

SUNac 融創中國

# 2020 INTERIM REPORT 中期報告

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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。

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### COMPANY SECRETARY

Mr. Gao Xi

### AUTHORIZED REPRESENTATIVES

Mr. Wang Mengde  
Mr. Gao Xi

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## HEADQUARTERS AND PRINCIPAL PLACES OF BUSINESS IN THE PRC

### BEIJING OFFICE

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Beijing  
The PRC  
Postal code: 100007

### TIANJIN OFFICE

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Binshuixi Road, Nankai District  
Tianjin  
The PRC  
Postal code: 300381

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Grand Cayman KY1-9005  
Cayman Islands

# CORPORATE INFORMATION

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
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](http://www.sunac.com.cn)

# CHAIRMAN'S STATEMENT

## Dear Shareholders,

I am pleased to present to you the business review of the Group for the first half of 2020 and outlook for the second half of 2020.

## REVIEW OF THE FIRST HALF OF 2020

In the first half of 2020, the unexpected COVID-19 epidemic caused huge impact on the Chinese and global economy. Thanks to the active leadership of the central and local governments, the epidemic in China was effectively controlled in a short period of time, and the Chinese economy has begun to recover rapidly since the second quarter. As for the real estate sector, the central government adhered to the control direction of houses being built to be inhabited but not for speculation as well as the implementation of policies in line with the conditions of cities, promoting the steady and healthy development of the real estate market. The real estate sales market fell off a cliff in February and March. However, with the control of the epidemic and the recovery of demand, the market has rebounded and maintained stable since April.

In the first quarter of 2020, the supply arrangement of the Group slowed down due to the impact of the COVID-19 epidemic, with sales affected to a certain extent. With effective control over the epidemic, its projects gradually resumed work and production in the second quarter, and the supply gradually became abundant. In May, the Group began to achieve year-on-year growth of sales. In the first half of 2020, the Group, together with its joint ventures and associates, recorded contracted sales amount of approximately RMB195.27 billion, ranking among the top five in the industry.

The Group's profitability remain stable during the first half of 2020. For the six months ended 30 June 2020, the Group's revenue was approximately RMB77.34 billion; gross profit was approximately RMB17.76 billion; profit attributable to owners of the Company was approximately RMB10.96 billion, representing a year-on-year increase of approximately 6.5%; net profit margin attributable to owners of the Company was approximately 14.2%, representing a year-on-year increase of 0.8 percentage point; the Core Net Profit<sup>1</sup> amounted to approximately RMB13.04 billion, representing a year-on-year increase of approximately 3.0%.

In the first half of 2020, the Group continued to optimize its capital structure and reduced its gearing ratio and boosted the decline of financing costs. As at the end of June 2020, the total equity of the Group was approximately RMB133.88 billion, representing an increase of approximately 17.3% as compared to that as at the end of 2019. The Group's net gearing ratio continued to improve and dropped significantly by approximately 23.3 percentage points as compared to that as at the end of 2019. Meanwhile, the Group optimized its financing structure through various methods, such as increasing the proportion of bank facilities, grasping financing opportunities in the open market and strictly controlling the scale of trust financing. It also resolutely promoted the decline in financing costs, with the weighted average cost of new interest-bearing liabilities significantly decreasing by 1.9 percentage points in the first half of 2020 as compared with that in 2019. The Group continued to maintain sufficient liquidity with the carrying amount of cash being approximately RMB120.86 billion as at the end of June.

In the first half of 2020, the Group remained prudent amid the recovering land market, controlled its pace of land acquisition and captured the opportunities in the land market to acquire a small amount of land at reasonable prices by making full use of its industrial advantages as a "City's Co-Builder". In the first half of the year, the Group increased the land bank by approximately 17.30 million sq.m. and saleable sources of approximately RMB233.0 billion, representing a significant year-on-year decrease of approximately 64%. As at the end of June 2020, the land bank of the Group and its joint ventures and associates amounted to approximately 248 million sq.m. and the expected saleable sources of land bank amounted to over RMB3.0 trillion, approximately 80% of which are located in tier 1 & 2 cities, with the average land cost of approximately RMB4,300 per sq.m.. The abundant and high-quality land bank serves as strong support for the rapid release of the Group's operating cash flows, the continuous adequate liquidity and a steady decline in the gearing ratio.

Note:

1. Core net profit refers to profit attributable to owners of the Company, after excluding the impact of gains from business combination and its effect on fair value adjustments, gain or loss on changes in fair value of financial assets, derivative financial instruments and investment properties, and exchange gain or loss.

# CHAIRMAN'S STATEMENT

In the first half of 2020, Sunac Services completed the acquisition of New Century Property<sup>2</sup> and its integration with Chengdu Global Century<sup>3</sup>, which expanded the brand portfolio for Sunac Services, and further strengthened its exogenous development capacity featuring multiple brands and property types.

In the first half of 2020, Sunac Culture & Tourism actively responded to impact of the COVID-19 epidemic. On the one hand, it improved revenue and efficiency through optimizing lease structure, upgrading stationed brands, making marketing model innovation, making full use of online marketing channels and adjusting the operating models of hotels. On the other hand, it continuously improved internal strength to achieve product breakthroughs through establishing Sunac ski clubs, upgrading night traveling products and introducing hotel and attraction package products. As a result, the operation of Sunac Culture & Tourism has recovered quickly since the operations resumed during the May Day holiday after the epidemic. As at the end of June 2020, the grand opening of the Panda Ice and Snow Festival of Chengdu Culture and Tourism City has received a high degree of attention and was widely reported by CCTV and other media, which has greatly enhanced the brand influence of Sunac Culture & Tourism.

In the first half of 2020, Sunac Culture continued to improve the layout of the film and television industry chain and promoted the development and production of original animation works. Sunac Culture also gave full play to the synergies between the culture and cultural and tourism sectors to apply IP to the real scene of cultural and tourism cities and continue to build an IP long-chain operating system.

## OUTLOOK FOR THE SECOND HALF OF 2020

In the second half of 2020, the epidemic is expected to continue to have a relatively material impact on the global economy. Although the complexity and uncertainty of the international environment continue to rise, it is believed that with the active response of the government, the Chinese economy will overcome difficulties and maintain a relatively stable development trend. The regulation and control policies on the real estate industry will keep unchanged, and will continue to maintain the main tone of houses being built to be inhabited, not for speculation and stability in recent years.

In the second half of 2020, the Group has sufficient saleable resources to guarantee sales. It is expected that the saleable resources in the second half of the year will be around RMB620.0 billion, approximately 76% of which are located in tier 1 & 2 cities. The Group will continue to ensure the pace of launching new properties, and accelerate sell-through with the sales window in the second half of the year.

In the second half of 2020, the Group will continue to maintain its prudent strategies for land acquisition, focusing on opportunities of high-quality land in core cities of tier 1 & 2 cities and strictly controlling its pace of land acquisition. The Group will continue to ride on its industrial brand force as a "City's Co-Builder" centering on snow world, malls, hotels, theme parks, movie metropolises, conferences & exhibitions and build cities jointly with governments, which would facilitate the Company's high-quality development.

Note:

2. The full name is Zhejiang New Century Property Management Co., Ltd. (浙江開元物業管理股份有限公司);
3. The full name is Chengdu Global Century Property Services Co., Ltd. (成都環球世紀物業服務有限公司).

## CHAIRMAN'S STATEMENT

In the second half of 2020, the Group will continue to focus on enhancement of its comprehensive competitiveness. On the basis of internal and external benchmarking and continuous conclusions in the first half of the year, the Group will continue to make active change and implement refined operations comprehensively: implementing product adaptation actions to improve precise positioning capabilities and standardization rates and have a strict control over costs; optimizing standard construction period systems to speed up project progress; and refining management of selling price and sales expenses and optimizing organizational structure to improve per capita efficiency. Moreover, the Group will maintain optimizing its capital structure, persistently reducing its gearing ratio and boosting the decline of financing costs as the top priorities of the current development stage.

In the second half of 2020, the Group will promote the separate listing of Sunac Services through a global offering and distribution of a small portion of shares in Sunac Services to the Company's shareholders, so as to further improve the competitive edges of Sunac Services as a leading property management service provider in China. Sunac Services has been developing a strong foothold in core cities for many years and has deployed a large number of high-quality projects in tier 1 & 2 cities, thereby establishing a brand image and service reputation of high-quality services. Sunac Services has been developing across a wide range of property types. In addition to building a strong brand name and property management portfolio in the mid and high-end residential market, it has also expanded its presence to commercial, office, public and other properties from a high starting point. Sunac Services has a huge future development space that is highly visible. On the one hand, it is able to ride on its established competitive advantages to actively explore and develop external projects from independent third parties, and to build sub-brands through acquisition and integration so as to support the comprehensive development of multiple brands and property types in future. On the other hand, the Group will also fully support Sunac Services to continuously enrich its property management portfolio and rapidly expand its management scale with a large number of project reserves and new projects as well as abundant cooperation resources and leading brand advantages.

The year 2020 marks the tenth anniversary of the Group's listing. Looking back on its decade development since the listing, the Group has developed from a small regional real estate developer into a large-scale national integrated enterprise group and become a leading enterprise in the real estate industry which takes real estate business as its core and undertakes layout of community services, culture & tourism, culture, conference & exhibition and medical & health care businesses, etc with a sound foundation and has the potential of diversified development. Since its listing in 2010, the Group has achieved a 77-fold<sup>4</sup> increase in contracted sales amount, a 35-fold<sup>4</sup> increase in revenue<sup>5</sup>, a 17-fold<sup>4</sup> increase in core net profit, a 33-fold<sup>6</sup> increase in the saleable sources of land bank and a 27-fold<sup>6</sup> increase in net assets, representing a leapfrog development. Since its listing, the Group has achieved a 14-fold<sup>7</sup> increase in market capitalisation and distributed an aggregate dividend of HK\$17.26 billion to shareholders, bringing them a good return on investment. Meanwhile, the Group actively fulfilled its social responsibility, and has donated a total of RMB2.3 billion through the Sunac Public Welfare Foundation and other channels. It carried out public welfare activities such as "Sunac Rural Revitalization Program", "Sunac Saplings Charity Program" and "Sunac Shanzhu China (善築中國) Program" with a focus on three areas including rural revitalization, education support and architectural heritage conservation, so as to provide support to education, scientific research, public health, poverty alleviation and other areas in China.

Notes:

4. It is calculated based on the annual data of 2019;
5. It refers to the revenue from the Group and its joint ventures and associates;
6. It is calculated based on the interim data of 2020;
7. It is calculated based on the market capitalization as at 25 August 2020.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### 1 REVENUE

For the six months ended 30 June 2020, most of the Group's revenue came from sales of residential and commercial properties business, with a small proportion of revenue from cultural and tourism city construction and operation, property management and other businesses.

As at 30 June 2020, the Group's real estate development business achieved its national layout in tier-1 cities, tier-2 cities and strong tier-3 cities, 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 six months ended 30 June 2020 amounted to RMB77.34 billion, representing a slight increase of 0.7% compared with the total revenue of RMB76.84 billion for the six months ended 30 June 2019.

For the six months ended 30 June 2020, the total revenue of the Group and its joint ventures and associates was RMB128.00 billion, representing a slight decrease of RMB1.27 billion (approximately 1.0%) as compared with the total revenue of RMB129.27 billion for the six months ended 30 June 2019, of which RMB94.80 billion was attributable to owners of the Company, representing a slight decrease of RMB5.68 billion (approximately 5.7%) as compared to RMB100.48 billion for the six months ended 30 June 2019.

