expected to benefit from the synergies of this combination.

(ii) The goodwill allocated in property development segment generated from business combination of certain property development projects. Each property development project is identified as a CGU. Management reviews the business performance and monitors the goodwill on individual CGU basis.

(iii) The goodwill of all other segments included the goodwill generated from acquisition of Le Vision Pictures (Beijing) Co. Ltd and Beijing Dream Castle Culture Co., Ltd. Management reviews the business performance and monitors the goodwill on individual CGU basis.

(iv) The recoverable amount of a CGU used in goodwill impairment test is determined based on value-in-use method. The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

| **Assumption** | **Cultural and tourism city construction and operation** |
|---|---|
| **2019:** | |
| Revenue growth rate | **Start-up period: 10%-23%** |
| | **Stable period: 7%-11%** |
| Profit rate over the stable period | **44%-68%** |
| Long-term growth rate | **2.5%** |
| Pre-tax discount rates | **11.7%** |
| **2018:** | |
| Revenue growth rate | Start-up period: 9%-25% |
| | Stable period: 6%-10% |
| Profit rate over the stable period | 36%-71% |
| Long-term growth rate | 2.5% |
| Pre-tax discount rates | 11.6% |

## 11 Intangible assets (Land use rights and intangible assets 2018) *(Continued)*

### (A) IMPAIRMENT TESTS FOR GOODWILL *(Continued)*

Management has determined the values assigned to each of the above key assumptions as follows:

| | |
|---|---|
| Forecast period | Forecast period was determined based on the business model and current developing stage of individual CGUs. For cultural and tourism city construction and operation, the start-up period is the first seven-year period after the opening date and the stable period covers the eighth year to twenty-first year. |
| Revenue | Annual growth rate of revenue over the forecast period was based on past performance and management's expectations of market development. |
| Profit rate over the stable period | Profit rate over the stable period was estimated based on past performance and management's expectations for the future. |
| Long-term growth rate | This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are consistent with management's forecasts and industry information |
| Pre-tax discount rates | Reflect specific risks relating to the relevant segments and the industry in which they operate. |

Except for the goodwill allocated to cultural and tourism city construction and operation segment, there is no individual CGU for which the carrying amount of goodwill is significant in comparison with the total carrying amount of goodwill. The key assumptions used to determine the recoverable amount of each CGU include the future unit selling price, revenue growth rate, profit rate, long-term growth rate, estimated future costs to complete the project development and pre-tax discount rate. The range of pre-tax discount rate used for the analysis of each CGU in the operating entities is 20%-24.7% as at 31 December 2019 (2018 pre-tax discount rate: 20%).

The impairment charge of RMB58.34 million arose from a property development company which was in the completion stage of real estate development project. Except for the impairment project, the recoverable amount of above CGU or group CGUs are estimated to exceed the carrying amount at 31 December 2019.

If the revenue growth rates or profit rates used in the value-in-use calculation for the cultural and tourism city construction and operation CGUs have been 5% lower than management's estimation, the recoverable amounts would be still exceeding the carrying amount and there would be no impairment against goodwill allocated in this segment.

If the pre-tax discount rate applied to the cash flow projections of these CGUs changes to 12.3%, the recoverable amounts would be still exceeding the carrying amount and there would be no impairment against goodwill allocated in this segment.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that would have resulted in a significant impairment against the goodwill of the Group.

## 12 Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Joint ventures | **60,049,425** | 40,009,448 |
| Associates | **28,944,867** | 25,487,378 |
| | **88,994,292** | 65,496,826 |

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

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Share of profits of joint ventures | **6,248,302** | 3,891,426 |
| Share of profits of associates | **1,735,221** | 930,385 |
| Gains from acquisitions of joint ventures | **162,798** | 134,183 |
| | **8,146,321** | 4,955,994 |

### 12.1 INVESTMENTS IN JOINT VENTURES

An analysis of the movement of equity investments in joint ventures is as follows:

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| At beginning of year | **40,009,448** | 32,302,811 |
| Additions: | | |
| – Capital contributions to joint ventures at establishment | **17,185,733** | 1,692,166 |
| – Acquisitions of joint ventures | **8,040,131** | 4,320,822 |
| – Additional investments in existing joint ventures | **2,059,983** | 410,208 |
| – Subsidiaries becoming joint ventures (note 44(A)) | — | 605,069 |
| – Acquisition from business combination (note 43) | **169,221** | — |
| Disposals: | | |
| – Disposal of investments in joint ventures | **(5,895,158)** | (407,729) |
| – Joint ventures becoming subsidiaries (note 43(A)) | **(1,514,622)** | (1,759,026) |
| Capital deduction of joint ventures | **(2,788,050)** | (476,266) |
| Share of profits of joint ventures, net | **6,248,302** | 3,891,426 |
| Dividends from joint ventures | **(3,465,563)** | (570,033) |
| At end of year | **60,049,425** | 40,009,448 |

Note:

(a) All joint ventures are non-listed companies. A joint venture named Summer Sky Investments Limited is incorporated in Hong Kong, all remaining joint ventures of the Group are incorporated in the PRC.

## 12 Investments accounted for using the equity method *(Continued)*

### 12.1 INVESTMENTS IN JOINT VENTURES *(Continued)*

(i) The following table lists the principal joint ventures of the Group as at 31 December 2019 and 2018:

| Name of joint ventures | Registered capital (RMB' million) | % of ownership interest 31 December 2019 | 31 December 2018 | Principal activities |
|---|---|---|---|---|
| Shandong Rongjian Real Estate Co., Ltd. | 100 | 50% | 50% | Real estate development |
| Xi'an Sunac Tianlang Real Estate Co., Ltd. | 100 | 56% | 56% | Real estate development |
| Xianyang Sunac Yihe Real Estate Co., Ltd. | 100 | 50% | 50% | Real estate development |
| Tianjin Sunac Xingchen Investment Co., Ltd. | 1,000 | 70% | 70% | Real estate development |
| Wuhan Shizheng Sunac Real Estate Co., Ltd. | 1,000 | 69% | 69% | Real estate development |

The Group's control over decisions about the relevant activities requires unanimous consent with other equity investment partners in the joint ventures in accordance with the joint ventures' articles of associations.

The entities listed above have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

(ii) Commitments in respect of joint ventures

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| **Commitments – joint ventures** | | |
| Commitment to provide funding for joint venture's capital commitments | **1,484,330** | 2,180,180 |

## 12 Investments accounted for using the equity method *(Continued)*

### 12.1 INVESTMENTS IN JOINT VENTURES *(Continued)*

(iii) Summarised financial information of material joint venture

Set out below is the summarised financial information for the material joint venture.

| | Joint venture – A | |
|---|---|---|
| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
| **Summarised balance sheet** | | |
| Current assets | | |
| Cash and cash equivalents | **530,090** | 410,106 |
| Other current assets | **27,470,342** | 21,012,431 |
| Total current assets | **28,000,432** | 21,422,537 |
| Non-current assets | **251,859** | 126,117 |
| Current liabilities | | |
| Financial liabilities (excluding trade payables) | **3,381,176** | 456,000 |
| Other current liabilities | **22,096,633** | 16,609,180 |
| Total current liabilities | **25,477,809** | 17,065,180 |
| Non-current liabilities | | |
| Financial liabilities (excluding trade payables) | **1,069,000** | 1,536,981 |
| Other non-current liabilities | **50,141** | 48,838 |
| Total non-current liabilities | **1,119,141** | 1,585,819 |
| **Net assets** | **1,655,341** | **2,897,655** |

## 12 Investments accounted for using the equity method *(Continued)*

### 12.1 INVESTMENTS IN JOINT VENTURES *(Continued)*

(iii) Summarised financial information of material joint venture *(Continued)*

| | Joint venture – A | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| **Reconciliation to carrying amounts:** | | |
| Opening net assets 1 January | **2,897,655** | 1,120,175 |
| Profit for the period | **1,101,826** | 1,777,480 |
| Dividends paid | **(2,344,140)** | — |
| Closing net assets | **1,655,341** | 2,897,655 |
| Group's share in % | **60%** | 60% |
| Goodwill | — | — |
| Carrying amount | **993,205** | 1,738,593 |
| Revenue | **4,971,929** | 7,479,065 |
| Interest income | **46,762** | 14,896 |
| Depreciation and amortisation | — | — |
| Interest expense | **2,151** | 6,450 |
| Income tax expense | **907,265** | 1,112,946 |
| **Profit for the period** | **1,101,826** | 1,777,480 |
| Dividends received from joint venture | **1,406,484** | — |

Note: Pursuant to the article of association of this joint venture, the Group would share the 60% equity interest of the company.

The information above reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture, and not the Company's share of those amounts.

(iv) Aggregate information of joint ventures that are not individually material:

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Aggregate carrying amount of the Group's interests in these joint ventures | **59,056,220** | 38,270,855 |

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| The Group's share of post-tax profits, net | **5,587,206** | 2,824,938 |
| The Group's share of total comprehensive income | **5,587,206** | 2,824,938 |

## 12 Investments accounted for using the equity method *(Continued)*

### 12.2 INVESTMENTS IN ASSOCIATES

An analysis of the movement of equity investments in associates is as follows:

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| At beginning of year | **25,487,378** | 26,310,410 |
| Additions: | | |
| – Capital contribution to associates at establishment | **1,783,037** | 274,992 |
| – Acquisitions of associates | **758,427** | 202,040 |
| – Additional investments in existing associates | **28,675** | 2,552,371 |
| – Subsidiaries becoming associates (note 44(A)) | **263,259** | — |
| – Acquisition from business combination (note 43(B)) | **3,389,160** | — |
| Disposals: | | |
| – Disposal of investments in associates | — | (3,010,003) |
| – Associates becoming subsidiaries (note 43(A)) | **(1,585,585)** | (575,519) |
| Capital deduction of associates | **(1,427,786)** | — |
| Impairment provisions for investments in associates | **(766,475)** | (404,047) |
| Share of profits of associates, net | **1,735,221** | 930,385 |
| Dividends from associates | **(720,444)** | (793,251) |
| At end of year | **28,944,867** | 25,487,378 |

Note:

(a) All associates of the Group are incorporated in the PRC. Except for Jinke Property Group Co., Ltd. ("Jinke Property") which is listed on the Shenzhen Stock Exchange, the remaining associates of the Group are non-listed companies.

(i) As at 31 December 2019 and 2018, the Group had interests in the following principal associates:

| Name of associates | Registered capital (RMB million) | % of ownership interest<br>31 December 2019 | <br>31 December 2018 | Principal activities |
|---|---|---|---|---|
| Jinke Property | 5,343 | 29% | 29% | Real estate development |
| Tianjin Xingyao Investment Co., Ltd.* | 3,490 | 75% | 75% | Real estate development |
| Wuhan Xincheng International Expo Center Co., Ltd. | 500 | 30% | - | Real estate development |
| Tianjin Lvcheng Quanyuncun Construction Development Co., Ltd. | 2,500 | 39% | 39% | Real estate development |
| Shanghai Fuyuan Binjiang Development Co., Ltd. | 1,320 | 47% | 47% | Real estate development |

## 12 Investments accounted for using the equity method *(Continued)*

### 12.2 INVESTMENTS IN ASSOCIATES *(Continued)*

(i) As at 31 December 2019 and 2018, the Group had interests in the following principal associates: *(Continued)*

The entities listed above have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

* In accordance with the articles of association of Tianjin Xingyao, the Group cannot make absolute decision on the relevant activities of Tianjin Xingyao and Tianjin Xingyao became a 75% owned associate of the Group.