The following table sets forth certain details of the revenue:

	Six months ended 30 June			
	2020		2019	
	RMB billion	%	RMB billion	%
Revenue from sales of properties	73.07	94.5%	73.42	95.6%
Cultural and tourism city construction and operation income	0.98	1.3%	1.08	1.4%
Property management income and other income	3.29	4.2%	2.34	3.0%
<b>Total</b>	<b>77.34</b>	<b>100.0%</b>	76.84	100.0%
Total gross floor area delivered (in million sq.m.)	4.867		5.360	

For the six months ended 30 June 2020, revenue from sales of properties remained generally stable as compared with that for the six months ended 30 June 2019, mainly due to the increase in the average price of the delivered properties sales compared to the same period last year and the impact of COVID-19 epidemic on the construction progress of certain property projects sold, leading to the decrease in total area of delivered properties by 0.493 million square meters ("sq.m.") (approximately 9.2%) as compared with that for the six months ended 30 June 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 six months ended 30 June 2020, the Group's cost of sales was RMB59.59 billion, representing a slight increase of RMB2.11 billion (approximately 3.7%) as compared to the cost of sales of RMB57.48 billion for the six months ended 30 June 2019.

## 3 GROSS PROFIT

For the six months ended 30 June 2020, the Group's gross profit was RMB17.76 billion, which was RMB1.59 billion (approximately 8.3%) lower than the gross profit of RMB19.35 billion for the six months ended 30 June 2019.

For the six months ended 30 June 2020, the Group's gross profit margin was 23.0%, representing a slight decrease as compared to 25.2% for the six months ended 30 June 2019.

For the six months ended 30 June 2020, the adjustments of revaluation surplus related to gains from business combination for the properties acquired led to the reduction of the Group's gross profit in the amount of RMB4.94 billion. The Group's gross profit would have been RMB22.70 billion and gross profit margin would have been 29.3% for the six months ended 30 June 2020 without taking into account such impact.

For the six months ended 30 June 2020, total gross profit of the Group and its joint ventures and associates was RMB28.19 billion, with a gross profit margin of 22.0%, of which RMB20.91 billion was gross profit attributable to owners of the Company. For the six months ended 30 June 2019, total gross profit of the Group and its joint ventures and associates was RMB34.51 billion, with a gross profit margin of 26.7%, of which RMB25.92 billion was gross profit attributable to owners of the Company.

## 4 SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

The Group's selling and marketing costs increased by 2.0% from RMB2.56 billion for the six months ended 30 June 2019 to RMB2.62 billion for the six months ended 30 June 2020. The Group's administrative expenses decreased by 9.5% from RMB4.07 billion for the six months ended 30 June 2019 to RMB3.69 billion for the six months ended 30 June 2020. The decrease in administrative expenses was mainly due to more emphasis on refined management, the implementation of a series of measures to reduce expenses and improve efficiency by the Company and the decrease in traveling and other daily expenses as a result of the COVID-19 epidemic.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 5 OTHER INCOME AND GAINS

The Group's other income and gains increased by RMB2.12 billion from RMB5.19 billion for the six months ended 30 June 2019 to RMB7.31 billion for the six months ended 30 June 2020, mainly attributable to a gain before tax on the disposal of its 24.36% shares in Jinke Property Group Co., Ltd. by the Group.

## 6 OPERATING PROFIT

Concluding from the above analysis, the Group's operating profit increased by RMB2.33 billion from RMB15.70 billion for the six months ended 30 June 2019 to RMB18.03 billion for the six months ended 30 June 2020, mainly due to the following reasons:

- (i) gross profit decreased by RMB1.59 billion;
- (ii) selling and marketing costs and administrative expenses decreased by RMB0.32 billion; and
- (iii) other income and gains increased by RMB2.12 billion, other expenses and losses decreased by RMB0.42 billion and net impairment losses on financial and contract assets decreased by RMB1.05 billion.

## 7 FINANCE COSTS

The Group's finance costs increased by RMB1.22 billion from RMB1.23 billion for the six months ended 30 June 2019 to RMB2.45 billion for the six months ended 30 June 2020, mainly due to the following reasons:

- (i) the exchange loss increased by RMB0.76 billion to RMB0.91 billion for the six months ended 30 June 2020, from RMB0.15 billion for the six months ended 30 June 2019; and
- (ii) the Group proactively optimized its debt structure and boosted the decline of its financing costs. For the six months ended 30 June 2020, the weighted average costs of the new interest-bearing liabilities of the Group recorded a significant decline of 1.9 percentage points as compared with the year ended 31 December 2019. However, due to the increase in weighted average financing balances as compared with the six months ended 30 June 2019, the total interest costs had increased, of which the interest expenses increased by RMB0.45 billion to RMB1.54 billion for the six months ended 30 June 2020 from RMB1.09 billion for the six months ended 30 June 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 8 SHARE OF POST-TAX PROFITS OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Share of post-tax profits of investments accounted for using the equity method, net decreased by 33.5% to RMB2.41 billion for the six months ended 30 June 2020 from RMB3.63 billion for the six months ended 30 June 2019, mainly due to the decrease in revenue and gross margin of sales of properties of the Group's joint ventures and associates as compared with the six months ended 30 June 2019.

## 9 PROFITS

Profits attributable to owners of the Company increased by 6.5% from RMB10.29 billion for the six months ended 30 June 2019 to RMB10.96 billion for the six months ended 30 June 2020. After excluding the impact of certain items such as gains from business combination and its effect on fair value adjustments, gain or loss on changes in fair value of financial assets, derivative financial instruments and investment properties, and exchange gain or loss, profit attributable to owners of the Company (the "Core Net Profit", a non-GAAP financial measure) increased by 3.0% from RMB12.66 billion for the six months ended 30 June 2019 to RMB13.04 billion for the six months ended 30 June 2020.

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

	For the six months ended 30 June	
	2020 RMB billion	2019 RMB billion
Profit for the period	11.70	11.29
Attributable to:		
Owners of the Company	10.96	10.29
Holders of perpetual capital securities	0.07	0.17
Other non-controlling interests	0.67	0.83
	11.70	11.29

# MANAGEMENT DISCUSSION AND ANALYSIS

## 10 CASH STATUS

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

The Group's cash balances (including restricted cash) decreased to RMB120.86 billion as at 30 June 2020 from RMB125.73 billion as at 31 December 2019, of which non-restricted cash increased to RMB85.23 billion as at 30 June 2020 from RMB77.94 billion as at 31 December 2019.

Increase in non-restricted cash was mainly due to:

- (i) RMB22.44 billion of net cash inflow from operating activities;
- (ii) RMB10.41 billion of net cash outflow used in investment activities; and
- (iii) RMB4.82 billion of net cash outflow used in financing activities.

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

## 11 BORROWINGS AND SECURITIES

In the first half of 2020, the Group assessed the market continuously, controlled the pace of its land acquisition and supported its operation and development with operating cash flows. As a result, its total borrowings were well managed, decreasing from RMB322.27 billion as at 31 December 2019 to RMB320.33 billion as at 30 June 2020.

As at 30 June 2020, RMB288.65 billion (as at 31 December 2019: RMB296.78 billion) of the Group's total borrowings were secured or jointly secured by the Group's restricted cash, properties under development, completed properties held for sale, etc. (total amount was RMB252.53 billion (as at 31 December 2019: RMB267.12 billion)) and equities of certain of the Group's subsidiaries (including those legally transferred as collateral).

## 12 GEARING RATIO

Net gearing ratio is calculated by dividing net debt by total equity. Net debt is calculated by deducting cash balances (including restricted cash) from total borrowings (including current and long-term borrowings). As at 30 June 2020, the Group's net gearing ratio was 149.0%, representing a significant decrease of 23.3 percentage points as compared to that as at 31 December 2019.

Net debt to total asset ratio is calculated by dividing the net debt by total assets. As at 30 June 2020, the Group's net debt to total asset ratio was 20.0%, representing a decrease as compared to 20.5% as at 31 December 2019.

Net debt to total capital ratio is calculated by dividing the net debt by total capital. Total capital is calculated by adding total equity and net debt. As at 30 June 2020, the Group's net debt to total capital ratio was 59.8%, representing a decrease as compared to 63.3% as at 31 December 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 13 INTEREST RATE RISK

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

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

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

	As at 30 June 2020 RMB billion	As at 31 December 2019 RMB billion
Floating interests		
Less than 12 months	17.66	23.58
1-5 years	36.21	36.62
Over 5 years	13.20	12.94
Subtotal	67.07	73.14
Fixed interests		
Less than 12 months	122.96	112.16
1-5 years	129.19	136.23
Over 5 years	1.11	0.74
Subtotal	253.26	249.13
Total	320.33	322.27

As at 30 June 2020, the Group has implemented certain interest rate swap arrangements to hedge its exposure to interest rate risk. The Group will continue to pay attention to interest rate swaps, consider refinancing and adjusting the financing structure and monitor its interest rate exposure on a monthly basis.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 14 FOREIGN EXCHANGE RISKS

As most of the Group's operating entities are located in China, the Group operates its business mainly in RMB. Some of the Group's bank deposits and senior notes are denominated in US dollars or Hong Kong dollars, meaning that the Group is exposed to foreign exchange risks. For the six months ended 30 June 2020, the Group recorded an exchange loss in the amount of RMB0.91 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.

## 15 CONTINGENT LIABILITIES

The Group provides guarantees to banks for the mortgage loans of certain property purchasers to ensure that the purchasers perform their obligations of mortgage loan repayment. The amount of such guarantees was RMB130.06 billion as of 30 June 2020 as compared with RMB120.50 billion as of 31 December 2019. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchasers which will generally occur within an average period of six months 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

## SUMMARY OF PROPERTIES AND LAND BANK

As at 30 June 2020, the Group and its joint ventures and associates were engaged in a total of 749 property development projects, with a total site area of approximately 140 million sq.m., an estimated total gross floor area (“GFA”) of approximately 343 million sq.m. and an estimated saleable or rentable GFA of approximately 305 million sq.m.. The Group and its joint ventures and associates had a total land bank of approximately 248 million sq.m. and attributable land bank of approximately 158 million sq.m.. The breakdown of properties and land bank by cities was as follows:

City	Total site area '000 sq.m.	Estimated aggregate GFA '000 sq.m.	Estimated saleable/rentable GFA '000 sq.m.	Total land bank '000 sq.m.	Attributable land bank '000 sq.m.
Chongqing	12,464.0	33,235.4	32,164.7	18,809.2	12,824.0
Qingdao	9,975.3	17,985.1	17,258.2	13,344.0	10,005.7
Wuhan	5,234.5	20,915.6	17,682.7	16,308.1	8,378.9
Tianjin	8,295.9	19,134.6	17,389.6	10,546.9	7,670.0
Chengdu	6,980.7	14,417.0	12,618.1	9,584.2	6,501.5
Ji'nan	4,488.0	11,338.6	11,063.1	9,086.9	6,406.4
Xi'an	2,957.9	10,782.8	10,065.7	8,914.7	4,912.9
Zhengzhou	3,948.8	8,975.8	7,213.8	7,801.7	4,694.1
Hangzhou	3,758.8	10,807.3	8,623.7	7,872.9	4,398.1
Kunming	3,243.4	8,918.9	7,902.4	6,974.7	4,222.9
Meishan	5,387.3	8,654.9	7,924.2	8,400.6	3,989.2
Harbin	2,968.1	6,831.7	6,293.7	5,104.9	3,459.5
Jiangmen	914.4	3,266.0	2,729.4	3,108.9	2,898.0
Taiyuan	1,311.9	5,734.2	4,429.9	4,990.1	2,725.5
Guangzhou	1,358.1	5,817.1	5,629.1	4,148.3	2,494.2
Wenzhou	961.0	3,366.4	2,666.5	3,366.4	2,479.0
Xishuangbanna	3,841.6	4,422.7	3,862.2	2,727.4	2,411.7
Shanghai	3,324.6	5,984.8	5,278.9	3,365.2	2,401.3
Hainan Province	3,994.7	5,400.1	4,262.5	4,020.2	2,365.2
Wuxi	5,887.9	11,620.0	10,574.9	3,266.2	2,310.3
Guiyang	1,035.0	3,621.2	3,505.2	3,236.7	2,292.6
Hefei	2,304.2	5,957.0	5,599.3	2,367.8	2,243.6
Dalian	985.6	2,673.1	2,481.0	2,324.7	2,222.0
Qingyuan	949.0	2,691.4	2,590.3	2,462.1	2,202.8
Shenyang	1,977.2	4,655.6	3,711.3	3,605.5	2,194.4
Shijiazhuang	1,334.8	5,050.7	4,621.7	3,913.4	2,156.1
Changsha	1,320.8	4,979.0	3,809.9	3,443.7	2,125.2
Guilin	2,767.7	2,470.7	2,388.7	2,019.0	1,897.8
Ningbo	1,011.9	3,159.2	2,372.2	2,526.6	1,501.1
Changchun	523.2	1,426.5	1,044.7	1,426.5	1,426.5
Huizhou	697.8	2,481.9	2,254.6	2,107.5	1,406.8
Nanning	701.6	3,283.3	3,029.6	2,198.1	1,374.0



## BUSINESS HIGHLIGHTS

City	Total site area '000 sq.m.	Estimated aggregate GFA '000 sq.m.	Estimated saleable/ rentable GFA '000 sq.m.	Total land bank '000 sq.m.	Attributable land bank '000 sq.m.
Yinchuan	631.4	2,342.8	2,230.9	1,650.6	1,371.6
Nanchang	3,321.0	4,907.4	3,742.8	1,407.0	1,305.0
Yantai	1,156.2	2,659.2	2,428.6	2,038.8	1,236.3
Fuzhou	658.7	2,055.1	1,784.7	2,055.1	1,175.4
Langfang	694.8	2,053.4	1,678.7	2,033.7	1,134.9
Zhaotong	295.0	1,391.4	1,252.8	1,249.4	1,124.5
Xianning	1,119.7	2,190.7	1,524.5	2,190.7	1,117.2
Changzhou	1,462.3	2,603.5	2,295.5	1,595.3	1,092.8
Suzhou	1,973.0	4,714.0	3,671.2	2,916.3	1,053.0
Nantong	967.6	1,943.7	1,668.7	1,505.1	1,007.8
Jiaying	612.8	1,303.2	1,115.1	1,031.4	1,006.8
Zhaoqing	399.7	1,381.2	1,304.2	1,160.6	967.8
Xuzhou	902.0	2,351.2	2,145.8	2,009.4	927.4
Tangshan	421.8	1,295.3	1,219.1	1,295.3	917.8
Beijing	1,566.3	3,796.1	3,181.7	1,281.6	895.7
Shaoxing	644.7	1,956.0	1,484.3	1,668.3	826.9
Huzhou	821.4	1,743.3	1,406.1	1,503.8	802.6
Zhuhai	393.9	973.4	645.2	973.4	765.1
Ezhou	355.5	1,371.5	1,020.5	1,371.5	754.3
Taizhou	942.9	1,853.9	1,713.6	1,449.4	735.0
Daqing	414.8	1,028.4	988.1	633.7	633.7
Foshan	361.1	2,221.6	2,061.2	954.3	632.2
Zhongshan	329.0	974.1	913.3	559.9	554.8
Nanjing	966.8	2,206.9	1,951.0	1,515.6	547.7
Others	11,705.4	31,395.1	28,162.6	28,335.0	14,897.0
<b>Total</b>	<b>140,023.5</b>	<b>342,771.0</b>	<b>304,632.0</b>	<b>247,758.3</b>	<b>158,074.6</b>

As at 25 August 2020, the total land bank and attributable land bank of the Group and its joint ventures and associates amounted to approximately 256 million sq.m. and 163 million sq.m., respectively.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as its own code on corporate governance and had, throughout the six months ended 30 June 2020, complied with all applicable code provisions under the Corporate Governance Code except the following:

Under Code E.1.2 of the Corporate Governance Code, the chairman of the board should attend the annual general meeting. Mr. Sun Hongbin, the chairman of the board (the “Board”) of the directors (the “Director(s)”), was not able to attend the annual general meeting on 28 May 2020 due to other business engagements. Mr. Wang Mengde, an executive director and the chief executive officer of the Company, attended and chaired the annual general meeting of the Company and was delegated to make himself available to answer questions if raised at the meeting.

The Board of the Company recognizes the importance and benefits of good corporate governance and has adopted certain corporate governance and disclosure practices for achieving a higher standard of transparency and accountability. The Board members have regular discussions about the 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 statutory requirements. The Company has established an internal reporting practice within the Group in order to monitor the operation and business development of the Company.

## 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”) set out in Appendix 10 to the Listing Rules as the guidelines for the Directors’ dealings in the securities of the Company. Upon specific enquiries being made with all Directors, each Director confirmed that he had complied with the required standards set out in the Model Code during the six months ended 30 June 2020 in relation to his securities dealings, if any.

## CHANGES OF INFORMATION OF DIRECTORS

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

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

Save for the aforesaid, there is no change in Directors’ information that is required to be disclosed in accordance with Rule 13.51B(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2019 by the Company.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SHARE OPTION SCHEMES

The Company has adopted three share option schemes as follows:

- (I) The Company adopted the Pre-IPO Share Option Scheme (the “Pre-IPO Share Option Scheme”) on 9 September 2010 and had granted in aggregate 51,080,000 share options to directors and employees under the Pre-IPO Share Option Scheme before the completion of the global offering of the Company, representing approximately 1.67% of the total issued shares of the Company immediately following the completion of the capitalization issue and the global offering. No share option could be offered or granted under the Pre-IPO Share Option Scheme upon the completion of the global offering of the Company. As at 30 June 2020, no share option remained outstanding and exercisable under the Pre-IPO Share Option Scheme;
- (II) The Company adopted a Post-IPO share option scheme (the “2011 Share Option Scheme”) on 29 April 2011 and proposed certain amendments to the 2011 Share Option Scheme, which were approved and adopted on 17 March 2014. The 2011 Share Option Scheme had a term of six years from its adoption date, i.e. 29 April 2011 and expired on 28 April 2017. The Company had granted in aggregate 99,900,000 share options to directors and employees during the period, representing approximately 3.33% of the total issued shares as at the adoption date of the 2011 Share Option Scheme. As at 30 June 2020, no share option remained outstanding and exercisable under the 2011 Share Option Scheme; and
- (III) The Company adopted a new share option scheme (the “2014 Share Option Scheme”) on 19 May 2014, which had a term of five years from its adoption date, i.e. 19 May 2014 and expired on 18 May 2019. The Company had granted in aggregate 166,374,246 share options to directors and employees, representing approximately 5% of the total issued shares as at the adoption date of the 2014 Share Option Scheme. As at 30 June 2020, 60,662,864 share options remained outstanding and exercisable under the 2014 Share Option Scheme, representing approximately 1.30% of total number of issued shares.

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

For the six months ended 30 June 2020, the details and changes of the share options granted under the 2014 Share Option Scheme were as follows:

Date of grant	Vesting date	Percentage of vesting	Expiry date	Exercise price per share (HK\$)	Closing price before the date of grant (HK\$)	Number of options granted	Accumulated number of options exercised from the date of grant to 30 June 2020	Accumulated number of options cancelled from the date of grant to 30 June 2020	Accumulated number of options lapsed from the date of grant to 30 June 2020	Number of options outstanding as at 30 June 2020	Number of options exercised for the six months ended 30 June 2020	Weighted-average closing price before the exercise date for the six months ended 30 June 2020 (HK\$)
2014/6/5	2014/6/5	30%	2019/6/4	4.07	3.96	33,267,000	31,544,600	1,363,400	359,000	-	-	-
	2015/6/5	30%										
	2016/6/5	40%										
2015/7/9	2015/7/9	30%	2020/7/8	7.27	6.34	33,267,000	26,637,300	900,280	914,520	4,814,900	8,161,400	36.60
	2016/7/9	30%										
	2017/7/9	40%										
2016/6/20	2016/6/20	30%	2021/6/19	4.62	4.56	39,920,000	25,591,000	590,000	152,000	13,587,000	5,118,000	39.46
	2017/6/20	30%										
	2018/6/20	40%										
2017/12/22	2017/12/22	30%	2022/12/21	30.25	30.25	59,920,246	15,365,282	1,595,000	699,000	42,260,964	3,586,000	43.51
	2018/12/22	30%										
	2019/12/22	40%										
<b>Total</b>						<b>166,374,246</b>	<b>99,138,182</b>	<b>4,448,680</b>	<b>2,124,520</b>	<b>60,662,864</b>	<b>16,865,400</b>	

## CORPORATE GOVERNANCE AND OTHER INFORMATION

For the six months ended 30 June 2020, the movements in the share options granted to Directors and employees under the 2014 Share Option Scheme were as follows:

Name of grantee	Granted on 5 June 2014	Granted on 9 July 2015	Granted on 20 June 2016	Granted on 22 December 2017	Granted in aggregate	Number of outstanding options as at 1 January 2020	Number of	Number of	Number of	Number of outstanding options as at 30 June 2020
							options exercised for the six months ended 30 June 2020	options cancelled for the six months ended 30 June 2020	options lapsed for the six months ended 30 June 2020	
<b>Directors</b>										
Mr. Sun Hongbin	1,300,000	-	-	-	1,300,000	-	-	-	-	-
Mr. Wang Mengde	1,200,000	1,300,000	2,000,000	2,800,000	7,300,000	6,100,000	1,800,000	-	-	4,300,000
Mr. Jing Hong	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	3,700,000	1,400,000	-	-	2,300,000
Mr. Chi Xun	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	6,000,000	-	-	-	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	5,200,000	1,200,000	-	-	4,000,000
Mr. Huang Shuping	1,100,000	1,100,000	1,800,000	1,830,082	5,830,082	4,730,082	2,900,000	-	-	1,830,082
<b>Senior management and employees</b>	<b>25,267,000</b>	<b>26,067,000</b>	<b>28,820,000</b>	<b>44,590,164</b>	<b>124,744,164</b>	<b>46,198,182</b>	<b>9,565,400</b>	<b>-</b>	<b>-</b>	<b>36,632,782</b>
<b>Total</b>	<b>33,267,000</b>	<b>33,267,000</b>	<b>39,920,000</b>	<b>59,920,246</b>	<b>166,374,246</b>	<b>77,528,264</b>	<b>16,865,400</b>	<b>-</b>	<b>-</b>	<b>60,662,864</b>

### SHARE AWARD SCHEME

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

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

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

As at the date of this report, 40,835,000 Shares had been awarded to the selected employees under the Share Award Scheme on a cumulative basis, of which 19,795,000 Shares had been awarded in the first half of 2020 (21,040,000 Shares awarded in 2019).