(ii) Contingent liabilities in respect of associates

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| **Contingent liabilities – associates** | | |
| Share of contingent liabilities incurred jointly with other investors of the associate | **6,325,932** | 6,305,882 |

(iii) Summarised financial information of material associate

Set out below is the summarised financial information for the material associate.

| | **Associate – A** | |
|---|---|---|
| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
| **Summarised assets and liabilities** | | |
| Current assets | **29,705,845** | 39,721,943 |
| Non-current assets | **707,181** | 664,167 |
| Current liabilities | **13,092,543** | 23,281,670 |
| Non-current liabilities | **11,025,716** | 10,541,991 |
| Equity attributable to equity holders of the associate | **6,294,767** | 6,562,449 |

| | **Associate – A** | |
|---|---|---|
| | **2019 RMB'000** | 2018 RMB'000 |
| **Summarised profit or loss and other comprehensive income** | | |
| Revenue | **911,273** | 685,017 |
| Net (loss)/profit attributable to equity holders of the associate | **(267,682)** | 5,133 |
| Total comprehensive (loss)/income attributable to equity holders of the associate | **(267,682)** | 5,133 |

The information above reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate, and not the Company's share of those amounts.

## 12 Investments accounted for using the equity method *(Continued)*

### 12.2 INVESTMENTS IN ASSOCIATES *(Continued)*

(iv) Reconciliation of summarised financial information

Reconciliation of the above financial information presented to the carrying amount of the Group's interests in the associates:

| | Associate – A | |
|---|---|---|
| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
| Equity attributable to equity holders of the associates | **6,294,767** | 6,562,449 |
| The Group's equity interest share | **75%** | 75% |
| Interest in the associate | **4,721,075** | 4,921,837 |
| Goodwill | **—** | — |
| Carrying amount | **4,721,075** | 4,921,837 |

Aggregate information of associates that are not individually material:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Aggregate carrying amount of the Group's interests in these associates | **24,223,792** | 20,565,541 |

| | **2019 RMB'000** | 2018 RMB'000 |
|---|---|---|
| The Group's share of post-tax profits, net | **1,935,983** | 926,535 |
| The Group's share of total comprehensive income | **1,935,983** | 926,535 |

## 13 Deferred income tax

### (I) DEFERRED TAX ASSETS

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Deferred tax assets (hereafter "DTA"): | | |
| – to be recovered within 12 months | **3,401,978** | 2,636,636 |
| – to be recovered after more than 12 months | **9,918,488** | 4,929,870 |
| Set-off of deferred tax liabilities pursuant to set-off provisions | **(4,735,154)** | (4,581,766) |
| Net DTA | **8,585,312** | 2,984,740 |

The movement on DTA during the year, without taking into consideration of offsetting of balance within the same tax jurisdiction, is as follows:

| Movements | Unpaid LAT RMB'000 | Deductible tax loss RMB'000 | Impairment provision RMB'000 | Accruals expenses for tax purpose RMB'000 | Fair value change RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2018 | 2,112,906 | 2,638,229 | 134,272 | 232,844 | — | 5,118,251 |
| Adjustment on adoption of HKFRS 9 | — | — | 23,824 | — | — | 23,824 |
| At 1 January 2018 | 2,112,906 | 2,638,229 | 158,096 | 232,844 | — | 5,142,075 |
| Credited to profit or loss | 1,799,792 | 179,099 | 147,807 | 9,504 | 167,912 | 2,304,114 |
| Acquisition of subsidiaries | 7,005 | 194,876 | — | 5,580 | — | 207,461 |
| Disposal of subsidiaries | (2,119) | (84,685) | — | (340) | — | (87,144) |
| At 31 December 2018 | 3,917,584 | 2,927,519 | 305,903 | 247,588 | 167,912 | 7,566,506 |
| At 1 January 2019 | **3,917,584** | **2,927,519** | **305,903** | **247,588** | **167,912** | **7,566,506** |
| Credited/(charged) to profit or loss | **1,562,656** | **2,329,929** | **1,204,380** | **66,811** | **(60,567)** | **5,103,209** |
| Acquisition of subsidiaries (note 43) | **82,415** | **298,487** | **264,247** | **29,276** | — | **674,425** |
| Disposal of subsidiaries (note 44) | — | **(21,739)** | — | **(1,935)** | — | **(23,674)** |
| At 31 December 2019 | **5,562,655** | **5,534,196** | **1,774,530** | **341,740** | **107,345** | **13,320,466** |

## 13 Deferred income tax *(Continued)*

### (II) DEFERRED TAX LIABILITIES

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Deferred tax liabilities (hereafter "DTL"): | | |
| – to be settled within 12 months | **10,070,823** | 16,210,508 |
| – to be settled after more than 12 months | **33,199,079** | 21,754,698 |
| Set-off of deferred tax liabilities pursuant to set-off provisions | **(4,735,154)** | (4,581,766) |
| Net DTL | **38,534,748** | 33,383,440 |

The movement on DTL during the year, without taking into consideration of offsetting of balance within the same tax jurisdiction, is as follows:

| | Deferred LAT | Deferred corporate income tax | | | | | Total |
|---|---|---|---|---|---|---|---|
| Movements | Fair value surplus at acquisitions RMB'000 | Fair value surplus at acquisitions RMB'000 | Fair value change RMB'000 | Prepaid LAT RMB'000 | Dividend tax for PRC entities' distributable profits RMB'000 | Others RMB'000 | RMB'000 |
| At 1 January 2018 | 22,366,422 | 13,855,983 | 25,756 | 806,623 | 648,173 | — | 37,702,957 |
| (Credited)/charged to profit or loss | — | (3,155,765) | 523,931 | 423,961 | 338,847 | 228,258 | (1,640,768) |
| Transfer to tax payable | (4,004,030) | — | — | — | — | — | (4,004,030) |
| Acquisition of subsidiaries | 3,261,067 | 3,129,940 | — | 61,575 | — | — | 6,452,582 |
| Disposal of subsidiaries | — | (545,535) | — | — | — | — | (545,535) |
| At 31 December 2018 | 21,623,459 | 13,284,623 | 549,687 | 1,292,159 | 987,020 | 228,258 | 37,965,206 |
| At 1 January 2019 | **21,623,459** | **13,284,623** | **549,687** | **1,292,159** | **987,020** | **228,258** | **37,965,206** |
| (Credited)/charged to profit or loss | **–** | **(2,759,324)** | **422,201** | **56,869** | **600,400** | **276,464** | **(1,403,390)** |
| Transfer to tax payable | **(3,656,757)** | **–** | **–** | **–** | **–** | **–** | **(3,656,757)** |
| Acquisition of subsidiaries (note 43) | **3,326,290** | **7,035,674** | **–** | **44,138** | **–** | **–** | **10,406,102** |
| Disposal of subsidiaries (note 44) | **–** | **(41,259)** | **–** | **–** | **–** | **–** | **(41,259)** |
| At 31 December 2019 | **21,292,992** | **17,519,714** | **971,888** | **1,393,166** | **1,587,420** | **504,722** | **43,269,902** |

## 14 Financial assets at fair value through profit or loss

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Listed equity securities | **121,585** | 302,296 |
| Unlisted equity securities | **14,505,084** | 8,915,657 |
| Debt investment | **1,162,114** | 788,139 |
| | **15,788,783** | 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 5(A).

### (A) AMOUNTS RECOGNISED IN PROFIT OR LOSS

During the year, the following gains were recognised in profit or loss:

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Fair value gains on financial assets at FVPL recognised in other income (note 32) | **780,859** | 888,871 |

## 15 Properties under development

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Comprising: | | |
| Land use rights costs | **299,624,062** | 215,908,047 |
| Construction costs and capitalised expenditures | **81,116,520** | 52,109,584 |
| Capitalised finance costs | **46,372,059** | 24,158,377 |
| | **427,112,641** | 292,176,008 |
| Less: provision for loss on realisable values | **(329,263)** | (262,433) |
| | **426,783,378** | 291,913,575 |
| Including: To be completed within 12 months | **135,100,510** | 91,770,261 |
| To be completed after 12 months | **291,682,868** | 200,143,314 |
| | **426,783,378** | 291,913,575 |

## 15 Properties under development *(Continued)*

The properties under development are all located in the PRC.

RMB82.9 billion of costs to fulfil contracts carried forward from prior year was recognised as cost of good sales in the current reporting period.

At 31 December 2019, properties under development included the costs to fulfil contracts amounting to RMB112.1 billion.

Refer to note 40 for information on current assets pledged as security by the Group.

## 16 Completed properties held for sale

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Completed properties held for sale | **56,867,520** | 48,341,719 |
| Less: provision for loss on realisable value | **(1,678,310)** | (1,005,454) |
| | **55,189,210** | 47,336,265 |

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

RMB13.3 billion of costs to fulfil contracts carried forward from prior year was recognised as cost of good sales in the current reporting period.

At 31 December 2019, completed properties held for sale included the costs to fulfil contracts amounting to RMB19.7 billion.

Refer to note 40 for information on current assets pledged as security by the Group.

## 17 Trade and other receivables

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Non-current - | | |
| Amounts due from construction customers (i) | **48,000** | 558,000 |
| Current - | | |
| Trade receivables from contracts with customers (ii) | **1,701,056** | 1,359,626 |
| Amounts due from non-controlling interests and their related parties (iii) | **17,831,141** | 11,532,705 |
| Notes receivables | **75,265** | 26,915 |
| Deposits receivables | **10,853,804** | 6,024,104 |
| Other receivables (iv) | **17,045,590** | 8,755,984 |
| | **47,506,856** | 27,699,334 |
| Less: loss allowance (vi) | **(352,532)** | (307,068) |
| | **47,154,324** | 27,392,266 |

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

Notes:

(i) The balance carries interest rate at 8% per annum and is repayable within five years.

(ii) 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:

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Within 90 days | **1,126,438** | 750,092 |
| 91 – 180 days | **12,517** | 42,911 |
| 181 – 365 days | **211,952** | 145,901 |
| Over 365 days | **350,149** | 420,722 |
| | **1,701,056** | 1,359,626 |

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

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

## 17 Trade and other receivables *(Continued)*

Notes: *(Continued)*

(v) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the non-current receivables, the variance between the fair values and their carrying amounts are immaterial.

(vi) Impairment and risk exposure

*Trade receivables and contract assets*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance on 31 December 2018 by RMB1.37 million to RMB17.81 million for trade receivables and contract assets. The loss allowance increased by RMB27.04 million to RMB44.85 million for trade receivables and contract assets during the current reporting period. Note 4.1(b) provides for details about the calculation of the allowance.

*Other receivables*

Other receivables are all considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

Information about the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 4.1.

## 18 Prepayments

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Non-current - | | |
| Prepayments for equity transactions | **2,977,824** | 2,276,912 |
| Prepayments for purchase of PP&E | **40,274** | — |
| | **3,018,098** | 2,276,912 |
| Current - | | |
| Tax and surcharge | **2,189,970** | 6,295,757 |
| Prepayments for land use rights acquisitions | **10,202,070** | 2,459,932 |
| Prepayments for construction costs | **1,269,574** | 1,315,828 |
| Others | **1,001,226** | 342,859 |
| | **14,662,840** | 10,414,376 |

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

## 19 Restricted cash

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Guarantee deposits as reserve for bank loans | **21,798,223** | 15,617,770 |
| Restricted cash from property pre-sale proceeds (i) | **17,578,004** | 17,062,937 |
| Guarantee deposits for bank acceptance | **4,125,338** | 3,764,298 |
| Guarantee deposits for mortgage | **1,372,470** | 2,405,005 |
| Restricted cash from equity transactions | **96,013** | 96,413 |
| Restricted cash from land use rights acquisitions | **527,874** | 2,491,978 |
| Others | **2,289,106** | 2,578,610 |
| | **47,787,028** | 44,017,011 |

Note:

(i) In certain subsidiaries of the Company, a portion of the proceeds from pre-sale of properties is saved as guarantee bank deposits in accordance with the municipal regulations and is released in line with certain development progress milestones.