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2020, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Director	Nature of interest	Number of Shares	Approximate percentage of interest in the Company <sup>2</sup>
Mr. Sun Hongbin	Interest in controlled corporations <sup>1</sup>	2,091,329,884	44.92%
	Beneficial owner	11,390,000	0.24%
Mr. Wang Mengde	Beneficial owner	14,848,000	0.32%
Mr. Jing Hong	Beneficial owner	10,706,000	0.23%
	Interest of spouse	609,000	0.01%
Mr. Chi Xun	Beneficial owner	4,518,396	0.10%
Mr. Tian Qiang	Beneficial owner	3,472,000	0.07%
Mr. Shang Yu	Beneficial owner	4,120,000	0.09%
Mr. Huang Shuping	Beneficial owner	5,100,000	0.11%
Mr. Sun Kevin Zheyi	Beneficial owner	90,000	0.002%

Notes:

1. These 2,091,329,884 Shares were held as to 2,042,623,884 Shares by Sunac International Investment Holdings Ltd ("Sunac International") and 48,706,000 Shares by 天津標的投資諮詢有限公司 (for identification only, Tianjin Biaodi Investment Consultancy Company Limited\*) ("Tianjin Biaodi"). The entire issued share capital of Sunac International was held by Sun family trusts, 70% of which was held by the new family trust ("New Family Trust") and the remaining 30% was held by two original family trusts. The new family trust was established by Mr. Sun Hongbin in December 2018, with South Dakota Trust Company LLC as the trustee and Mr. Sun Hongbin and some of his family members as the beneficiaries. The two original family trusts were established in May and June 2018, respectively, the beneficiaries of which were family members of Mr. Sun Hongbin. In accordance with the SFO, Mr. Sun Hongbin was deemed to be interested in the aforesaid Shares.
2. Calculated on the basis of 4,655,714,011 Shares in issue as at 30 June 2020.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### (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 <sup>1</sup>
Mr. Wang Mengde	4,300,000	1,500,000	5,800,000	0.12%
Mr. Jing Hong	2,300,000	1,500,000	3,800,000	0.08%
Mr. Chi Xun	6,000,000	1,430,000	7,430,000	0.16%
Mr. Tian Qiang	5,600,000	1,430,000	7,030,000	0.15%
Mr. Shang Yu	4,000,000	1,630,000	5,630,000	0.12%
Mr. Huang Shuping	1,830,082	850,000	2,680,082	0.06%
Mr. Sun Kevin Zheyi	–	480,000	480,000	0.01%

Note 1: Calculated on the basis of 4,655,714,011 Shares in issue as at 30 June 2020.

Save as disclosed herein, as at 30 June 2020, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 30 June 2020, the following persons (other than a Director or chief executive of the Company) had an interest in 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Name of shareholder	Nature of interest/Capacity	Number of Shares	Approximate percentage of interest in the Company <sup>3</sup>
Sunac International	Beneficial owner <sup>1</sup>	2,042,623,884	43.87%
	Holder of equity derivative <sup>2</sup>	61,689,696	1.33%
South Dakota Trust Company LLC	Trustee <sup>1</sup>	2,042,623,884	43.87%
	Holder of equity derivative <sup>2</sup>	61,689,696	1.33%

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## 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. (i) The Company signed a total return swap agreement with a total size of approximately US\$150 million with a financial institution in June 2019. As at 31 December 2019, such financial institution had completed the share purchase with a total of 32,813,000 Shares purchased; (ii) The Company signed a total return swap agreement with a total size of US\$167 million with another financial institution in January 2020, the financial institution can purchase up to a total of 28,876,696 Shares in estimate based on the closing price on the signing date (the exact number of Shares to be purchased shall depend on the actual circumstances at the time of purchase) in relation to the total return swap transaction. According to the total return swap agreements, the relevant financial institution 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 swap transaction through the Company.
3. Calculated on the basis of 4,655,714,011 Shares in issue as at 30 June 2020.

Save as disclosed herein, as at 30 June 2020, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

## MATERIAL ACQUISITION AND DISPOSALS

The following sets forth the material disposals of subsidiaries, joint ventures and associates undertaken by the Group during the six months ended 30 June 2020:

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

#### (I) DISPOSAL AGREEMENT OF JINKE SHARES

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



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## (II) JINKE SHARES SOLD ON THE OPEN MARKET

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

For the six months ended 30 June 2020, the Group has disposed of an aggregate of 1,300,754,773 Jinke Shares, representing approximately 24.36% of the total issued share capital of Jinke Property as at 30 June 2020, for a total consideration of approximately RMB10.405 billion.

The Group has not undertaken any material acquisitions of subsidiaries, joint ventures or associates during the six months ended 30 June 2020.

## INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

## BONDS ISSUED DURING THE PERIOD

### (I) SENIOR NOTES

On 10 January 2020, the Company successfully issued the US\$540 million 6.50% senior notes due 2025. The notes are listed and traded on the Singapore Exchange Securities Trading Limited ("SEST"). Please refer to the Company's announcements dated 8 January 2020 and 13 January 2020 for details of these issuances.

### (II) CORPORATE BONDS

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

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

## PLACING OF NEW SHARES UNDER GENERAL MANDATE DURING THE PERIOD

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, for an aggregate nominal value of HK\$18,692,000. The placing price represented a discount of approximately 4.04% to the closing price of HK\$44.60 per Share as quoted on the Stock Exchange on 10 January 2020, being the date of the placing agreement. The total proceeds of the placing were approximately HK\$8.0 billion, and the net placing price was approximately HK\$42.58 per share after deducting all related costs and expenses of the Company. The net proceeds were approximately HK\$7.958 billion. The Company has applied the net proceeds from the placing for general corporate purposes, and the purpose of capital utilisation is consistent with the intended use of the placing. Details of the placing are set out in the announcement of the Company dated 10 January 2020.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## REPURCHASE OF SENIOR NOTES DURING THE PERIOD

For the six months ended 30 June 2020, the Company has repurchased on the open market part of the senior notes in an aggregate amount of US\$147.9 million, comprising (i) the 8.625% senior notes due 2020 of US\$80.5 million in aggregate principal amount; (ii) the 6.875% senior notes due 2020 of US\$26.8 million in aggregate principal amount; (iii) the 8.35% senior notes due 2023 of US\$7.0 million in aggregate principal amount; (iv) the 7.95% senior notes due 2023 of US\$8.4 million in aggregate principal amount; (v) the 7.50% senior notes due 2024 of US\$16.1 million in aggregate principal amount; and (vi) the 6.50% senior notes due 2025 of US\$9.1 million in aggregate principal amount. The Company cancelled the repurchased notes in accordance with the terms of the notes and indentures.

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

Save as disclosed in the section headed “Repurchase of Senior Notes During the Period” of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2020.

## SUBSEQUENT EVENTS

### SENIOR NOTES ISSUED

On 9 July 2020, the Company successfully issued (i) the US\$600 million 6.50% senior notes due 2023; and (ii) the US\$400 million 7.00% senior notes due 2025. The notes are listed and traded on the SEST. Please refer to the Company’s announcements dated 7 July 2020 and 14 July 2020 for details of these issuances.

On 3 August 2020, the Company successfully issued the US\$500 million 6.65% senior notes due 2024. The notes are listed and traded on the SEST. Please refer to the Company’s announcements dated 30 July 2020 and 5 August 2020 for details of these issuances.

### THE PROPOSED SPIN-OFF OF SUNAC SERVICES

The Company proposes to spin-off and separately list the shares of Sunac Services Holdings Limited (融創服務控股有限公司) (“Sunac Services”), a subsidiary of the Company, on the Main Board of the Stock Exchange by way of the global offering and the distribution of a minor portion of the shares of Sunac Services to the shareholders of the Company. On 6 August 2020, Sunac Services submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing of, and permission to deal in, the shares of Sunac Services on the Main Board of the Stock Exchange. As at the date of this report, the Company is interested in 100% of Sunac Services. It is intended that upon completion of the proposed spin-off and the listing, the Company will have an interest of not less than 50% in Sunac Services and Sunac Services will remain as a subsidiary of the Company. The Company will make further announcement(s) in relation to the proposed spin-off as and when appropriate. Details of the proposed spin-off are set out in the announcement of the Company dated 6 August 2020.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

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

Save as disclosed above, there was no other matter subsisting as at 25 August 2020 which requires disclosure in this report pursuant to Rule 13.21 of the Listing Rules.

## EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group had a total of 50,563 employees in the Mainland China and Hong Kong. For the six months ended 30 June 2020, the staff cost of the Group was approximately RMB4.97 billion (30 June 2019: RMB4.21 billion).

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

In order to attract and retain excellent talents, the Company adopted the Pre-IPO Share Option on 9 September 2010, the 2011 Share Option Scheme on 29 April 2011 and the 2014 Share Option Scheme on 19 May 2014 for granting share options to eligible persons (including employees of the Group) entitling them the right to subscribe for shares of the Company, details of which are set out on pages 17 to 19 of this report. Furthermore, the Company adopted the Share Award Scheme on 8 May 2018 and awarded Shares were vested to selected employees in accordance with the rules of the Share Award Scheme and the terms of the trust deed, details of which are set out on page 19 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 during the six months ended 30 June 2020.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters related to auditing, internal control and risk management systems and financial reporting, including the review of the unaudited interim results of the Group for the six months ended 30 June 2020.

The unaudited interim financial information for the six months ended 30 June 2020 has been reviewed by PricewaterhouseCoopers, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 25 August 2020

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

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

## Introduction

We have reviewed the interim financial information set out on pages 28 to 76, which comprises the interim condensed consolidated balance sheet of Sunac China Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 25 August 2020

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

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	75,233,549	70,101,779
Investment properties	8	28,027,637	26,845,510
Right-of-use assets	9	16,193,830	14,918,041
Intangible assets	10	9,132,708	7,667,411
Deferred tax assets		10,619,482	8,585,312
Investments accounted for using the equity method	11	80,935,222	88,994,292
Financial assets at fair value through profit or loss	12	18,328,671	15,588,783
Receivables	15	48,000	48,000
Prepayments	16	2,641,743	3,018,098
Derivative financial instruments		78,470	31,629
Amounts due from related companies	33	–	170,000
		<b>241,239,312</b>	<b>235,968,855</b>
<b>Current assets</b>			
Properties under development	13	452,501,115	426,783,378
Completed properties held for sale	14	58,823,032	55,189,210
Inventories		669,617	490,307
Trade and other receivables	15	53,012,524	47,154,324
Contract assets		2,354,404	2,059,897
Amounts due from related companies	33	39,576,533	40,688,593
Prepayments	16	13,952,424	14,662,840
Prepaid income tax		8,659,923	7,320,149
Restricted cash	17	35,626,769	47,787,028
Cash and cash equivalents		85,228,617	77,943,661
Assets classified as held for sale		4,401,000	4,401,000
Financial assets at fair value through profit or loss	12	356,118	200,000
		<b>755,162,076</b>	<b>724,680,387</b>
<b>Total assets</b>		<b>996,401,388</b>	<b>960,649,242</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	18	400,494	382,339
Other reserves	19	20,500,378	17,510,617
Retained earnings		76,139,414	65,180,292
		<b>97,040,286</b>	<b>83,073,248</b>
Perpetual capital securities	20	788,028	2,789,505
Other non-controlling interests		36,052,033	28,231,491
		<b>133,880,347</b>	<b>114,094,244</b>

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	22	179,709,980	186,542,102
Derivative financial instruments		87,104	14,358
Lease liabilities	9	483,658	436,848
Deferred tax liabilities		37,629,097	38,534,748
Other payables	21	354,419	145,727
		<b>218,264,258</b>	<b>225,673,783</b>
<b>Current liabilities</b>			
Trade and other payables	21	162,628,153	147,133,931
Contract liabilities		243,379,571	240,818,329
Amounts due to related companies	33	58,049,815	58,933,995
Current tax liabilities		39,094,127	37,323,267
Borrowings	22	140,622,830	135,732,857
Lease liabilities	9	216,303	176,499
Provisions		265,984	762,337
		<b>644,256,783</b>	<b>620,881,215</b>
<b>Total liabilities</b>		<b>862,521,041</b>	<b>846,554,998</b>
<b>Total equity and liabilities</b>		<b>996,401,388</b>	<b>960,649,242</b>

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

The condensed consolidated interim financial information on pages 28 to 76 was approved by the Board of Directors on 25 August 2020 and was signed on its behalf.

**Sun Hongbin**

Director

**Wang Mengde**

Director

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	6	77,341,665	76,837,895
Cost of sales	23	(59,585,858)	(57,484,437)
<b>Gross profit</b>		<b>17,755,807</b>	19,353,458
Other income and gains	24	7,308,023	5,189,148
Selling and marketing costs	23	(2,615,289)	(2,563,053)
Administrative expenses	23	(3,685,860)	(4,074,070)
Other expenses and losses	25	(634,957)	(1,058,495)
Net impairment losses on financial and contract assets		(96,047)	(1,147,332)
<b>Operating profit</b>		<b>18,031,677</b>	15,699,656
Finance income	26	861,111	620,088
Finance expenses	26	(2,451,591)	(1,233,268)
Finance expenses – net		(1,590,480)	(613,180)
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net		2,414,541	3,630,399
<b>Profit before income tax</b>		<b>18,855,738</b>	18,716,875
Income tax expense	27	(7,154,856)	(7,425,766)
<b>Profit for the period</b>		<b>11,700,882</b>	11,291,109
<b>Other comprehensive income for the period</b>		–	–
<b>Total comprehensive income for the period</b>		<b>11,700,882</b>	11,291,109
<b>Attributable to:</b>			
– Owners of the Company		10,959,122	10,286,306
– Holders of perpetual capital securities	20	68,297	173,183
– Other non-controlling interests		673,463	831,620
		11,700,882	11,291,109
<b>Earnings per share attributable to owners of the Company (expressed in RMB per share):</b>	28		
– Basic earnings per share		2.41	2.37
– Diluted earnings per share		2.39	2.34

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



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 June 2020

		Unaudited						
		Attributable to owners of the Company				Perpetual capital securities	Other non-controlling interests	Total equity
Notes	Share capital	Other reserves	Retained earnings	Total				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	<b>Balance at 1 January 2020</b>	382,339	17,510,617	65,180,292	83,073,248	2,789,505	28,231,491	114,094,244
	<b>Total comprehensive income for the period ended 30 June 2020</b>	-	-	10,959,122	10,959,122	68,297	673,463	11,700,882
	<b>Transactions with owners, recognised directly in equity</b>							
	Capital contributions from non-controlling interests	-	-	-	-	-	5,439,475	5,439,475
	Non-controlling interests arising from acquisition of assets and liabilities through acquisition of subsidiaries	-	-	-	-	-	1,110,430	1,110,430
	Non-controlling interests arising on business combination	31	-	-	-	-	828,549	828,549
	Disposal of subsidiaries	32	-	-	-	-	(4,799)	(4,799)
	Dividends to non-controlling interests	-	-	-	-	-	(10,431)	(10,431)
	Transactions with non-controlling interests	-	1,139,948	-	1,139,948	-	(216,145)	923,803
	Proceeds from placing of new shares	18,19	16,564	7,036,066	-	7,052,630	-	7,052,630
	Redemption of perpetual capital securities	-	-	-	-	(1,903,000)	-	(1,903,000)
	Distributions to holders of perpetual capital securities	-	-	-	-	(166,774)	-	(166,774)
	Employees share option schemes:							
	- Proceeds from shares issued	18,19	1,591	173,693	-	175,284	-	175,284
	Share award scheme:							
	- Value of employee services	19	-	366,105	-	366,105	-	366,105
	Dividends relating to 2019	19	-	(5,726,051)	-	(5,726,051)	-	(5,726,051)
		18,155	2,989,761	-	3,007,916	(2,069,774)	7,147,079	8,085,221
	<b>Balance at 30 June 2020</b>	400,494	20,500,378	76,139,414	97,040,286	788,028	36,052,033	133,880,347

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 June 2020

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

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	Unaudited	
		Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		31,628,339	51,745,484
Income tax paid		(9,188,996)	(8,668,378)
<b>Net cash generated from operating activities</b>		<b>22,439,343</b>	<b>43,077,106</b>
<b>Cash flows from investing activities</b>			
Net cash outflow on business combinations	31	(1,770,143)	(14,708,290)
Disposal of subsidiaries	32	29,071	(762,362)
Proceeds from disposal and capital decreasing of joint ventures and associates		11,835,714	434,280
Consideration paid for acquisition of subsidiaries		(8,412,662)	(11,216,811)
Cash advance payment for potential equity transactions		(653,350)	(312,107)
Investments in joint ventures and associates		(6,326,665)	(11,248,430)
Dividend received from joint ventures and associates		2,619,258	252,043
Payments for financial assets at fair value through profit or loss ("FVPL")		(122,012)	(3,569,789)
Purchases of property, plant and equipment ("PP&E"), land use rights, intangible assets and investment properties		(8,503,812)	(10,567,327)
Proceed from redemption of financial assets at FVPL		244,824	173,373
Loans granted to joint ventures and associates		(5,252,432)	(18,106,155)
Repayments of loan received from joint ventures and associates		2,981,324	6,036,108
Interest received		2,053,888	593,507
Proceeds from disposals of PP&E and land use rights		865,636	–
Others		–	(38,571)
<b>Net cash used in investing activities</b>		<b>(10,411,361)</b>	<b>(63,040,531)</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	Unaudited	
		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		7,227,914	246,445
Proceeds paid for purchase of shares for share award scheme		–	(794,630)
Redemption of perpetual capital securities		(1,903,000)	(980,300)
Proceeds from borrowings		105,844,771	132,101,426
Repayments of borrowings		(111,758,409)	(74,185,610)
Proceeds from derivative financial instruments		9,707	56,576
Distribution paid to holders of perpetual capital securities		(166,774)	(246,792)
Dividends or deem distribution paid to non-controlling interests		(1,044,513)	(237,072)
Loans from non-controlling interests		3,151,086	1,734,057
Loan repayments to non-controlling interests		(1,639,417)	(1,321,676)
Proceeds from transaction with non-controlling interests		793,099	827
Interest paid		(14,958,974)	(10,980,793)
Deposit received/(guaranteed) for bank borrowings		6,008,876	(2,656,684)
Contribution from non-controlling interests		3,770,620	128,807
Principal elements of lease payments		(100,792)	(65,862)
Others		(50,000)	–
<b>Net cash (used in)/generated from financing activities</b>		<b>(4,815,806)</b>	42,798,719
<b>Net increase in cash and cash equivalents</b>		<b>7,212,176</b>	22,835,294
Cash and cash equivalents at beginning of period		77,943,661	76,181,041
Effect of exchange difference		72,780	218,718
<b>Cash and cash equivalents at end of period</b>		<b>85,228,617</b>	99,235,053

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 1 General information

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

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

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

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

## 2 Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 *Interim financial reporting*. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcement made by the Company during the interim reporting period.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 3 Accounting policies

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

### (A) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Below new and amended standards and interpretations became effective for annual reporting periods commencing on 1 January 2020 and adopted by the Group for the first time in 2020 interim report:

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

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

### (B) IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE GROUP

Certain new accounting standards and amendments have been published, which are not effective for 2020 interim reporting period and have not been early adopted by the Group. These new and amended standards are not expected to have any significant 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
<i>Covid-19-related Rent Concessions – Amendment</i> to HKFRS 16	1 June 2020
<i>Update Reference to the Conceptual Framework – Amendments</i> to HKFRS 3	1 January 2022
<i>Proceeds Before Intended Use – Amendments</i> to HKAS 16	1 January 2022
<i>Onerous Contracts – Costs of Fulfilling a Contract – Amendments</i> to HKAS 37	1 January 2022
<i>Annual Improvements to HKFRSs 2018-2020</i>	1 January 2022
<i>Classification of Liabilities as Current or Non-current – Amendments</i> to HKAS 1	1 January 2023
<i>HKFRS 17 Insurance Contracts</i>	1 January 2023
<i>Sale or Contribution of Assets Between an Investor and its Associate or Joint Ventures – Amendments</i> to HKFRS 10 and HKAS 28	To be determined

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 4 Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements and estimations made by management were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

## 5 Financial risk management and financial instruments

### 5.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no significant changes in the risk or in any risk management policies since 31 December 2019.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 5 Financial risk management and financial instruments (Continued)

### 5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

#### (i) Fair value hierarchy

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2020 and 31 December 2019 on a recurring basis:

At 30 June 2020		Level 1	Level 2	Level 3	Total
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>					
Financial assets at FVPL	12	2,298,548	–	16,386,241	18,684,789
Derivative financial instruments		–	78,470	–	78,470
<b>Financial liabilities</b>					
Derivative financial instruments		–	87,104	–	87,104
At 31 December 2019					
	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>					
Financial assets at FVPL	12	121,585	–	15,667,198	15,788,783
Derivative financial instruments		–	31,629	–	31,629
<b>Financial liabilities</b>					
Derivative financial instruments		–	14,358	–	14,358



## 5 Financial risk management and financial instruments *(Continued)*

### 5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

#### (i) Fair value hierarchy *(Continued)*

During the six months ended 30 June 2020, there were no transfers between different levels.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted 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 and 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, etc.
- for currency and interest rate derivative contracts – option pricing model and the present value of the estimated future premium payments set out in these contracts, and
- for option embedded in the corporate bond contracts – trinomial option pricing model 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, etc.

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

As at 30 June 2020 and 31 December 2019, the Group's level 3 instruments included unlisted equity investments and debt instruments.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 5 Financial risk management and financial instruments (Continued)

### 5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

The following table presents the changes in level 3 items for the periods ended 30 June 2020:

	Financial assets at FVPL		
	Unlisted equity securities RMB'000	Debt instruments RMB'000	Total RMB'000
<b>Opening balance 1 January 2020</b>	<b>14,505,084</b>	<b>1,162,114</b>	<b>15,667,198</b>
Acquisition of subsidiary	–	226,136	226,136
Addition	–	122,012	122,012
Disposals	(20,090)	(202,424)	(222,514)
Gains recognised in other income and gains*	583,015	10,394	593,409
<b>Closing balance 30 June 2020</b>	<b>15,068,009</b>	<b>1,318,232</b>	<b>16,386,241</b>

\* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period

583,015	10,394	593,409
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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		Valuation method	Significant unobservable inputs	Range of significant unobservable inputs	
	30 Jun 2020 RMB'000	31 Dec 2019 RMB'000			2020	2019
Unlisted equity securities	15,068,009	14,505,084	Price/booking multiple method, backsole method, equity allocation model, option pricing method and discounted cash flow model	Discount rate for lack of marketability Expected volatility rate Discounted rate	5%-20% 36.19%-42.63% 13%	10% 30.78%-54.36% 13%
Other financial instruments	1,318,232	1,162,114	Discounted cash flow model	Discounted rate	3.58%-6.2%	4.2%-4.85%

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 5 Financial risk management and financial instruments (Continued)

### 5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

Relationships of unobservable inputs to fair value are as follows:

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

The management performs the valuation of financial instruments for financial reporting purposes. Unobservable inputs including discount rate, 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 either the interest receivable/payable is close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 30 June 2020:

	Carrying amount RMB'000	Fair value RMB'000
<b>Non-current borrowings:</b>		
– Corporate bonds (note 22)	15,090,154	15,705,723
– Private domestic corporate bonds (note 22)	15,273,336	16,138,041
	30,363,490	31,843,764

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 6 Segment information

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

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

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

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

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

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 6 Segment information (Continued)

The segment results are as follows:

	Six months ended 30 June 2020			Total RMB'000
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	All other segments RMB'000	
Total segment revenue	73,073,754	979,641	12,167,935	86,221,330
<i>Recognised at a point in time</i>	55,193,128	313,557	85,199	55,591,884
<i>Recognised over time</i>	17,880,626	666,084	12,082,736	30,629,446
Inter-segment revenue	–	–	(8,879,665)	(8,879,665)
<b>Revenue from external customers</b>	<b>73,073,754</b>	<b>979,641</b>	<b>3,288,270</b>	<b>77,341,665</b>
Net impairment losses on financial and contract assets	(96,047)	–	–	(96,047)
Net fair value gains on investment properties	–	50,699	–	50,699
Interest income	2,197,163	–	2,752	2,199,915
Finance income	853,586	–	7,525	861,111
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	2,392,492	8,990	13,059	2,414,541
<b>Segment results</b>	<b>21,005,953</b>	<b>60,677</b>	<b>789,271</b>	<b>21,855,901</b>
<b>Other information</b>				
Capital expenditure	723,709	4,176,834	431,965	5,332,508