## 20 Cash and cash equivalents

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Cash on hand and demand deposit: | | |
| Denominated in RMB | **76,119,797** | 73,468,887 |
| Denominated in USD | **1,553,039** | 2,650,538 |
| Denominated in HKD | **270,825** | 61,616 |
| | **77,943,661** | 76,181,041 |

The conversion of RMB denominated balances into foreign currencies, and the remittance of foreign currencies-denominated bank balances and cash out of the PRC are subject to restrictive foreign exchange control rules and regulations.

The Group earns interest on cash at bank, at floating bank deposit rates and there was no bank overdraft in the Group.

## 21 Assets classified as held for sale

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Non-current assets held for sale | | |
| PP&Es | **3,799,700** | — |
| Investment properties | **478,000** | — |
| Right-of-use assets | **123,300** | — |
| | **4,401,000** | — |

In 2019, the Group approved to sell several assets owned by a 51% subsidiary of the Group. The sale is expected to be completed in 2020.

## 22 Share capital

| | Number of ordinary shares (thousands) | Shares capital HK$'000 | Equivalent to RMB'000 |
|---|---|---|---|
| **Authorised:** | | | |
| At 1 January 2018, 31 December 2018 and 2019, HK$0.1 per share | 10,000,000 | 1,000,000 | |
| **Issued and fully paid:** | | | |
| As at 1 January 2018 | 4,396,454 | 439,646 | 377,608 |
| Shares issued upon exercise of employees' share options ((i), note 23) | 9,680 | 968 | 813 |
| **As at 31 December 2018** | 4,406,134 | 440,614 | 378,421 |
| Shares issued upon exercise of employees' share options ((i), note 23) | **45,795** | **4,580** | **3,918** |
| **As at 31 December 2019** | **4,451,929** | **445,194** | **382,339** |

Note:

(i) The Company adopted a Post-IPO Share Option Scheme (the "2011 Share Option Scheme") (note 23(A)(i)) on 29 April 2011 and a new Share Option Scheme (the "2014 Share Option Scheme") (note 23 (A)(ii)) on 19 May 2014 respectively.

## 23 Share-based payments

### (A) SHARE OPTION SCHEME

#### (i) 2011 Share Option Scheme

The 2011 Share Option Scheme was approved and adopted by all shareholders of the Company on the annual general meeting held on 29 April 2011 (the "2011 Share Option Scheme Adoption Date"). As at 31 December 2014, all the share options have been granted within the 2011 Share Option Scheme. The options are not conditional on the employees' performance target before an option can be exercised. The 2011 share options, once vested, shall be exercisable within a period of six years from the 2011 Share Option Scheme Adoption Date or the most recent anniversary of the 2011 Share Option Scheme Adoption Date.

#### (ii) 2014 Share Option Scheme

The 2014 Share Option Scheme was approved and adopted by the shareholders of the Company on the annual general meeting held on 19 May 2014 (the "2014 Share Option Scheme Adoption Date"). The maximum number of shares in respect of which options ("2014 Options") may be granted should not exceed 166,374,246 shares, representing 5% of the total number of shares in issue as at the 2014 Share Option Scheme Adoption Date. The options are to be granted during a grant period of three years from the 2014 Share Option Scheme Adoption Date. Such options will vest in accordance with the following schedule: 30% upon the grant, an additional 30% upon the first anniversary of the 2014 Share Option Scheme Adoption Date and additional 40% upon the second anniversary. The options are not conditional on the employees' performance target before an option can be exercised. The subscription price for each grant should be at least the higher of (a) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the grant dates, (b) the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date, and (c) the nominal value of the shares of the Company. The 2014 share options, once vested, shall be exercisable within a period of five years from the 2014 Share Option Scheme Adoption Date or the most recent anniversary of the 2014 Share Option Scheme Adoption Date.

The total expense recognised in the profit or loss for share options granted to directors and employees for the year ended 31 December 2019 was RMB117.02 million (2018: RMB291.04 million) (note 31).

The Group has no legal or constructive obligation to repurchase or settle all above mentioned options in cash.

## 23 Share-based payments *(Continued)*

### (A) SHARE OPTION SCHEME *(Continued)*

#### (ii) 2014 Share Option Scheme *(Continued)*

Movement in the share options and their related weighted-average exercise prices are as follows:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Average price in HK$ per share** | **Options (thousand)** | Average price in HK$ per share | Options (thousand) |
| At beginning of year | **17.22** | **124,927** | 16.35 | 135,589 |
| Granted | — | — | — | — |
| Exercised* | **11.72** | **(45,795)** | 4.38 | (9,680) |
| Expired | **30.25** | **(492)** | 16.82 | (439) |
| Abandoned | **30.25** | **(1,112)** | 27.42 | (543) |
| At end of year | **20.20** | **77,528** | 17.22 | 124,927 |

* The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2019 was HK$37.51.

As at 31 December 2019, 77,528 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 were exercisable).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

| **Expiry date** | **Exercise price in HK$ per share option** | **Number of share options (thousand)** | |
|---|---|---|---|
| | | **2019** | 2018 |
| 28 April 2018 | 2.33 | — | — |
| 28 April 2019 | 6.32 | — | 8,794 |
| 5 June 2019 | 4.07 | — | 9,491 |
| 9 July 2020 | 7.27 | **12,976** | 19,737 |
| 20 June 2021 | 4.62 | **18,705** | 27,840 |
| 22 Dec 2022 | 30.25 | **45,847** | 59,065 |
| | | **77,528** | 124,927 |

## 23 Share-based payments *(Continued)*

### (B) SHARE AWARD SCHEME

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

The following table presents the movement in shares that held by the trustee for the purpose of issuing shares under Share Award Scheme. Shares issued to employees are recognised on a first-in-first-out basis.

| Details | Number of shares (thousand) | HKD'000 | Equivalent to RMB'000 |
|---|---|---|---|
| **Opening balance 1 January 2018** | — | — | — |
| Purchase of shares for share award scheme | 66,649 | 1,673,350 | 1,464,565 |
| **Balance 31 December 2018** | 66,649 | 1,673,350 | 1,464,565 |
| Purchase of shares for share award scheme | 28,004 | 808,107 | 716,306 |
| Employee share scheme issue | — | — | — |
| **Balance 31 December 2019** | **94,653** | **2,481,457** | **2,180,871** |

For the year ended 31 December 2019, 21,040 thousand shares in connection with the Share Award Scheme have been granted to the eligible employees for no cash consideration. 30% of these shares vested immediately at grant date, 30% of these shares vest after one year from the grant date and remaining 40% of shares vest after two years from the grant date. The eligible employees do not receive any dividends and are not entitled to vote in relation to the shares till after one year from the vesting date (the "Waiting Period").

The fair value of the rights at grant date was estimated by taking the market price of the Company's shares on that date less the present value of expected dividends that will not be received by the eligible employees on their rights during the Waiting Period.

## 23 Share-based payments (Continued)

### (B) SHARE AWARD SCHEME (Continued)

The following table shows the shares granted and outstanding at the beginning and end of the reporting period:

| | Number of share options (thousand) | |
|---|---|---|
| | **2019** | 2018 |
| As at 1 January | — | — |
| Granted during the year | 21,040 | — |
| Vested during the year | (6,312) | — |
| Forfeited during the year | (378) | — |
| As at 31 December | 14,350 | — |
| Weighted average remaining contractual life of the deferred shares outstanding at end of period | 1.35 years | — |

The total expense recognised in the profit or loss for the Share Award Scheme granted to employees for the year ended 31 December 2019 was RMB460.97 million.

## 24 Reserves

| | Note | Share premium RMB'000 | Share option reserve RMB'000 | Other RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | | |
| At 1 January 2018 | | 12,959,681 | 469,935 | 3,219,836 | 16,649,452 |
| Transaction with non-controlling interests | | — | — | (129,860) | (129,860) |
| Employees share option schemes: | | | | | |
| – Value of employee services | 31 | — | 291,035 | — | 291,035 |
| – Exercise of employees' share options | | 42,277 | — | — | 42,277 |
| Purchase of shares for share award scheme | | (1,464,565) | — | — | (1,464,565) |
| Statutory reserve | (I) | — | — | 1,072,037 | 1,072,037 |
| Dividends relating to 2017 | | (2,200,773) | — | — | (2,200,773) |
| At 31 December 2018 | | 9,336,620 | 760,970 | 4,162,013 | 14,259,603 |

## 24 Reserves *(Continued)*

| | Note | Share premium RMB'000 | Share option reserve RMB'000 | Other RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2019** | | | | | |
| At 1 January 2019 | | 9,336,620 | 760,970 | 4,162,013 | 14,259,603 |
| Transaction with non-controlling interests | 42 | — | — | 3,526,449 | 3,526,449 |
| Employees share option schemes: | | | | | |
| – Value of employee services | 31 | — | 117,021 | — | 117,021 |
| – Exercise of employees' share options | | 462,104 | — | — | 462,104 |
| Share award scheme | | | | | |
| – Value of employee services | 31 | — | 460,966 | — | 460,966 |
| Purchase of shares for share award scheme | 23(B) | (716,306) | — | — | (716,306) |
| Statutory reserve | (I) | — | — | 3,045,418 | 3,045,418 |
| Dividends relating to 2018 | 46 | (3,644,638) | — | — | (3,644,638) |
| At 31 December 2019 | | 5,437,780 | 1,338,957 | 10,733,880 | 17,510,617 |

### (I) STATUTORY RESERVES

In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of the PRC companies now comprising the Group, 10% of its net profit as shown in the accounts prepared under PRC accounting regulations is required to be appropriated to statutory reserve, until the reserve reaches 50% of the registered capital. Appropriation of statutory reserve must be made before distribution of dividends to equity holders. This reserve shall only be used to make up losses; to expand the entities' production operation; or to increase the capital of the entities. Upon approval by a resolution of equity holders, the entities may convert this reserve into share capital, provided that the unconverted remaining amount of reserve is not less than 25% of the registered capital.

The PRC entities of the Group directly owned by the Group's entities outside the PRC are required, in accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the Articles of Association of these companies, to make appropriations from net profit to the reserve fund and staff and workers' bonus and welfare fund, after offsetting accumulated losses from prior years, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above funds is solely determined by the board of directors of the PRC entities now comprising the Group. For those which are wholly foreign owned enterprises in the PRC, no less than 10% of the profit of each year to the reserve fund is mandatory. The appropriation of the statutory reserve ceases when the accumulated statutory reserve balance reaches 50% of their registered capital.

## 25 Perpetual capital securities

As at 31 December 2019, two perpetual bonds issued by the subsidiaries of the Group (the "Instrument Issuers") were still outstanding, of which principal and interests accrued totalling RMB2,789.5 million. One of these perpetual bonds contracts was guaranteed by Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate", an indirect wholly owned subsidiary of the Company) and secured by the equity interests in a joint venture and a subsidiary. The perpetual bonds have no maturity date.

## 25 Perpetual capital securities *(Continued)*

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.

## 26 Trade and other payables

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Non-current - | | |
| Other payables | **145,727** | 1,474,373 |
| Current - | | |
| Trade payables (i) | **55,330,723** | 35,933,716 |
| Un-paid considerations for equity acquisitions | **17,760,374** | 9,911,259 |
| Amounts due to non-controlling interests and their related parties (ii) | **6,707,954** | 5,546,634 |
| Notes payables | **11,245,291** | 5,650,538 |
| Payables for PP&E and investment properties | **16,375,300** | 10,939,331 |
| Other taxes payable | **3,275,245** | 4,349,916 |
| Interests payable | **4,013,493** | 2,901,451 |
| Payroll and welfare payables | **3,126,948** | 2,033,125 |
| Other payables (iii) | **29,298,603** | 15,520,383 |
| | **147,133,931** | 92,786,353 |

Note:

(i) At 31 December 2019, the ageing analysis of trade payables is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Within 90 days | **23,229,998** | 13,604,385 |
| 91-180 days | **9,756,760** | 5,320,748 |
| 181-365 days | **10,800,372** | 9,037,798 |
| Over 365 days | **11,543,593** | 7,970,785 |
| | **55,330,723** | 35,933,716 |

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

(iii) 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.