	As at 30 June 2020			Total RMB'000
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	All other segments RMB'000	
<b>Total segment assets</b>	<b>789,797,250</b>	<b>112,759,158</b>	<b>51,401,316</b>	<b>953,957,724</b>
Investments accounted for using the equity method	80,385,280	218,879	331,063	80,935,222
<b>Total segment liabilities</b>	<b>730,545,729</b>	<b>23,415,848</b>	<b>31,524,534</b>	<b>785,486,111</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 6 Segment information (Continued)

Reportable segment results are reconciled to total profit as follows:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Total segment results	21,855,901	22,341,652
Net impairment losses on financial and contract assets	–	(1,086,963)
Depreciation and amortisation	(1,230,113)	(752,018)
Finance expenses	(2,451,591)	(1,233,268)
Other income and gains	752,197	351,531
Other expenses and losses	(70,656)	(748,837)
Share of losses of investments accounted for using equity method, net	–	(155,222)
Income tax expense	(7,154,856)	(7,425,766)
<b>Profit for the period</b>	<b>11,700,882</b>	<b>11,291,109</b>

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

	30 June	31 December
	2020 RMB'000	2019 RMB'000
Total segment assets	953,957,724	924,352,369
Deferred tax assets	10,619,482	8,585,312
Other assets	31,824,182	27,711,561
<b>Total assets</b>	<b>996,401,388</b>	<b>960,649,242</b>
Total segment liabilities	785,486,111	770,113,523
Deferred tax liabilities	37,629,097	38,534,748
Other liabilities	39,405,833	37,906,727
<b>Total liabilities</b>	<b>862,521,041</b>	<b>846,554,998</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 6 Segment information (Continued)

### ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Related to development and sales of properties contracts:		
Current contract assets	2,730	41,366
Cost to obtain the contracts	2,352,032	2,018,889
Loss allowance	(358)	(358)
<b>Total contract assets</b>	<b>2,354,404</b>	<b>2,059,897</b>
<b>Contract liabilities</b>	<b>243,379,571</b>	<b>240,818,329</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 7 Property, plant and equipment

	Buildings and equipment RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold Improve- ments RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
<b>At 31 December 2019</b>						
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
<b>Half-year ended 30 June 2020</b>						
Opening net book amount	51,021,967	99,135	422,931	437,547	18,120,199	70,101,779
Acquisition of subsidiaries (note 31)	50,988	4,046	17,756	3,268	2,986,928	3,062,986
Additions	28,941	4,969	75,398	30,881	3,228,941	3,369,130
Transfer	399,560	–	–	–	(399,560)	–
Disposal of subsidiaries (note 32)	–	–	(27)	(2,388)	–	(2,415)
Disposals	(402,817)	(2,936)	(27,088)	–	–	(432,841)
Depreciation charge	(739,863)	(12,646)	(82,390)	(30,191)	–	(865,090)
Closing net book amount	50,358,776	92,568	406,580	439,117	23,936,508	75,233,549
<b>At 30 June 2020</b>						
Cost	52,936,386	186,265	619,909	606,375	23,936,508	78,285,443
Accumulated depreciation	(2,577,610)	(93,697)	(213,329)	(167,258)	–	(3,051,894)
Net book amount	50,358,776	92,568	406,580	439,117	23,936,508	75,233,549

For the six months ended 30 June 2020, depreciation expense of RMB693 million has been charged to "cost of sales", RMB46 million in "selling and marketing costs" and RMB126 million in "administrative expenses".

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 8 Investment properties

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

	<b>Total</b> RMB'000
At 31 December 2019	26,845,510
Additions	1,082,545
Acquisition of subsidiaries (note 31)	567,479
Disposal of subsidiaries (note 32)	(40,517)
Fair value changes	50,699
Transfer to properties under development	(478,079)
<hr/>	
At 30 June 2020	28,027,637

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

As at 30 June 2020, all the investment properties are within level 3 of the fair value hierarchy. Management obtains independent valuations for its investment properties including office buildings, shopping malls and commercial properties. DTZ Cushman & Wakefield Limited performed the independent valuation of these buildings. There were no changes to the valuation techniques during the period.

## 9 Leases

	<b>Land use rights RMB'000</b>	<b>Properties RMB'000</b>	<b>Vehicles RMB'000</b>	<b>Total right-of-use assets RMB'000</b>
<b>Right-of-use assets</b>				
31 December 2019	14,347,927	563,560	6,554	14,918,041
<hr/>				
Addition	792,326	163,408	4,307	960,041
Acquisition of subsidiaries (note 31)	704,974	21,254	–	726,228
Disposal	(101,285)	–	–	(101,285)
Depreciation	(200,729)	(105,572)	(2,894)	(309,195)
<hr/>				
30 June 2020	15,543,213	642,650	7,967	16,193,830

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 9 Leases (Continued)

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
<b>Lease liabilities</b>		
Current	<b>216,303</b>	176,499
Non-current	<b>483,658</b>	436,848
<b>Total lease liabilities</b>	<b>699,961</b>	613,347

For the six months ended 30 June 2020, depreciation expense of RMB126 million has been charged to “cost of sales” and RMB183 million in “administrative expenses”.

## 10 Intangible assets

	<b>Goodwill<sup>(a)</sup> RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<b>At 31 December 2019</b>			
Cost	6,652,444	2,044,400	8,696,844
Accumulated amortisation and impairment	(514,636)	(514,797)	(1,029,433)
<b>Net book amount</b>	<b>6,137,808</b>	<b>1,529,603</b>	<b>7,667,411</b>
<b>Half-year ended 30 June 2020</b>			
Opening net book amount	6,137,808	1,529,603	7,667,411
Acquisition of subsidiaries (note 31)	1,319,925	250,087	1,570,012
Addition	–	88,507	88,507
Impairment charges	(137,394)	–	(137,394)
Amortisation charges	–	(55,828)	(55,828)
<b>Closing net book amount</b>	<b>7,320,339</b>	<b>1,812,369</b>	<b>9,132,708</b>
<b>At 30 June 2020</b>			
Cost	7,972,369	2,382,994	10,355,363
Accumulated amortisation and impairment	(652,030)	(570,625)	(1,222,655)
<b>Net book amount</b>	<b>7,320,339</b>	<b>1,812,369</b>	<b>9,132,708</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 10 Intangible assets (Continued)

### (A) IMPAIRMENT TESTS FOR GOODWILL

Goodwill was generated from business combination and allocated to each project or a group of projects, which is expected to benefit from the synergies of the combination. Each project is identified as a CGU and the recoverable amount of a CGU is determined based on value-in-use method.

A segment-level summary of the goodwill allocation is presented below.

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Cultural and tourism city construction and operation	<b>4,392,488</b>	4,392,488
Property development	<b>595,411</b>	732,805
All other segments	<b>2,332,440</b>	1,012,515
	<b>7,320,339</b>	6,137,808

There have been no significant changes in goodwill allocation for the six months ended 30 June 2020. Management reviews the business performance and monitors the goodwill on individual CGU or group of CGUs basis as at 30 June 2020. 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
<b>2020:</b>	
Revenue growth rate	Start-up period: 12%-18% Stable period: 4%-8%
Profit rate over the stable period	13%-58%
Long-term growth rate	3%
Pre-tax discount rate	12.1%

Except for the goodwill allocated to cultural and tourism city construction and operation segment, there is no individual CGU or group of CGUs 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 18.3%-24.8% as at 30 June 2020 (2019 pre-tax discount rate: 20%-24.7%).

The impairment charge of RMB137.39 million arose from property development companies which were in the completion stage of real estate development projects. Except for the impairment projects, the recoverable amounts of above CGU or group CGUs are estimated to exceed the carrying amounts at 30 June 2020.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 10 Intangible assets (Continued)

### (A) IMPAIRMENT TESTS FOR GOODWILL (Continued)

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 12.7%, 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.

## 11 Investments accounted for using the equity method

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

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Joint ventures	<b>59,830,369</b>	60,049,425
Associates	<b>21,104,853</b>	28,944,867
	<b>80,935,222</b>	88,994,292

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 11 Investments accounted for using the equity method *(Continued)*

### 11.1 INVESTMENTS IN JOINT VENTURES

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
At beginning of period	60,049,425	40,009,448
Additions:		
– Capital contributions to joint ventures at establishment	1,885,898	10,169,882
– Acquisition of joint ventures	1,709,857	1,478,619
– Additional investments in existing joint ventures	1,846,138	1,334,926
– Subsidiaries became joint ventures	–	1,031,840
– Acquisition from business combination	47,198	5,531,988
Disposals:		
– Disposal of investments in joint ventures	(2,893,570)	(629,865)
– Joint ventures became subsidiaries	–	(233,291)
Capital decreasing of a joint venture	(1,373,273)	(977,550)
Share of profits of joint ventures, net	1,381,653	2,483,515
Dividends from joint ventures	(2,822,957)	(104,940)
At end of period	59,830,369	60,094,572

### 11.2 INVESTMENTS IN ASSOCIATES

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
At beginning of period	28,944,867	25,487,378
Additions:		
– Capital contributions to associates at establishment	32,095	200,700
– Acquisitions of associates	–	268,155
– Additional investments in an existing associate	2,583,695	257,835
– Subsidiaries became associates	–	288,830
Disposals:		
– Disposals of investments in associates	(10,126,612)	–
Impairment provision for investment in an associate	–	(698,328)
Capital decreasing of associates	–	(1,399,530)
Share of profits of associates, net	454,086	984,086
Dividends from associates	(783,278)	(720,442)
At end of period	21,104,853	24,668,684

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 12 Financial assets at fair value through profit or loss

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Listed equity securities	<b>2,298,548</b>	121,585
Unlisted equity securities	<b>15,068,009</b>	14,505,084
Debt investments	<b>1,318,232</b>	1,162,114
	<b>18,684,789</b>	15,788,783

For information about the methods and assumptions used in determining the fair value of financial assets at FVPL, please refer to note 5.2.

## 13 Properties under development

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Comprising:		
Land use rights costs	<b>304,219,868</b>	299,624,062
Construction costs and capitalised expenditures	<b>95,020,335</b>	81,116,520
Capitalised finance costs	<b>53,707,772</b>	46,372,059
	<b>452,947,975</b>	427,112,641
Less: Provision for loss on realisable value	<b>(446,860)</b>	(329,263)
	<b>452,501,115</b>	426,783,378
Including: To be completed within 12 months	<b>147,738,554</b>	135,100,510
To be completed after 12 months	<b>304,762,561</b>	291,682,868
	<b>452,501,115</b>	426,783,378

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 14 Completed properties held for sale

	30 June 2020 RMB'000	31 December 2019 RMB'000
Completed properties held for sale	60,946,673	56,867,520
Less: Provision for loss on realisable value	(2,123,641)	(1,678,310)
	<b>58,823,032</b>	55,189,210

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

## 15 Trade and other receivables

	30 June 2020 RMB'000	31 December 2019 RMB'000
Non-current – Other receivables (c)	48,000	48,000
Current –		
Trade receivables from contracts with customers (a)	2,401,258	1,701,056
Amounts due from non-controlling interests and their related parties (b)	22,672,263	17,831,141
Notes receivables	93,942	75,265
Deposits receivables	10,889,321	10,853,804
Other receivables (c)	17,356,172	17,045,590
	<b>53,412,956</b>	47,506,856
Less: Loss allowance	(400,432)	(352,532)
	<b>53,012,524</b>	47,154,324

As at 30 June 2020 and 31 December 2019, the carrying amounts of the Group's trade and other receivables were all denominated in RMB and the carrying amounts of trade and other receivables approximated their fair values.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 15 Trade and other receivables (Continued)

Notes:

- (a) Trade receivables mainly arise from sales of properties and rendering of property management services. Considerations in respect of sales of properties are paid by customers in accordance with the credit terms agreed in the property sale contracts. Property management services income are received in accordance with the term of the relevant property service agreements and are due for payment upon rendering of service. The ageing analysis of trade receivables based on dates of delivery of goods and dates of rendering of services is as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Within 90 days	1,640,356	1,126,438
91–180 days	121,529	12,517
181–365 days	219,350	211,952
Over 365 days	420,023	350,149
	<b>2,401,258</b>	<b>1,701,056</b>

- (b) The amounts due from non-controlling interests and their related parties are unsecured, interest free and have no fixed repayment terms.
- (c) Other receivables mainly included the cash advance for land use rights before bidding, payments on behalf of customers, interest receivables and amounts due from equity investment partners.

## 16 Prepayments

	30 June 2020 RMB'000	31 December 2019 RMB'000
Non-current –		
Prepayments for equity transactions	2,606,025	2,977,824
Prepayments for purchase of PP&E	35,718	40,274
	<b>2,641,743</b>	<b>3,018,098</b>
Current –		
Tax and surcharge	2,943,817	2,189,970
Prepayments for land use rights acquisitions	8,959,157	10,202,070
Prepayments for construction costs	1,273,383	1,269,574
Others	776,067	1,001,226
	<b>13,952,424</b>	<b>14,662,840</b>

As at 30 June 2020 and 31 December 2019, the carrying amounts of the Group's prepayments were all denominated in RMB.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 17 Restricted cash

	30 June 2020 RMB'000	31 December 2019 RMB'000
Guarantee deposits as reserve for bank loans	17,827,830	21,798,223
Restricted cash from property pre-sale proceeds (a)	12,921,480	17,578,004
Guarantee deposits for bank acceptance	2,722,394	4,125,338
Others	2,155,065	4,285,463
	<b>35,626,769</b>	<b>47,787,028</b>

Note:

- (a) In certain subsidiaries of the Company, a portion of the proceeds from pre-sale of properties is saved as guarantee bank deposits in accordance with the municipal regulations and is released in line with certain development progress milestones.

## 18 Share capital

	Number of shares (thousands)	Share capital	
		HK\$'000	Equivalent to RMB'000
<b>Authorised:</b>			
At 1 January 2020 and 30 June 2020, HK\$0.1 per share	10,000,000	1,000,000	
<b>Issued and fully paid:</b>			
As at 1 January 2020	4,451,929	445,194	382,339
Proceeds from placing of new shares (a)	186,920	18,692	16,564
Shares issued upon exercise of employees' share options (b)	16,865	1,687	1,591
As at 30 June 2020	4,655,714	465,573	400,494

Note:

- (a) On 10 January 2020, the Company entered into an placing agreement to issue 186,920,000 placing shares at a price of HK\$42.80 per share. The net proceeds from this placement after deducting related fees were approximately HK\$7.96 billion (equivalent to approximately RMB7.05 billion).
- (b) The Company adopted a Post-IPO Share Option Scheme (the "2011 Share Option Scheme") on 29 April 2011 and a new Share Option Scheme (the "2014 Share Option Scheme") on 19 May 2014 respectively (note 19(a)).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 19 Reserves

	Share premium RMB'000	Share option reserve RMB'000	Other reserves RMB'000	Total RMB'000
<b>Six months ended 30 June 2020</b>				
At 1 January 2020	5,437,780	1,338,957	10,733,880	17,510,617
Transactions with non-controlling interests	–	–	1,139,948	1,139,948
Employees share option schemes (a):				
– Exercise of employees' share options	173,693	–	–	173,693
Share award scheme (b)				
– Value of employee services	–	366,105	–	366,105
Proceeds from placing of new shares	7,036,066	–	–	7,036,066
Dividends relating to 2019	(5,726,051)	–	–	(5,726,051)
At 30 June 2020	6,921,488	1,705,062	11,873,828	20,500,378
<b>Six months ended 30 June 2019</b>				
At 1 January 2019	9,336,620	760,970	4,162,013	14,259,603
Transactions with non-controlling interests	–	–	(25,595)	(25,595)
Employees share option schemes (a):				
– Value of employee services	–	59,121	–	59,121
– Exercise of employees' share options	243,589	–	–	243,589
Share award scheme (b)				
– Value of employee services	–	294,257	–	294,257
Purchase of shares for share award scheme (b)	(794,630)	–	–	(794,630)
Dividends relating to 2018	(3,644,638)	–	–	(3,644,638)
At 30 June 2019	5,140,941	1,114,348	4,136,418	10,391,707

Note:

- (a) For the six months ended 30 June 2020, 16,865 thousands shares in connection with the 2014 Share Option Scheme were exercised by the employees, which resulted in an increase of RMB1.59 million in the share capital and RMB173.69 million in share premium (note 18).

As at 30 June 2020, 60,663 thousand shares of the 2014 Share Option Scheme were exercisable (31 December 2019: 77,528 thousand shares of the 2014 Share Option Scheme).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 19 Reserves (Continued)

Note: (continued)

- (b) A share award scheme under which shares may be granted to eligible employees for no cash consideration was approved by the board of directors of the Company on 8 May 2018 (the “Share Award Scheme”). Pursuant to the rules relating to the Share Award Scheme, the Company entrusted a trustee to purchase existing ordinary shares in the open market based on 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.

For the six month ended 30 June 2020, no additional share was purchased from open market pursuant to the Share Award Scheme. As at 30 June 2020, the Company has entrusted the trustee to purchase an aggregate of 94,653 thousands shares.

For the six month ended 30 June 2020, 19,795 thousand shares in connection with the Share Award Scheme were granted to the eligible employees for no cash consideration. 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. As at 30 June 2020, 12,300 thousand shares in connection with the Share Award Scheme were exercisable.

The total expense recognised in the profit or loss for the Share Award Scheme granted to employees for the six months ended 30 June 2020 was RMB366.1 million.

## 20 Perpetual capital securities

As at 30 June 2020, one perpetual bond issued by one subsidiary of the Group (the “Instrument Issuer”) was still outstanding. The perpetual bond contract 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 bond has no maturity date.

The Instrument issuer may elect to defer interest payment, and is not subject to any limit as to the number of times interest payment can be deferred. The perpetual bond is callable by the Instrument issuer.

As the perpetual bond only imposes contractual obligation on the Group to repay principal or to pay any distribution under certain circumstances, which is at Group's discretion, it has in substance offered the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligation. Therefore, the net proceed of the perpetual bond is classified as capital instrument presented in the equity of the Group. The accrual of respective nominal interest according to the bond term is treated as distribution to the holder of the perpetual capital instrument.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 21 Trade and other payables

	30 June 2020 RMB'000	31 December 2019 RMB'000
Non-current – Other payables	354,419	145,727
Current –		
Trade payables (a)	76,205,362	71,706,023
Un-paid considerations for equity transactions	14,568,660	17,760,374
Amounts due to non-controlling interests and their related parties (b)	9,713,970	6,707,954
Dividend payable	5,726,051	–
Notes payable	16,142,600	11,245,291
Other taxes payable	4,336,683	3,275,245
Interests payable	4,140,929	4,013,493
Payroll and welfare payables	1,011,054	3,126,948
Other payables (c)	30,782,844	29,298,603
	<b>162,628,153</b>	<b>147,133,931</b>

Note:

- (a) At 30 June 2020, the ageing analysis of the trade payables is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Within 90 days	27,288,858	27,549,468
91-180 days	9,463,217	10,212,645
181-365 days	19,082,977	15,718,047
Over 365 days	20,370,310	18,225,863
	<b>76,205,362</b>	<b>71,706,023</b>

- (b) The amounts due to non-controlling interests are unsecured, interest free and repayable on demand.
- (c) As at 30 June 2020, other payables mainly included value-added tax relevant to pre-sale of properties amounted to RMB10,622 million (as at 31 December 2019, RMB12,171 million). Beside this, the residual amounts mainly included deposits from customers, deed tax and maintenance funds received on behalf of customers and cash advanced from potential equity investment partners.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 22 Borrowings

	30 June 2020 RMB'000	31 December 2019 RMB'000
<b>Non-current</b>		
Secured,		
– Bank and other institution borrowings	202,219,851	214,090,958
– Senior notes (a)	48,300,905	44,838,865
	<b>250,520,756</b>	258,929,823
Unsecured,		
– Bank and other institution borrowings	986,704	100,000
– Corporate bonds (b)	15,090,154	7,818,085
– Private domestic corporate bonds (c)	15,273,336	16,969,539
	<b>31,350,194</b>	24,887,624
	<b>281,870,950</b>	283,817,447
Less: Current portion of long-term borrowings	<b>(102,160,970)</b>	(97,275,345)
	<b>179,709,980</b>	186,542,102
<b>Current</b>		
Secured,		
– Bank and other institution borrowings	38,130,514	37,847,612
Unsecured,		
– Bank and other institution borrowings	331,346	609,900
	<b>38,461,860</b>	38,457,512
Current portion of long-term borrowings	<b>102,160,970</b>	97,275,345
	<b>140,622,830</b>	135,732,857
<b>Total borrowings</b>	<b>320,332,810</b>	322,274,959

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 22 Borrowings (Continued)

### (A) SENIOR NOTES

The Company issued senior notes ("Senior Notes") on the Singapore Exchange Securities Trading Limited, payable semi-annually in arrears. As at 30 June 2020, the issue dates, principals and interest rates of the outstanding Senior Notes were shown as below:

Issue dates	Maturity	Principal USD million	Interest rate
8 August 2017	3 years	373	6.875%
8 August 2017	5 years	600	7.95%
19 April 2018	3.25 years	650	7.35%
19 April 2018	5 years	443	8.35%
27 July 2018	2 years	320	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	742	7.95%
14 June 2019	3 years	600	7.25%
1 November 2019	4.25 years	634	7.50%
10 January 2020	5 years	531	6.50%
		<hr/>	
		6,843	

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 22 Borrowings (Continued)

### (B) CORPORATE BONDS

Sunac Real Estate issued corporate bonds (the “Corporate Bonds”) on the Shanghai Stock Exchange, payable annually in arrears. The details of the outstanding Corporate Bonds are shown as below:

Issue dates	Principal RMB'000	Interest rate	Maturity
15 August 2015	1,178,455	6.80%	5 years
15 August 2015	2,500,000	5.70%	5 years
1 September 2015	164,740	7.50%	5 years
16 August 2016	1,200,000	6.50%	5 years
16 August 2016	2,800,000	4.00%	7 years
01 April 2020	4,000,000	4.78%	4 years
27 May 2020	3,300,000	5.60%	5 years
	<u>15,143,195</u>		

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 second, third or fifth years.

The underwriting fees of the Corporate Bonds were charged at 0.3%–0.6% of the issue size.

The options embedded in the Corporate Bonds were not closely related to the host contracts and were recognised at fair value at the respective issue date and 30 June 2020.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 22 Borrowings (Continued)

### (C) PRIVATE DOMESTIC CORPORATE BONDS

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

Issue date	Principal amount RMB'000	Interest rate	Maturity
22 January 2016	5,000,000	6.39%	7 years
7 March 2016	3,500,000	7.50%	5 years
13 June 2016	2,300,000	7.00%	6 years
5 July 2017	1,000,000	6.50%	3 years
11 April 2018	500,000	9.50%	3 years
28 August 2018	1,000,000	7.50%	3 years
9 September 2018	1,010,000	7.50%	3 years
10 June 2020	1,000,000	6.50%	3 years
	<u>15,310,000</u>		

Except for the bonds issued in 2017, the bond issued on 11 April 2018 and the bond issued in 2020, all the other Private Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the 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 30 June 2020.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 22 Borrowings (Continued)

(D) As at 30 June 2020, RMB289 billion (as at 31 December 2019: RMB297 billion) of the Group's total borrowings were secured or jointly secured by the Group's certain assets, comprised of restricted cash, PUDs, completed properties held for sale, investment properties, PP&E and land used rights, which total amount was RMB253 billion (as at 31 December 2019: RMB267 billion) and equity interests of certain subsidiaries of the Group.