## 27 Borrowings

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Secured, | | |
| – Bank and other institution borrowings | **208,422,630** | 156,003,354 |
| – Senior notes (A) | **44,838,865** | 22,143,124 |
| – Asset-backed securities (D) | **5,668,328** | 2,890,353 |
| | **258,929,823** | 181,036,831 |
| Unsecured, | | |
| – Bank and other institution borrowings | **100,000** | 2,089,068 |
| – Corporate bonds (B) | **7,818,085** | 7,792,522 |
| – Private domestic corporate bonds (C) | **16,969,539** | 16,994,986 |
| | **24,887,624** | 26,876,576 |
| | **283,817,447** | 207,913,407 |
| Less: Current portion of non-current borrowings (E)(i) | **(97,275,345)** | (70,549,887) |
| | **186,542,102** | 137,363,520 |
| **Current** | | |
| Secured, | | |
| – Bank and other institution borrowings | **37,585,012** | 21,169,912 |
| – Asset-backed securities (D) | **262,600** | 311,755 |
| | **37,847,612** | 21,481,667 |
| Unsecured, | | |
| – Bank and other institution borrowings | **609,900** | 13,989 |
| | **38,457,512** | 21,495,656 |
| Current portion of non-current borrowings (E)(i) | **97,275,345** | 70,549,887 |
| | **135,732,857** | 92,045,543 |
| Total borrowings | **322,274,959** | 229,409,063 |

## 27 Borrowings *(Continued)*

### (A) SENIOR NOTES

The Company issued senior notes ("Senior Notes") on the Singapore Exchange Securities Trading Limited, payable semi-annually in arrears. As at 31 December 2019, the issue date, principal and interest rate of the outstanding Senior Notes were shown as below:

| Issue date | Maturity | Principal USD million | Interest rate |
|---|---|---|---|
| 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% |
| 1 November 2019 | 5 years | 650 | 7.50% |
| | | 6,450 | |

According to the term of the Senior Notes, at any time and from time to time on or after the redemption date set forth below, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interests, if any, to (but not including) the redemption date. The redemption prices are shown as below:

| Principal | Redemption time point | Redemption prices | Customary make-whole premium* |
|---|---|---|---|
| USD400 million | Prior to 8 August 2020 | | |
| | – Redemption up to 35% | 106.88% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of principal plus interest over the principal amount |
| USD600 million | Prior to 8 August 2020 | | |
| | – Redemption up to 35% | 107.95% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of 103.98% principal plus interest over the principal amount |
| | 8 August to 31 December 2020 | 103.98% | |
| | 2020 and beyond | 101.99% | |

## 27 Borrowings *(Continued)*

### (A) SENIOR NOTES *(Continued)*

| Principal | Redemption time point | Redemption prices | Customary make-whole premium* |
|---|---|---|---|
| USD650 million | Prior to 19 July 2020 | | |
| | – Redemption up to 35% | 107.35% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of 103.675% principal plus interest over the principal amount |
| | After 19 July 2020 | 103.675% | |
| USD450 million | Prior to 19 April 2021 | | |
| | – Redemption up to 35% | 108.35% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of 104.175% principal plus interest over the principal amount |
| | 19 April to 31 December 2021 | 104.175% | |
| | 2022 and afterwards | 102.0875% | |
| USD400 million | Prior to 27 July 2020 | | |
| | – Redemption up to 35% | 108.625% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of principal plus interest over the principal amount |
| USD350 million | Prior to 27 July 2020 | | |
| | – Redemption up to 35% | 108.625% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of principal plus interest over the principal amount |
| USD600 million | Prior to 15 January 2021 | | |
| | – Redemption up to 35% | 108.375% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of principal plus interest over the principal amount |
| USD800 million | Prior to 15 February 2021 | | |
| | – Redemption up to 35% | 107.875% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of 102% principal plus interest over the principal amount |
| | On or after 15 February 2021 | 102% | |

## 27 Borrowings *(Continued)*

### (A) SENIOR NOTES *(Continued)*

| Principal | Redemption time point | Redemption prices | Customary make-whole premium* |
|---|---|---|---|
| USD200 million | Prior to 19 April 2021 | | |
| | – Redemption up to 35% | 108.35% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of 104.175% principal plus interest over the principal amount |
| | 19 April to 31 December 2021 | 104.175% | |
| | 2022 and afterwards | 102.0875% | |
| USD750 million | Prior to 11 October 2021 | | |
| | – Redemption up to 35% | 107.95% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of 103.975% principal plus interest over the principal amount |
| | 11 October to 31 December 2021 | 103.975% | |
| | 2022 and afterwards | 101.988% | |
| USD600 million | Prior to 14 June 2021 | | |
| | – Redemption up to 35% | 107.25% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of 103.625% principal plus interest over the principal amount |
| | On or after 14 June 2021 | 103.625% | |
| USD650 million | Prior to 1 February 2022 | | |
| | – Redemption up to 35% | 107.50% | greater of 1% of principal amount |
| | – Redemption in whole but not in part | 100%+ customary make-whole premium | and PV of 103% principal plus interest over the principal amount |
| | 1 February to 31 December 2022 | 103% | |
| | 2023 and afterwards | 101% | |

* PV of principal plus interest over the principal amount means the present value of the principal plus the accrued and unpaid interest amount for the period from the redemption date to the date of first redemption time point set out in above table over the principal amount at the redemption.

These early redemption options are regarded as embedded derivatives not closely related to the host contract. The Directors are of the view that the fair value of the above early redemption option is not material on initial recognition and as at 31 December 2019.

## 27 Borrowings *(Continued)*

### (B) CORPORATE BONDS

Sunac Real Estate issued corporate bonds (the "Corporate Bonds") on the Shanghai Stock Exchange, payable annually in arrears. The details of the outstanding Corporate Bonds are shown as below:

| Issue dates | Principal amount RMB'000 | Interest rate | Maturity |
|---|---|---|---|
| 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 | 3.44% | 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.

The underwriting fees of the Corporate Bonds were charged at 0.3%~0.6% of the issue size.

The options embedded in the Corporate Bonds were not closely related to the host contracts and were recognised at fair value at the respective issue date and 31 December 2019 (note 28).

### (C) PRIVATE DOMESTIC CORPORATE BONDS

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

| Issue date | Principal amount RMB'000 | Interest rate | Maturity |
|---|---|---|---|
| 22 January 2016 | 5,000,000 | 6.39% | 7 years |
| 7 March 2016 | 3,500,000 | 5.40% | 5 years |
| 3 May 2016 | 2,700,000 | 5.85% | 6 years |
| 13 June 2016 | 2,300,000 | 5.45% | 6 years |
| 5 July 2017 | 1,000,000 | 6.50% | 3 years |
| 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 | | |

## 27 Borrowings *(Continued)*

### (C) PRIVATE DOMESTIC CORPORATE BONDS *(Continued)*

Except for the bond 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.

The options embedded were not closely related to the host contracts and were recognised at fair value at the issue date and 31 December 2019 (note 28).

### (D) ASSETS-BACKED SECURITIES

The Group entered into asset-backed special agreements with third-party financing institutions in the form of asset securitisation. These asset-backed securities are backed by the right of receipt of the property management service fee or the certain contract receivables rights of property sales. These securities are guaranteed by Sunac Real Estate. As at 31 December 2019, the details of the outstanding assets-backed securities are shown as below:

| Issue dates | Principal amount RMB'000 | Interest rate | Maturity |
|---|---|---|---|
| 27 November 2018 | 3,300,000 | 6.75% and 7.75% | 3 years |
| 10 January 2019 to 17 May 2019 | 183,600 | 13% | 1 year |
| 11 January 2019 to 24 May 2019 | 94,000 | 9.5% and 10% | 1 year |
| 01 March 2019 | 664,102 | 6.7% and 7% | 1-3 years |
| 29 April 2019 | 1,689,226 | 5.8% and 6.3% | 0.75-3 years |
| | 5,930,928 | | |

### (E) LONG-TERM BORROWINGS

(i) As at 31 December 2019, non-current borrowings included RMB70,814 million (2018: RMB56,533 million) that were relating to certain of the Group's property development projects, and will be due for repayment when the percentage of pre-sale has accumulatively achieved 20% – 80%, as determined on the gross floor area of the respective projects. Based on contractual maturity terms and the management's sales forecast, RMB28,269 million (2018: RMB18,758 million) of these borrowings will be due for repayment in the year ending 31 December 2020 and are included in current liabilities.

## 27 Borrowings *(Continued)*

### (E) LONG-TERM BORROWINGS *(Continued)*

(ii) The Group's long-term borrowings as at 31 December 2019 were repayable as follows:

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Between 1 and 2 years | **105,422,304** | 75,952,364 |
| Between 2 and 5 years | **67,424,093** | 57,951,481 |
| Over 5 years | **13,695,705** | 3,459,675 |
| | **186,542,102** | 137,363,520 |

The weighted-average effective interest rates for the year ended 31 December 2019 was 8.56% (2018: 6.81%) per annum.

(iii) Fair value of financial liabilities is not measured at fair value on a recurring basis (but fair value disclosures are required).

The carrying amounts of bank borrowings, borrowings from other financial institutions and assets-backed securities approximate their fair values. The fair values of Senior Notes as at 31 December 2019 amounted to RMB46,642 million, which were calculated based on the market price of the traded senior notes at the balance sheet date. The fair values of Corporate Bonds and Private Bonds as at 31 December 2019 amounted to RMB26,496 million, which were calculated based on the active market price at the balance sheet date. The fair values of Senior Notes are within level 1 of the fair value hierarchy and the fair values of Corporate Bonds and Private Bonds are within level 2 of the fair value hierarchy.

(iv) The exposure of the Group's borrowings with variable interest rates to interest-rate changes and the contractual re-pricing dates are as follows:

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| 6 months or less | **20,325,095** | 14,673,606 |
| 7 – 12 months | **34,511,983** | 28,425,038 |
| Over 12 months | **18,297,802** | 16,791,121 |
| | **73,134,880** | 59,889,765 |

(v) As at 31 December 2019, the Group's borrowings of RMB296,777 million (2018: RMB202,518 million) were secured or joint secured by the Group's certain current assets, non-current assets and the equity interests of certain subsidiaries. See note 40 for detail information of assets pledged as security.

## 27 Borrowings *(Continued)*

### (F) THE CARRYING AMOUNTS OF THE GROUP'S BORROWINGS ARE DENOMINATED IN THE FOLLOWING CURRENCIES:

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| RMB | **263,391,650** | 200,786,348 |
| USD | **54,913,113** | 24,613,876 |
| HKD | **3,970,196** | 3,676,208 |
| EUR | **—** | 332,631 |
| | **322,274,959** | 229,409,063 |

## 28 Derivative financial instruments

| | **2019 RMB'000** | 2018 RMB'000 |
|---|---|---|
| Financial assets | | |
| – Currency derivative contracts (i) | **31,629** | 153,507 |
| – Option derivative contract | **—** | 125,817 |
| Financial liabilities | | |
| – Options embedded in Corporate Bonds and Private Bonds (note 27) | **14,189** | 57,411 |
| – Currency derivative contracts (i) | **169** | 36,115 |

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The change of fair value is recognised immediately in profit or loss. For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 5(A).