## 23 Expenses by nature

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Costs of properties sold	54,792,817	53,800,566
Staff costs	2,822,835	3,384,685
Advertisement and promotion costs	1,435,659	1,400,209
Depreciation and amortisation	1,230,113	752,018
Net impairment losses for properties	780,682	322,854
Value-added tax surcharges	364,468	658,429

## 24 Other income and gains

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Net gain from disposal of joint ventures and associates	2,741,600	–
Interest income	2,199,915	1,980,436
Net fair value gains on financial assets at FVPL	710,826	274,850
Gains from business combination	616,384	568,622
Net fair value gains on investment properties	50,699	958,925
Fair value gains on derivative financial instruments	41,371	–
Gains from disposals of subsidiaries	5,570	70,772
Others	941,658	1,335,543
	<b>7,308,023</b>	<b>5,189,148</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 25 Other expenses and losses

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Impairment provision for goodwill	137,394	–
Fair value losses on derivative financial instruments	70,656	50,509
Impairment provision for investment in an associate	–	698,328
Losses on disposals of subsidiaries	–	61,817
Others	426,907	247,841
	<b>634,957</b>	<b>1,058,495</b>

## 26 Finance income and expenses

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Interest expenses	15,178,592	11,779,427
Interest expenses for lease liabilities	31,680	33,312
Less: Capitalised finance costs	(13,669,483)	(10,726,023)
	<b>1,540,789</b>	<b>1,086,716</b>
Exchange loss	910,802	146,552
	<b>2,451,591</b>	<b>1,233,268</b>
Finance income:		
– Interest income on bank deposits	(861,111)	(620,088)
Net finance expenses	<b>1,590,480</b>	<b>613,180</b>

## 27 Income tax expense

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Corporate income tax ("CIT")		
– Current income tax	6,487,988	5,760,833
– Deferred income tax	(1,401,304)	(1,860,022)
	<b>5,086,684</b>	<b>3,900,811</b>
Land appreciation tax ("LAT")	2,068,172	3,524,955
	<b>7,154,856</b>	<b>7,425,766</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 27 Income tax expense *(Continued)*

### (A) CIT

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the six months ended 30 June 2020 based on existing legislations, interpretations and practices.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the six months ended 30 June 2020. Taxation on overseas profits has been calculated on the estimated assessable profit for the six months ended 30 June 2020 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.

In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

### (B) LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges for land use rights and all property development expenditures. LAT is included in the income statement as income tax expense.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 28 Earnings per share

### (A) BASIC

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the period, excluding shares purchased for the Share Award Scheme (note 19(b)).

	Six months ended 30 June	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	10,959,122	10,286,306
Weighted-average number of ordinary shares in issue (thousand)	4,631,211	4,424,005
Adjusted for purchase of shares for share award scheme (thousand)	(91,576)	(81,018)
Weighted-average number of ordinary shares for basic earnings per share (thousand)	4,539,635	4,342,987

### (B) DILUTED

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

	Six months ended 30 June	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	10,959,122	10,286,306
Weighted-average number of ordinary shares in issue (thousand)	4,631,211	4,424,005
Adjusted for purchase of shares for share award scheme (thousand)	(91,576)	(81,018)
Adjusted for share options and awarded shares (thousand)	48,996	56,456
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	4,588,631	4,399,443

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 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 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 29 Commitments

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

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Contracted but not provided for		
– PUDs and completed properties held for sale	<b>141,111,948</b>	123,306,975
– PP&E	<b>8,856,642</b>	7,649,631
– Investment properties	<b>2,119,126</b>	2,140,531
– Right-of-use assets	<b>84,284</b>	7,028
	<b>152,172,000</b>	133,104,165

### (B) EQUITY INVESTMENTS

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Contracted but not provided for	<b>92,507</b>	92,507

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 30 Contingent liabilities

### (A) GUARANTEE ON MORTGAGE FACILITIES

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

	<b>30 June 2020 RMB'000</b>	31 December 2019 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	<b>130,057,051</b>	120,496,713

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which will generally occur within an average period of six months of the properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

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 RMB51.4 billion (31 December 2019: RMB41.78 billion) together with the business partners on pro rata basis.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 31 Business combination

### (A) ACQUISITIONS OF SUBSIDIARIES

During the six months ended 30 June 2020, business combinations mainly included the acquisitions of interest in property development companies and property management companies. The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition dates was not disclosed. The acquired companies' principal activities are property development and investment and property management services.

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

	<b>Total</b> RMB'000
Fair value of total interests acquired	2,061,814
Cash considerations for acquisition of equity interests	2,341,566
Contingent considerations for acquisition of equity interests	423,789
Gains from business combination	616,384
Goodwill from business combination	1,319,925



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 31 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:

	<b>Total</b>
	RMB'000
<b>(1) Fair value of net assets</b>	
<b>Non-current assets</b>	
PP&E	3,062,986
Investment properties	567,479
Intangible assets	250,087
Investments accounted for using the equity method	47,198
Right-of-use assets	726,228
Prepayment	6,733
Deferred tax assets	549,134
<b>Current assets</b>	
PUDs	3,925,875
Inventories	117,288
Restricted cash	3,697
Cash and cash equivalents	103,713
Financial assets at fair value through profit of loss	226,136
Other current assets	788,970
<b>Non-current liabilities</b>	
Borrowings	(288,858)
Other non-current liabilities	(74,582)
<b>Current liabilities</b>	
Borrowings	(10,004)
Other current liabilities	(7,111,717)
<b>Net assets</b>	2,890,363
Less: Non-controlling interests	(828,549)
<b>Fair value of the net assets acquired</b>	2,061,814

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 31 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)

### (2) Cash impact

	<b>Total</b> RMB'000
Consideration settled by cash in current period	(1,873,856)
Cash and cash equivalents in the subsidiaries acquired	103,713
	<hr/>
Net cash impact on business combination	(1,770,143)

(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:

	<b>Total</b> RMB'000
Revenue	144,770
Net gains	7,611
	<hr/>

If the acquisition date for all business combinations that occurred during six months ended 30 June 2020 had been as of the beginning of this interim reporting period, the Group's consolidated revenue and consolidated profit for six months ended 30 June 2020 would have been RMB77,670 million and RMB11,733 million respectively.

## 32 Disposal of subsidiaries

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

	<b>Total</b> RMB'000
Cash considerations received or receivable	39,000
Less: Carrying value of the disposed subsidiary	(33,430)
	<hr/>
Gains on disposals	5,570

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 32 Disposal of subsidiaries (Continued)

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

	<b>Total</b>
	RMB'000
<b>Non-current assets</b>	
PP&E	2,415
Investment properties	40,517
Deferred tax assets	29,409
<b>Current assets</b>	
PUDs	3,734
Completed properties held for sale	46,172
Restricted cash	975
Cash and cash equivalents	9,929
Other current assets	62,382
<b>Non-current liabilities</b>	(2,392)
<b>Current liabilities</b>	(154,912)
<b>Net assets</b>	38,229
Less: Non-controlling interests	(4,799)
<b>Carrying value of the equity owned by the Group</b>	<b>33,430</b>

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

	<b>Total</b>
	RMB'000
Cash consideration received as of 30 June 2020	39,000
Cash of the subsidiaries disposed	(9,929)
<b>Net cash impact</b>	<b>29,071</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 33 Related party transactions

### (A) TRANSACTIONS WITH RELATED PARTIES

In addition to the related party information disclosed elsewhere in the condensed consolidated interim financial information, the Group had the following significant transactions entered into the ordinary course of business between the Group and the related parties:

#### (i) Cash (paid to)/received from related parties

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Cash paid to joint ventures and associates	(64,532,260)	(70,979,127)
Cash received from joint ventures and associates	65,151,673	88,096,825
	619,413	17,117,698

#### (ii) Rendering of services and interest income

Nature of transaction	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Joint ventures:		
– Interest income	1,896,758	1,700,241
– Fitting and decoration services	952,386	733,161
– Property management services	356,530	284,737
Associates		
– Interest income	91,959	194,370
– Fitting and decoration services	63,567	89,842
– Property management services	11,041	–

Property management fee and Fitting and decoration income are charged at rates in accordance with respective contracts.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 33 Related party transactions (Continued)

### (B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Salaries and other short-term benefits	43,945	50,036
Share option scheme	–	11,176
Share award scheme	169,788	142,653
	<b>213,733</b>	<b>203,865</b>

### (C) RELATED PARTIES BALANCES

	30 June 2020 RMB'000	31 December 2019 RMB'000
Amounts due from joint ventures		
– Interest free	29,155,059	25,193,424
– Interest bearing	5,501,734	4,062,567
– Interest receivable	1,075,224	4,285,679
– Trade receivable	1,138,398	701,463
	<b>36,870,415</b>	<b>34,243,133</b>
Less: Loss allowance	(34,589)	(38,519)
	<b>36,835,826</b>	<b>34,204,614</b>
Amounts due from associates		
– Interest free	1,864,331	3,832,612
– Interest bearing	679,369	8,994,240
– Interest receivable	127,846	540,755
– Trade receivable	73,091	27,150
	<b>2,744,637</b>	<b>13,394,757</b>
Less: Loss allowance	(3,930)	(6,740,778)
	<b>2,740,707</b>	<b>6,653,979</b>
Amounts due to joint ventures	53,061,549	55,438,461
Amounts due to associates	4,988,266	3,495,534
	<b>58,049,815</b>	<b>58,933,995</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

## 33 Related party transactions *(Continued)*

### (C) RELATED PARTIES BALANCES *(Continued)*

The amounts due from joint ventures and associates have no fixed repayment date, bearing interest rate at 3.52% to 16% per annum for the six months ended 30 June 2020.

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

## 34 Dividends

No interim dividend for the six months ended 30 June 2020 was proposed by the Board (Six months ended 30 June 2019: Nil).

## 35 Events after the balance sheet date

### (A) ISSUANCE OF SENIOR NOTES

On 9 July 2020, the Company issued US\$1,000 million senior notes, including US\$600 million senior notes due 2023 (the July 2023 Notes) and US\$400 million senior notes due 2025 (the July 2025 Notes) on the Singapore Exchange Securities Trading Limited ("SEST"). The July 2023 Notes bear interest from and including 9 July 2020 at the rate of 6.5% per annum, payable semi-annually in arrears on 9 January and 9 July of each year, commencing on 9 January 2021. The July 2025 Notes bear interest from and including 9 July 2020 at the rate of 7.0% per annum, payable semi-annually in arrears on 9 January and 9 July of each year, commencing on 9 January 2021.

On 3 August 2020, the Company issued US\$500 million senior notes due 2024 on the SEST. The senior notes bear interest from and including 3 August 2020 at the rate of 6.65% per annum, payable semi-annually in arrears on 3 February and 3 August of each year, commencing on 3 February 2021.

### (B) SPIN-OFF AND SEPARATE LISTING OF SUNAC SERVICE HOLDING LIMITED ("SUNAC SERVICE")

The Company proposes to spin-off and separately list the shares of Sunac Services, a subsidiary of the Company, on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of a global offering and distribution in specie of a minor portion of the ordinary shares in the share capital of Sunac Services ("Shares of Sunac Services") to the shareholders of the Company.

On 6 August 2020, Sunac Services submitted a listing application form to the Stock Exchange to apply for the listing of, and permission to deal in, the Shares of Sunac Services on the Main Board of the Stock Exchange. As at the report date, the Company has 100% interests in Sunac Services. It is intended that upon completion of the proposed spin-off and the listing the Company will have an interest of not less than 50% in Sunac Services and Sunac Services will remain as a subsidiary of the Company.



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