(i) As at 31 December 2019, the currency derivative contracts comprised various contracts with nominal amount totalling USD750 million (2018: USD1,050 million), the settlement dates of which are between 21 October 2021 and 22 June 2022. According to the contracts, the Group will be able to buy USD nominal amount at the agreed strike price with CNY on the settlement date.

## 29 Provisions

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Provisions for financial guarantee provided to related parties | **569,102** | 474,494 |
| Provisions for financial guarantee on mortgage | **193,235** | 136,475 |
| | **762,337** | 610,969 |

Note 4.1(b) provides for details about the calculation of the allowance for financial guarantee.

## 30 Expenses by nature

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Costs of properties sold | **118,521,462** | 88,643,224 |
| Value-added tax surcharges | **1,151,269** | 782,329 |
| Staff costs (note 31) | **6,832,377** | 5,485,416 |
| Provision for impairment of properties | **1,069,546** | 360,333 |
| Net impairment losses on financial and contract assets (note 4.1 (b)) | **1,894,122** | 3,485,395 |
| Advertisement and promotion costs | **3,196,231** | 2,496,145 |
| Professional service expenses | **1,104,436** | 906,501 |
| Depreciation and amortisation | **1,821,132** | 992,164 |
| Auditors' remunerations | | |
| – Audit services | **22,000** | 22,000 |
| – Non-audit services | **2,700** | 1,550 |

## 31 Employee benefit expense

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Wages and salaries | **5,142,964** | 4,210,817 |
| Pension costs | **696,362** | 603,596 |
| Staff welfare | **415,064** | 379,968 |
| Share options granted to directors and employees (note 24) | **117,021** | 291,035 |
| Share award granted to directors and employees (note 24) | **460,966** | — |
| | **6,832,377** | 5,485,416 |

## 32 Other income and gains

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Gains from business combination (note 43) | **4,612,713** | 5,346,752 |
| Interest income (i) | **4,835,206** | 2,933,793 |
| Gains from disposals of subsidiaries (note 44) | **15,550** | 637,195 |
| Net fair value gains on financial assets at FVPL | **780,859** | 888,871 |
| Fair value gains on derivative financial instruments | **50,446** | 332,644 |
| Net fair value gains on investment properties (note 9) | **1,235,159** | 208,988 |
| Others | **2,658,029** | 1,499,848 |
| | **14,187,962** | 11,848,091 |

(i) Details of interest income are as follows:

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Interest income from related companies (note 45) | **4,553,424** | 2,780,430 |
| Other interest income | **281,782** | 153,363 |
| | **4,835,206** | 2,933,793 |

## 33 Other expenses and losses

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Impairment provisions for investments in associates | **766,475** | 404,047 |
| Impairment provisions for goodwill | **58,337** | 189,020 |
| Losses on derivative financial instruments | **68,426** | — |
| Re-measurement losses of previously held interests in business combination | — | 119,632 |
| Contracts termination expenses | — | 498,570 |
| Impairment provisions for other intangible assets | — | 368,431 |
| Others | **328,895** | 406,411 |
| | **1,222,133** | 1,986,111 |

## 34 Finance income and expenses

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Interest expenses | **25,955,887** | 14,623,745 |
| Interest expenses for lease liabilities | **61,391** | — |
| Less: capitalised finance costs | **(22,087,063)** | (12,936,990) |
| | **3,930,215** | 1,686,755 |
| Exchange losses | **878,035** | 1,206,738 |
| | **4,808,250** | 2,893,493 |
| Finance income: | | |
| – Interest income on bank deposits | **(1,183,244)** | (806,208) |
| | **3,625,006** | 2,087,285 |

The capitalisation rate used to determine the amount of the interests incurred eligible for capitalisation in 2019 was 8.11% (2018: 6.81%) per annum.

## 35 Income tax expenses

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Corporate income tax ("CIT") | | |
| Current income tax | **13,696,078** | 10,066,909 |
| Deferred income tax | | |
| – Increase in deferred tax assets (note 13) | **(5,103,209)** | (2,304,114) |
| – Decrease in deferred tax liabilities (note 13) | **(1,403,390)** | (1,640,768) |
| | **7,189,479** | 6,122,027 |
| Land appreciation tax ("LAT") | **7,200,786** | 5,097,202 |
| | **14,390,265** | 11,219,229 |

## 35 Income tax expenses *(Continued)*

### (A) CIT

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted-average tax rate applicable to profits of the consolidated entities as follows:

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Profit before income tax | **42,546,323** | 28,664,230 |
| Income tax calculated at the PRC tax rate 25% (2018: 25%) | **10,636,581** | 7,166,058 |
| Difference in overseas tax rates | **1,002,898** | 652,443 |
| Difference in tax rates change | **(368,065)** | (80,351) |
| LAT | **(1,800,196)** | (1,274,301) |
| Tax effect of amounts which are not deductible in calculating taxable income: | | |
| – Entertainment expenses | **139,870** | 74,730 |
| – Staff welfare | **4,831** | 7,198 |
| – Penalty | **1,127** | 7,307 |
| – Re-measurement losses of previously held interests in business combination | **–** | 29,908 |
| – Others | **103,313** | 174,935 |
| Tax effect of amounts which are not taxable in calculating taxable income: | | |
| – Gains from business combination | **(1,153,178)** | (1,336,688) |
| – Gains from disposals of subsidiaries | **(3,888)** | (159,299) |
| – Gain from disposal of a joint venture | **(3,624)** | (1,859) |
| – Others | **(19,371)** | (71,666) |
| Share of profits of investments accounted for using equity method, net | **(2,036,580)** | (1,238,999) |
| Tax on losses for which no DTA were recognised | **74,802** | 459,912 |
| Tax on temporary differences for which no DTA were recognised | **248,182** | 1,176,597 |
| Utilisation of tax losses with no DTA recognition | **(237,623)** | (126,723) |
| Tax impact on temporary differences with no DTA or DTL recognition in previous years | **–** | 80,969 |
| Write-off of DTA | **–** | 243,009 |
| Dividends tax for distributable profits of PRC subsidiaries | **600,400** | 338,847 |
| | **7,189,479** | 6,122,027 |

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

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

Income tax expense is recognised based on management's estimate of the weighted-average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ended 31 December 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.

## 35 Income tax expenses *(Continued)*

### (B) TAX LOSSES

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | **2,439,822** | 3,435,554 |
| Potential tax benefit | **609,956** | 858,889 |

DTA are recognised for tax losses carry-forward to the extent that the realisation of the related benefit through the taxable profits for the deduction periods according to the PRC tax laws and regulations is probable. Therefore, the Group did not recognise DTA of RMB610 million (2018: RMB859 million) in respect of accumulated losses amounting to RMB2,440 million (2018: RMB3,436 million) as the Group estimates that the related subsidiaries will not have sufficient tax income to utilise the tax deduction benefits in the future deduction period. Within these accumulated losses, amounts of RMB362 million, RMB303 million, RMB366 million, RMB1,109 million and RMB300 million, as at 31 December 2019 will expire respectively in 2020, 2021, 2022, 2023 and 2024.

### (C) UNRECOGNISED TEMPORARY DIFFERENCES

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Temporary difference for which DTA have not been recognised | **17,486,349** | 16,493,620 |
| Unrecognised DTA | **4,371,587** | 4,123,405 |

As of 31 December 2019, the Group has deductible temporary differences of RMB17,486 million (2018: RMB16,494 million) in respect of which no DTA have been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

### (D) LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. LAT is included in the income statement as income tax expense.

## 36 Earnings per share

### (A) BASIC

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the year, excluding shares purchased for the Share Award Scheme (note 23).

| | 2019 | 2018 |
|---|---|---|
| Profit attributable to owners of the Company (RMB'000) | **26,027,505** | 16,566,535 |
| Weighted-average number of ordinary shares in issue (thousand) | **4,433,303** | 4,402,505 |
| Adjusted for purchase of shares for share award scheme (thousand) | **(87,891)** | (26,025) |
| Weighted-average number of ordinary shares for basic earnings per share (thousand) | **4,345,412** | 4,376,480 |

### (B) DILUTED

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

| | 2019 | 2018 |
|---|---|---|
| Profit attributable to owners of the Company (RMB'000) | **26,027,505** | 16,566,535 |
| Weighted-average number of ordinary shares in issue (thousand) | **4,433,303** | 4,402,505 |
| Adjusted for purchase of shares for share award scheme (thousand) | **(87,891)** | (26,025) |
| Adjusted for share options and awarded shares (thousand) | **54,139** | 55,966 |
| Weighted-average number of ordinary shares for diluted earnings per share (thousand) | **4,399,551** | 4,432,446 |

The Company has two categories of dilutive potential ordinary shares:

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

(ii) awarded shares – the number of shares granted under the Share Award Scheme less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the proceeds equal to unamortised fair value is the number of shares issued for no consideration.

The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

## 37 Cash flow information

### (A) CASH GENERATED FROM OPERATIONS

| | Note | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| Profit before income taxes | | **42,546,323** | 28,664,230 |
| Adjustments for: | | | |
| – Finance costs | | **25,808,952** | 13,905,896 |
| – Net gains from business combinations | 32 | **(4,612,713)** | (5,346,752) |
| – Net gains from disposals of subsidiaries | 32 | **(15,550)** | (637,195) |
| – Interest income | 32 | **(4,835,206)** | (2,933,793) |
| – Gain from disposal of joint ventures | | **(14,494)** | (7,434) |
| – Re-measurement losses of previously held interests in business combination | | **–** | 119,632 |
| – Fair value changes of FVPL | 32 | **(780,859)** | (888,871) |
| – Fair value changes and expense on derivative financial instruments | | **17,980** | (332,644) |
| – Fair value gains on investment properties | | **(1,235,159)** | (208,988) |
| – Impairment provisions of investments in an associate | 33 | **766,475** | 404,047 |
| – Impairment of other intangible assets | 33 | **–** | 368,431 |
| – Impairment of Goodwill | 33 | **58,337** | 189,020 |
| – Net impairment losses on financial and contract assets | | **1,894,122** | 3,485,395 |
| – Amortisation of intangible assets | 11 | **78,288** | 161,192 |
| – Depreciation | 8 | **1,742,845** | 830,972 |
| – Loss on disposal of PP&E | | **10,087** | 14,992 |
| – Share of profits of joint ventures and associates | 12 | **(7,983,523)** | (4,821,811) |
| – Value of employee services | 31 | **577,987** | 291,035 |
| – Gains from acquisitions of investments in joint ventures and associates | 12 | **(162,798)** | (134,183) |
| – Dividends from FVPL | | **(188,593)** | – |
| Changes in working capital | | | |
| – Restricted cash | | **2,395,232** | (13,388,308) |
| – Properties under development and completed properties held for sale, net | | **(95,612,991)** | 1,882,693 |
| – Inventories | | **(136,844)** | (4,196) |
| – Trade and other receivables and prepayments | | **(2,194,952)** | (9,310,746) |
| – Contract assets | | **(1,127,569)** | (668,427) |
| – Contract liabilities | | **35,132,609** | 47,554,775 |
| – Trade and other payables | | **44,142,631** | 4,732,377 |
| – Amount due from/to related companies, net | | **4,186,850** | (672,028) |
| Cash generated from operations | | **40,457,467** | 63,249,311 |

### (B) NON-CASH INVESTING AND FINANCING ACTIVITIES

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of right-of-use assets (note 10)
- Shares granted to employees under the Share Award Scheme for no cash consideration (note 23).

## 37 Cash flow information *(Continued)*

### (C) NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

| | Note | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| Cash and cash equivalents | 20 | **77,943,661** | 76,181,041 |
| Borrowings – repayable within one year | 27 | **(135,732,857)** | (92,045,543) |
| Borrowings – repayable after one year | 27 | **(186,542,102)** | (137,363,520) |
| Lease liabilities | 10 | **(613,347)** | — |
| Net debt | | **(244,944,645)** | (153,228,022) |
| Cash and cash equivalents | | **77,943,661** | 76,181,041 |
| Gross debt – fixed interest rates | 4 | **(249,753,426)** | (169,519,298) |
| Gross debt – variable interest rates | 4 | **(73,134,880)** | (59,889,765) |
| Net debt | | **(244,944,645)** | (153,228,022) |

| | Other assets | Liabilities from financing activities | | | | |
|---|---|---|---|---|---|---|
| | Cash RMB'000 | Borrow due within 1 year RMB'000 | Borrow due after 1 year RMB'000 | Leases RMB'000 | Sub-total RMB'000 | Total RMB'000 |
| **Net debt as at 1 January 2018** | 68,433,256 | (78,672,660) | (140,597,186) | — | (219,269,846) | (150,836,590) |
| Cash flows | 13,560,030 | (13,426,186) | 1,391,691 | — | (12,034,495) | 1,525,535 |
| Changes arising from business combination | (4,272,673) | (1,254,837) | (2,692,455) | — | (3,947,292) | (8,219,965) |
| Changes arising from disposal of subsidiaries | (1,738,404) | 1,308,140 | 5,940,000 | — | 7,248,140 | 5,509,736 |
| Foreign exchange adjustments | 198,832 | — | (1,405,570) | — | (1,405,570) | (1,206,738) |
| **Net debt as at 31 December 2018** | 76,181,041 | (92,045,543) | (137,363,520) | — | (229,409,063) | (153,228,022) |
| Recognised on adoption of HKFRS 16 (see note 3) | — | — | — | (433,162) | (433,162) | (433,162) |
| **Net debt as at 1 January 2019** | 76,181,041 | (92,045,543) | (137,363,520) | (433,162) | (229,842,225) | (153,661,184) |
| Cash flows | 14,261,605 | (42,073,519) | (35,478,760) | 120,353 | (77,431,926) | (63,170,321) |
| Changes arising from business combination (note 43) | (12,212,797) | (1,613,795) | (16,765,150) | — | (18,378,945) | (30,591,742) |
| Changes arising from disposal of subsidiaries (note 44) | (402,357) | — | 4,225,400 | — | 4,225,400 | 3,823,043 |
| Acquisition – leases | — | — | — | (300,538) | (300,538) | (300,538) |
| Foreign exchange adjustments | 116,169 | — | (1,160,072) | — | (1,160,072) | (1,043,903) |
| **Net debt as at 31 December 2019** | 77,943,661 | (135,732,857) | (186,542,102) | (613,347) | (322,888,306) | (244,944,645) |

## 38 Commitments

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

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Contracted but not provided for | | |
| – PUDs and completed properties held for sale | **123,306,975** | 73,941,626 |
| – PP&E | **7,649,631** | 7,073,402 |
| – Investment properties | **2,140,531** | 3,806,360 |
| – Intangible assets | **7,028** | 11,234 |
| | **133,104,165** | 84,832,622 |

### (B) EQUITY INVESTMENTS

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Contracted but not provided for | **92,507** | 11,200,582 |

### (C) OPERATING LEASE COMMITMENTS

The future aggregate minimum lease rental expense under non-cancellable operating leases contracts are payable in the following periods:

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| No later than 1 year | **17,856** | 123,418 |
| Later than 1 year and no later than 5 years | **243** | 209,000 |
| Later than 5 years | — | 4,427 |
| | **18,099** | 336,845 |

From 1 January 2019, the Group has recognised right-of-use assets for above operating leases, except for short-term and low-value leases, see note 3 and note 10 for further information.

## 39 Financial guarantee

### (A) GUARANTEE ON MORTGAGE FACILITIES

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

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units | **120,496,713** | 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 RMB41.78 billion (2018: RMB23.82 billion) together with the equity investment partners on pro rata basis.

## 40 Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

| | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|
| **Current-** | | |
| PUDs | **176,619,852** | 135,681,521 |
| Completed properties held for sale | **11,419,501** | 12,267,060 |
| Restricted cash | **2,995,550** | 2,055,820 |
| Total current assets pledged as security | **191,034,903** | 150,004,401 |
| **Non-current-** | | |
| PP&E | **39,020,278** | 24,652,648 |
| Investment properties | **27,020,400** | 11,775,515 |
| Right-of-use assets | **10,047,799** | 1,096,574 |
| Total non-current assets pledged as security | **76,088,477** | 37,524,737 |

## 41 Financial instruments by category

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Financial assets at amortised cost | | |
| – Trade and other receivables | **47,202,324** | 27,950,266 |
| – Restricted cash | **47,787,028** | 44,017,011 |
| – Cash and cash equivalents | **77,943,661** | 76,181,041 |
| – Amounts due from related companies | **40,858,593** | 48,965,621 |
| Financial assets at FVPL | **15,788,783** | 10,006,092 |
| Derivative financial instruments | **31,629** | 279,324 |
| | **229,612,018** | 207,399,355 |

| | **31 December 2019 RMB'000** | 31 December 2018 RMB'000 |
|---|---|---|
| Financial liabilities at amortised costs | | |
| – Borrowings | **322,274,959** | 229,409,063 |
| – Amounts due to related companies | **58,933,995** | 62,663,166 |
| – Trade and other payables | **140,877,465** | 87,877,685 |
| Lease liabilities | **613,347** | — |
| Derivative financial instruments | **14,358** | 93,526 |
| | **522,714,124** | 380,043,440 |

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

The Group's exposure to various risks associated with the financial instruments is discussed in note 4. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

## 42 Transactions with non-controlling interests

During the year ended 31 December 2019, the Group has acquired additional equity interests of its non-wholly owned subsidiaries and disposed of certain equity interests to its non-controlling shareholders through certain transactions with non-controlling interests which resulted in the total decrease in non-controlling interests of RMB6,035 million and total increase in net assets attributable to the owners of the Company of RMB3,526 million.

## 43 Business combination

### (A) ACQUISITIONS OF SUBSIDIARIES

In the year ended 31 December 2019, the major acquisitions of new subsidiaries are summarised as follows:

| | Global Project Companies RMB'000 (note(i)) | Others RMB'000 (note(ii)) | Total RMB'000 |
|---|---|---|---|
| Fair value of total interests acquired | 17,361,298 | 9,787,856 | 27,149,154 |
| Cash considerations for acquisition of | | | |
| – equity interests | 15,268,944 | 2,642,834 | 17,911,778 |
| – debts due to shareholders | — | 2,639,124 | 2,639,124 |
| Re-measurement of previously held interests | — | 3,928,806 | 3,928,806 |
| Gains from acquisition of new subsidiaries | 2,092,354 | 1,691,760 | 3,784,114 |
| Goodwill from acquisition of new subsidiaries | — | 1,114,668 | 1,114,668 |
| Re-measurement of previously held interests | — | 3,928,806 | 3,928,806 |
| Less: Book value of previously held interests | — | (3,100,207) | (3,100,207) |
| Net gains on re-measurement | — | 828,599 | 828,599 |

The following table set out a summary of the financial impacts:

| | Global Project Companies RMB'000 (note(i)) | Others RMB'000 (note(ii)) | Total RMB'000 |
|---|---|---|---|
| Net gains from acquisition of new subsidiaries (note 32) | 2,092,354 | 2,520,359 | 4,612,713 |
| Goodwill from acquisition of new subsidiaries | — | 1,114,668 | 1,114,668 |

Note:

(i) Acquisition of global project companies

In November 2019, the Group entered into an acquisition agreement with Yunnan Metropolitan Construction Investment Group Co., Ltd. ("Yunnan Metropolitan") to acquire 51% equity interests of Chengdu Times Global Industrial Co., Ltd. ("Times Global") and Global Sunac Exhibition & Cultural Tourism Group Co., Ltd. (previously called Chengdu Global Century Exhibition & Travel Group Co., Ltd , "Global Century") at a total consideration of RMB15,269 million. This transaction included to obtain eighteen global project companies (the "Global Project Companies") which were engaged in real estate property development and hotel and commercial operation in Chengdu, Wuhan, Changsha, Kunming and Xishuangbanna, respectively.

Upon completion of the transaction, at 19 December 2019, Times Global and Global Century became 51% owned subsidiaries of the Group.

The gains from this acquisition, amounting to RMB2,092 million, was due to the fact that consideration for the acquisition was lower than fair value of net identifiable assets acquired. The consideration is determined after arm's length negotiations between the parties.

## 43 Business combination *(Continued)*

### (A) ACQUISITIONS OF SUBSIDIARIES *(Continued)*

(ii) Acquisition of other companies

During the year ended 31 December 2019, the Company acquired additional equity interests of several existing joint ventures and associates from equity investment counterparties, which referred to such transactions as business combination achieved in stages. Upon completion of these step acquisition transactions, the joint ventures and associates became subsidiaries of the Group. The Group remeasured its equity interests in target joint ventures and associates immediately prior to the acquisition date, resulting in a net gain arising from fair value remeasurement of RMB828 million. In addition, goodwill or gains on acquisition of subsidiaries being the difference between the fair value of total identifiable net assets acquired and the aggregate consideration transferred and fair value of previously held equity interest, was recognised, respectively.

Beside the above step acquisition transactions, the Group acquired equity interest in several project companies from third parties. Upon completion of these transactions, these entities became subsidiaries of the Group.

**(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:

| | Global Project Companies RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|
| *(1) Fair value of net assets* | | | |
| **Non-current assets** | | | |
| PP&E | 7,818,049 | 3,048 | 7,821,097 |
| Investment properties | 6,092,000 | — | 6,092,000 |
| Intangible assets | 230,000 | 152,052 | 382,052 |
| Right-of-use assets | 1,603,209 | — | 1,603,209 |
| Investments accounted for using the equity method | 3,472,743 | 85,638 | 3,558,381 |
| DTA | 257,281 | 417,144 | 674,425 |
| **Current assets** | | | |
| PUD | 33,948,749 | 13,563,069 | 47,511,818 |
| CPHFS | 1,801,618 | 380,000 | 2,181,618 |
| Inventory | — | 338,496 | 338,496 |
| Financial assets at fair value through profit of loss | 200,000 | — | 200,000 |
| Restricted cash | 1,171,438 | 683,331 | 1,854,769 |
| Cash and cash equivalents | 451,965 | 217,121 | 669,086 |
| Other current assets | 6,240,137 | 14,170,299 | 20,410,436 |
| **Non-current liabilities** | | | |
| Borrowings | 16,126,276 | 638,874 | 16,765,150 |
| DTL | 7,792,573 | 2,613,529 | 10,406,102 |
| **Current liabilities** | | | |
| Borrowings | 400,000 | 1,213,795 | 1,613,795 |
| Other current liabilities | 11,424,006 | 15,344,256 | 26,768,262 |
| **Net assets** | 27,544,334 | 10,199,744 | 37,744,078 |
| Less: Non-controlling interests | (10,183,036) | (411,888) | (10,594,924) |
| **Fair value of the net assets acquired** | 17,361,298 | 9,787,856 | 27,149,154 |

## 43 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: *(Continued)*

| | Global Project Companies RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|
| *(2) Cash impact* | | | |
| Considerations settled by cash in current period | (10,007,944) | (2,873,939) | (12,881,883) |
| Cash and cash equivalents in the subsidiaries acquired | 451,965 | 217,121 | 669,086 |
| Net cash impact on acquisitions | (9,555,979) | (2,656,818) | (12,212,797) |

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

| | Global Project Companies RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|
| Revenue | — | 2,653,248 | 2,653,248 |
| Net losses | — | (244,706) | (244,706) |

If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for the year ended 31 December 2019 would have been RMB171,459 million and RMB28,403 million respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2019, together with the consequential tax effects.

## 44 Disposal of subsidiaries

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

| | Total RMB'000 |
|---|---|
| Cash considerations received or receivable | 138,300 |
| Fair value of retained equity interest become joint ventures or associates | 263,259 |
| Less: carrying value of the disposed subsidiary | (386,009) |
| Net gains on disposals (note 32) | 15,550 |

## 44 Disposal of subsidiaries *(Continued)*

**(B)** The carrying values of the equity interests owned by the Group as at the disposal dates are summarised as follows:

| | Total<br>RMB'000 |
|---|---|
| **Non-current assets** | |
| PP&E | 24 |
| Investment in a jointly controlled entity | 537,619 |
| DTA | 23,674 |
| **Current assets** | |
| PUDs | 7,323,826 |
| Completed properties held for sale | 29,354 |
| Restricted cash | 14,800 |
| Cash and cash equivalents | 452,657 |
| Other current assets | 11,323,540 |
| **Non-current liabilities** | |
| Borrowings | (4,225,400) |
| DTL | (41,259) |
| **Current liabilities** | |
| Other current liabilities | (15,040,852) |
| **Net assets** | 397,983 |
| Less: Non-controlling interests | (11,974) |
| Carrying value of the equity owned by the Group | 386,009 |

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

| | Total<br>RMB'000 |
|---|---|
| Cash considerations received as of 31 December 2019 | 50,300 |
| Cash of the subsidiaries disposed | (452,657) |
| Net cash impact | (402,357) |

## 45 Related party transactions

### (A) NAME AND RELATIONSHIP WITH RELATED PARTIES

| Name | Relationship with the Company |
|---|---|
| Sunac International | Immediate Controlling shareholder of the Company |
| Mr. Sun Hongbin | Ultimate controlling party of the Company and the chairman of the Board of Directors of the Company |

### (B) TRANSACTIONS WITH RELATED PARTIES

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions entered into the ordinary course of business between the Group and the related parties:

#### (i) Cash (paid to)/received from related parties

| | Years ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Cash paid to joint ventures and associates | **(87,503,460)** | (115,927,541) |
| Cash received from joint ventures and associates | **107,311,162** | 108,670,174 |
| | **19,807,702** | (7,257,367) |

#### (ii) Rendering of services and interest income

| | Years ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Nature of transaction | | |
| Joint ventures: | | |
| – Interest income | **4,026,740** | 2,551,778 |
| – Fitting and decoration services | **2,271,147** | 2,107,999 |
| – Property management services | **652,080** | 522,246 |
| Associates | | |
| – Interest income | **526,684** | 228,652 |
| – Fitting and decoration services | **118,348** | 13,340 |
| – Property management services | **55,232** | – |

Interest income is charged at interest rates as specified in note 45(D) on the outstanding amounts.

Property management fee and Fitting and decoration income are charged at rates in accordance with respective contracts.

## 45 Related party transactions *(Continued)*

### (C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

| | Years ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Salaries and other short-term benefits | **167,053** | 185,813 |
| Share Option scheme | **54,913** | 92,705 |
| Share Award Scheme | **218,636** | — |
| | **440,602** | 278,518 |

### (D) RELATED PARTIES BALANCES

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Amounts due from joint ventures** | | |
| – Interest free | **25,894,887** | 22,769,140 |
| – Interest bearing | **4,062,567** | 16,812,001 |
| – Interest receivable | **4,285,679** | 2,287,088 |
| | **34,243,133** | 41,868,229 |
| Less: loss allowance (note 4.1 (b)) | **(38,519)** | (26,687) |
| | **34,204,614** | 41,841,542 |
| Amounts due from associates | | |
| – Interest free | **3,859,762** | 3,249,475 |
| – Interest bearing | **8,994,240** | 8,647,532 |
| – Interest receivable | **540,755** | 378,924 |
| | **13,394,757** | 12,275,931 |
| Less: loss allowance (note 4.1 (b)) | **(6,740,778)** | (5,151,852) |
| | **6,653,979** | 7,124,079 |
| Amounts due to joint ventures | **55,438,461** | 57,176,851 |
| Amounts due to associates | **3,495,534** | 5,486,315 |
| | **58,933,995** | 62,663,166 |

The amounts due from joint ventures and associates almost have no fixed repayment date, bearing interest rate at 4.35% to 15% per annum for the year ended 31 December 2019 (2018: 4.35% to 16%).

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

## 46 Dividends

The dividends paid in 2019 and 2018 were RMB3,645 million (RMB 0.827 per share) and RMB2,201 million (RMB0.501 per share) respectively. A dividend in respect of the year ended 31 December 2019 of RMB1.232 per share, amounting to RMB5,726 million, will be proposed at the upcoming annual general meeting of the Company, where the number of shares used for dividend calculation is the balance of the issued ordinary shares as at the date of the approval of the consolidated financial statements. These financial statements did not reflect this dividend payable.

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Proposed final dividend of RMB1.232 (2018: RMB0.827) per ordinary share | **5,726,051** | 3,644,638 |

## 47 Events after the balance sheet date

### (A) PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 10 January 2020, the Company entered into the placing agreement, pursuant to which the placing agent agreed to procure, on a fully underwritten basis, placees for 186,920,000 placing shares at a price of HK$42.80 per share (the "Placing"). The gross proceeds from the Placing were approximately HK$8 billion (equivalent to approximately US$1.028 billion) and the net proceeds after deducting related costs and expenses borne by the Company were approximately HK$7.958 billion (equivalent to approximately US$1.023 billion).

### (B) ISSUANCE OF SENIOR NOTES

On 10 January 2020, the Company issued US$540 million 6.5% senior notes due 2025 on the Singapore Exchange Securities Trading Limited. The senior notes bear interest from and including 10 January 2020 at the rate of 6.5% per annum, payable semi-annually in arrears on 10 January and 10 July of each year, commencing on 10 July 2020.

### (C) PARTIAL REPURCHASE OF SENIOR NOTES DUE IN JULY AND AUGUST 2020

As at 19 March 2020, the Company has in the open market repurchased part of the senior notes in an aggregated amount of US$78.6 million, comprising the 8.625% senior notes due in July 2020 of US$55.8 million in aggregate principal amount and the 6.875% senior notes due in August 2020 of US$22.8 million in aggregate principal amount. The Company cancelled the repurchased notes in accordance with the terms of the senior notes and indentures.

### (D) COVID-19 EPIDEMIC

After the outbreak of COVID-19 epidemic in China in early 2020, a series of effective prevention and control measures continued to be implemented throughout China. As at 26 March 2020, China's prevention and control efforts have yielded remarkable results, and the COVID-19 epidemic situation continues to improve.

The Group has been closely monitoring developments of COVID-19 epidemic and continuously assessing its impact on the financial position and operating performance of the Group. At present, the Group is still in progress of assessing its impact, and could not reasonably estimate relevant impacts of COVID-19 epidemic on the Group.

## 48 Balance sheet and reserve movement of the Company

| | Note | 31 December 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | | **29,403,379** | 17,609,759 |
| Derivative financial instruments | | **31,629** | — |
| | | **29,435,008** | 17,609,759 |
| **Current assets** | | | |
| Amounts due from subsidiaries | | **29,481,092** | 19,044,241 |
| Other receivables | | **837,884** | 1,005,108 |
| Derivative financial instruments | | — | 153,507 |
| Restricted cash | | **1,744,050** | 365,970 |
| Cash and cash equivalents | | **1,859,562** | 2,482,524 |
| | | **33,922,588** | 23,051,350 |
| **Total assets** | | **63,357,596** | 40,661,109 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **382,339** | 378,421 |
| Other reserves | (A) | **8,193,085** | 11,513,938 |
| Accumulated losses | (A) | **(11,586,822)** | (7,473,459) |
| **(Net deficiency)/total equity** | | **(3,011,398)** | 4,418,900 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Derivative financial instruments | | **169** | 36,115 |
| Borrowings | | **39,461,894** | 20,958,037 |
| | | **39,462,063** | 20,994,152 |
| **Current liabilities** | | | |
| Borrowings | | **9,918,534** | 5,810,894 |
| Other payables | | **1,045,085** | 667,343 |
| Amounts due to subsidiaries | | **15,943,312** | 8,769,820 |
| | | **26,906,931** | 15,248,057 |
| Total liabilities | | **66,368,994** | 36,242,209 |
| Total equity and liabilities | | **63,357,596** | 40,661,109 |

**Sun Hongbin**
*Director*

**Wang Mengde**
*Director*

## 48 Balance sheet and reserve movement of the Company *(Continued)*

### (A) RESERVE MOVEMENT OF THE COMPANY

| | Share premium RMB'000 | Share option reserves RMB'000 | Other reserves RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | | |
| At 1 January 2018 | 12,959,681 | 469,935 | 1,416,348 | (5,287,406) | 9,558,558 |
| Loss for the year | — | — | — | (2,186,053) | (2,186,053) |
| Employees share option schemes: | | | | | |
| – Value of employee services | — | 291,035 | — | — | 291,035 |
| – Proceeds from shares issued | 42,277 | — | — | — | 42,277 |
| Purchase of shares for share award scheme | (1,464,565) | — | — | — | (1,464,565) |
| Dividends relating to 2017 | (2,200,773) | — | — | — | (2,200,773) |
| **At 31 December 2018** | 9,336,620 | 760,970 | 1,416,348 | (7,473,459) | 4,040,479 |
| **Year ended 31 December 2019** | | | | | |
| At 1 January 2019 | **9,336,620** | **760,970** | **1,416,348** | **(7,473,459)** | **4,040,479** |
| Loss for the year | — | — | — | **(4,113,363)** | **(4,113,363)** |
| Employees share option schemes: | | | | | |
| – Value of employee services | — | **117,021** | — | — | **117,021** |
| – Proceeds from shares issued | **462,104** | — | — | — | **462,104** |
| Share award scheme: | | | | | |
| – Value of employee services | — | **460,966** | — | — | **460,966** |
| Purchase of shares for share award scheme | **(716,306)** | — | — | — | **(716,306)** |
| Dividends relating to 2018 | **(3,644,638)** | — | — | — | **(3,644,638)** |
| **At 31 December 2019** | **5,437,780** | **1,338,957** | **1,416,348** | **(11,586,822)** | **(3,393,737)** |

## 49 Benefits and interests of directors

The Directors' and senior management's emoluments are set out below:

| Name of Director | Fees RMB'000 | Salary RMB'000 | Discretionary bonuses RMB'000 | Share option expenses RMB'000 | Share award expenses (i) RMB'000 | Employer's contribution retirement benefit scheme RMB'000 | Other benefits RMB'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2019:** | | | | | | | |
| Directors: | | | | | | | |
| Sun Hongbin | **–** | **8,000** | **8,400** | **–** | **–** | **–** | **–** |
| Wang Mengde | **–** | **7,479** | **7,500** | **5,533** | **22,310** | **35** | **59** |
| Jing Hong | **–** | **6,000** | **7,800** | **5,533** | **22,310** | **67** | **99** |
| Chi Xun | **–** | **6,770** | **7,569** | **5,533** | **20,079** | **35** | **59** |
| Tian Qiang | **–** | **6,000** | **6,600** | **5,137** | **20,079** | **87** | **131** |
| Shang Yu | **–** | **5,500** | **9,150** | **4,940** | **20,079** | **43** | **64** |
| Huang Shuping | **–** | **5,166** | **4,050** | **3,616** | **11,155** | **32** | **56** |
| Sun Zheyi | **–** | **1,800** | **1,260** | **–** | **6,693** | **50** | **38** |
| Poon Chiu Kwoh | **403** | **–** | **–** | **–** | **–** | **–** | **–** |
| Zhu Jia | **403** | **–** | **–** | **–** | **–** | **–** | **–** |
| Li Qin | **358** | **–** | **–** | **–** | **–** | **–** | **–** |
| Ma Lishan | **358** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Year ended 31 December 2018:** | | | | | | | |
| Directors: | | | | | | | |
| Sun Hongbin | – | 7,750 | 9,675 | – | – | – | – |
| Wang Mengde | – | 7,143 | 9,350 | 13,775 | – | 38 | 56 |
| Jing Hong | – | 5,917 | 9,024 | 13,775 | – | 59 | 74 |
| Chi Xun | – | 5,920 | 8,724 | 13,775 | – | 38 | 56 |
| Tian Qiang | – | 5,204 | 7,220 | 12,784 | – | 85 | 110 |
| Shang Yu | – | 5,190 | 7,970 | 12,262 | – | 41 | 57 |
| Huang Shuping | – | 5,157 | 4,500 | 9,067 | – | 37 | 54 |
| Sun Zheyi | – | 1,700 | 1,290 | – | – | 55 | 35 |
| Poon Chiu Kwoh | 380 | – | – | – | – | – | – |
| Zhu Jia | 380 | – | – | – | – | – | – |
| Li Qin | 338 | – | – | – | – | – | – |
| Ma Lishan | 338 | – | – | – | – | – | – |

(i) For the year ended 31 December 2019, 5.5 million award shares were granted to seven executive Directors, and expenses recognised by the Company in profit or loss for the year due to the grant of the award shares were RMB122.71 million. Expenses recognised in profit or loss for the year in respect of 1.65 million award shares (accounting for 30%) to be released on 31 March 2020 were RMB55.13 million, and expenses recognised in profit or loss for the year in respect of the remaining 3.85 million award shares (accounting for 70%) to be released in subsequent years were RMB67.58 million.

## 49 Benefits and interests of directors *(Continued)*

For the year ended 31 December 2019 and 2018, no housing allowance, compensation for loss of office as director, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director, emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking were provided by the Group to directors or chief executive.

The five individuals whose emoluments were the highest in the Group included five directors (2018: Five) for the year ended 31 December 2019, whose emoluments are reflected in the analysis presented above.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 50 Subsidiaries

The Group's principal subsidiaries at 31 December 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business. The directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries as at 31 December 2019 which principally affect the results or assets of the Group.

| Name | Date of incorporation/ acquisition | Nominal value of issued and fully paid share capital/ registered capital | Equity interests held | | | | Principal activities and place of operation |
|---|---|---|---|---|---|---|---|
| | | | **31 December 2019** | | 31 December 2018 | | |
| | | | **Directly** | **Indirectly** | Directly | Indirectly | |
| **Incorporated in the British Virgin Islands, limited liability company:** | | | | | | | |
| Jujin Real Estate Investment Holdings Ltd. | 06 September 2007 | USD1 | **100%** | – | 100% | – | Investment holding in the British Virgin Islands |
| Dingsheng Real Estate Investment Holdings Ltd. | 06 September 2007 | USD1 | **100%** | – | 100% | – | Investment holding in the British Virgin Islands |
| Zhuoyue Real Estate Investment Holdings Ltd. | 13 September 2007 | USD1 | **100%** | – | 100% | – | Investment holding in the British Virgin Islands |
| Sunac Greentown Investment Holdings Limited | 25 April 2013 | RMB3,277 million | **100%** | – | 100% | – | Investment holding in the British Virgin Islands |
| Elegant Trend Limited | 17 July 2013 | HKD15.6 | – | **100%** | – | 100% | Investment holding in the British Virgin Islands |
| **Incorporated in Hong Kong, limited liability company:** | | | | | | | |
| Lead Perfect (HK) Investment Limited | 19 June 2018 | USD333.33 million | – | **55%** | – | 55% | Investment holding in Hong Kong |
| Creation Vast (HK) Investment Limited | 01 August 2019 | USD210.21 million | – | **100%** | – | – | Investment holding in Hong Kong |
| **Incorporated in the PRC, limited liability company:** | | | | | | | |
| New Richport Property Development Shanghai Co., Ltd.** | 17 July 2013 | RMB2,500 million | – | **100%** | – | 100% | Real estate development in Mainland China |
| Wuxi Sunac City Investment Co., Ltd | 10 November 2017 | RMB4,000 million | – | **100%** | – | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Shanghai Sunac Real Estate Development Co., Ltd. | 18 December 2014 | RMB2,000 million | – | **100%** | – | 100% | Real estate development in Mainland China |
| Shanghai Xiangyuan Investment Holdings Limited | 03 May 2016 | RMB2,000 million | – | **100%** | – | 100% | Investment holding in Mainland China |
| Shanghai Lvshun Real Estate Development Co., Ltd | 01 July 2012 | RMB1,000 million | – | **100%** | – | 100% | Real estate development in Mainland China |

## 50 Subsidiaries *(Continued)*

| Name | Date of incorporation/ acquisition | Nominal value of issued and fully paid share capital/ registered capital | Equity interests held | | | | Principal activities and place of operation |
|---|---|---|---|---|---|---|---|
| | | | **31 December 2019** | | 31 December 2018 | | |
| | | | **Directly** | **Indirectly** | Directly | Indirectly | |
| **Incorporated in the PRC, limited liability company (continued):** | | | | | | | |
| Hefei Wanda City Investment Co., Ltd | 03 August 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Sunac Xinheng Investment Group Co., Ltd. | 27 August 2013 | RMB10 million | — | **100%** | — | 100% | Investment holding in Mainland China |
| Hangzhou Rongyu Real Estate Co., Ltd. | 15 June 2016 | RMB1,800 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Sunac Oriental Movie Metropolis Investment Co., Ltd. | 10 November 2017 | RMB3,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Qingdao Sunac Yacht Industry Investment Co., Ltd. | 10 November 2017 | RMB1,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Jinan Wanda City Construction Co., Ltd | 10 November 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Beijing Sunac Construction Investment Real Estate Co., Ltd | 16 August 2010 | RMB10 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Beijing Raycom Yangguang Real Estate Development Company Limited | 31 December 2016 | RMB250 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Qingdao Calxon Real Estate Development Co., Ltd. | 31 December 2016 | RMB1,200 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Nanchang Wanda City Investment Co., Ltd | 04 August 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Sunac Real Estate Group Co., Ltd. | 31 January 2003 | RMB15,000 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Harbin Wanda City Investment Co., Ltd | 02 August 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Tianjin Sunac Mingxiang Investment Development Co., Ltd. | 06 April 2010 | RMB1,421 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Sunac Huabei Development Group Co., Ltd | 25 February 2003 | RMB222 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Zhengzhou Sunac Meisheng Real Estate Development Co., Ltd. | 17 March 2016 | RMB820 million | — | **70%** | — | 70% | Real estate development in Mainland China |
| Tianjin Rongzheng Real Estate Limited | 12 July 2013 | RMB504 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Tianjin Rongyao Real Estate Development Co., Ltd. | 07 March 2013 | RMB500 million | — | **54%** | — | 54% | Real estate development in Mainland China |
| Guangzhou Wanda Cultural&Tourism City Investment Co., Ltd | 31 August 2017 | RMB4,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Sunac (Shenzhen) Real Estate Co., Ltd. | 09 March 2015 | RMB10 million | — | **100%** | — | 100% | Investment holding in Mainland China |
| Haikou Wanda City Investment Co., Ltd | 25 August 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Chongqing Wanda City Investment Co., Ltd | 30 March 2018 | RMB3,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Chengdu Guojia Zhide Real Estate Co., Ltd.** | 22 October 2015 | RMB1,375 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Chengdu Sunac Cultural&Tourism City Investment Co., Ltd | 05 September 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Kunming Sunac City Investment Co., Ltd | 10 November 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |

## 50 Subsidiaries *(Continued)*

| Name | Date of incorporation/ acquisition | Nominal value of issued and fully paid share capital/ registered capital | Equity interests held | | | | Principal activities and place of operation |
|---|---|---|---|---|---|---|---|
| | | | 31 December 2019 | | 31 December 2018 | | |
| | | | Directly | Indirectly | Directly | Indirectly | |
| **Incorporated in the PRC, limited liability company (continued):** | | | | | | | |
| Chongqing Sunac Qiyang Real Estate Co., Ltd.* | 18 September 2013 | HKD2,280 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Guilin Sunac City Investment Co., Ltd | 28 August 2017 | RMB1,500 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Chongqing Sunac Shijin Real Estate Co., Ltd.* | 12 December 2012 | HKD1,229 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Xishuangbanna International Tourism Resort Development Co., Ltd. | 04 August 2017 | RMB2,000 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Harbin Mingsheng Business Management Co., Ltd | 21 August 2017 | RMB1,200 million | — | **100%** | — | 91% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Sunac (Hainan) Cultural Tourism Operation Management Co., Ltd | 31 October 2018 | RMB2,000 million | — | **100%** | — | 100% | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Tianjin Sunac Yuanhao Real Estate Co., Ltd. | 25 February 2016 | RMB100 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Tianjin Sunac Qi'ao Real Estate Co., Ltd** | 21 May 2019 | RMB2,000 million | — | **100%** | — | — | Real estate development in Mainland China |
| Beijing Sunac Hengyu Real Estate Development Co., Ltd | 13 May 2016 | RMB2,500 million | — | **82%** | — | 82% | Real estate development in Mainland China |
| Shijiazhuang Jubang Real Estate Development Co., Ltd | 04 December 2019 | RMB20 million | — | **54%** | — | 5% | Real estate development in Mainland China |
| Changzhou Lvcheng Real Estate Co., Ltd | 12 October 2018 | RMB837.5 million | — | **100%** | — | 100% | Real estate development in Mainland China |
| Fanhai Construction Holdings Co., Ltd | 15 March 2019 | RMB9,000 million | — | **100%** | — | — | Real estate development in Mainland China |
| Sunac (Xinan) Real Estate Development Co., Ltd. | 24 April 2003 | RMB1,000 million | — | **100%** | — | 100% | Investment holding in Mainland China |
| Guiyang Guanshanhu Big Data Technology Industry Park Construction Co., Ltd | 11 May 2017 | RMB1,409.7 million | — | **51%** | — | 51% | Real estate development in Mainland China |
| Wuhan Xinghai Yuantou Real Estate Development Co., Ltd | 02 February 2016 | RMB200 million | — | **98%** | — | 98% | Real estate development in Mainland China |
| Dalian Dalian Real Estate Development Co., Ltd* | 12 June 2019 | RMB2,682 million | — | **100%** | — | — | Real estate development in Mainland China |
| Chengdu Times Global Industrial Co., Ltd | 19 December 2019 | RMB100 million | — | **51%** | — | — | Investment holding in Mainland China |
| Global Sunac Exhibition&Travel Group Co., Ltd (i) | 19 December 2019 | RMB604.03 million | — | **51%** | — | — | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Sichuan Heilongtan Changdao International Tourism Resort Center Co., Ltd | 27 November 2019 | RMB1,000 million | — | **51%** | — | — | Real estate development, cultural and tourism city construction and operation in Mainland China |
| Sichuan Sancha Lake International Tourism Resort Co., Ltd | 27 November 2019 | RMB250 million | — | **51%** | — | — | Real estate development, cultural and tourism city construction and operation in Mainland China |

* Registered as wholly foreign owned enterprises under PRC law

** Registered as sino-foreign equity joint venture under PRC law

(i) This company has non-controlling interests material to the Group. Note 43(B) provides the summarised financial information of this company at acquisition date. There is no material variance comparing with the financial information of year end.

As at 31 December 2019 and 2018, there was no subsidiary that had non-controlling interests material to the Group except the subsidiaries mentioned above.

http://www.sunac.com.cn/