SUNAC CHINA HOLDINGS LIMITED
融 創 中 國 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01918)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2017:

- Contract sales amount was approximately RMB108,850.0 million, representing a growth rate of approximately 94.2% compared to the same period last year;
- Revenue was approximately RMB13,332.5 million, representing a growth rate of approximately 25.9% compared to the same period last year;
- Gross profit was approximately RMB2,615.9 million, representing a growth rate of approximately 86.0% compared to the same period last year;
- Profit was approximately RMB1,613.7 million, representing a growth rate of approximately 1,469.7% compared to the same period last year;
- Profit attributable to owners of the Company was approximately RMB1,300.1 million, representing a growth rate of approximately 1,683.4% compared to the same period last year;
- The weighted-average effective interest rate for borrowings was approximately 5.80% per annum, representing a decrease of approximately 0.56 percentage points compared to the same period last year; and
- Cash balance as at 30 June 2017 was approximately RMB92,408.9 million.

INTERIM RESULTS WITH NOTES

The board (the "Board") of directors (the "Directors") of Sunac China Holdings Limited (the "Company" or "Sunac China") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2017 with comparative figures for the corresponding period in 2016, as follows:

Interim Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2017

	Note	**Six months ended 30 June** **2017** ***(Unaudited)*** ***RMB'000***	2016 ***(Unaudited)*** ***RMB'000***
Revenue	3	**13,332,544**	10,586,085
Cost of sales	9	**(10,716,609)**	(9,179,970)
Gross profit		**2,615,935**	1,406,115
Other income and gains	10	**4,512,679**	1,551,361
Selling and marketing costs	9	**(779,424)**	(318,512)
Administrative expenses	9	**(775,364)**	(421,530)
Other expenses and losses	11	**(1,352,140)**	(54,573)
Operating profit		**4,221,686**	2,162,861
Finance income	12	**323,016**	98,507
Finance expenses	12	**(2,139,161)**	(1,578,739)
Share of results of investments accounted for using equity method	4	**(397,157)**	(235,504)
Profit before income tax		**2,008,384**	447,125
Income tax expense	13	**(394,653)**	(344,355)
Profit for the period		**1,613,731**	102,770
Other comprehensive income for the period		**—**	—
Total comprehensive income for the period		**1,613,731**	102,770
Attributable to:			
- Owners of the Company		**1,300,070**	72,935
- Holders of perpetual capital securities		**351,537**	2,361
- Other non-controlling interests		**(37,876)**	27,474
		1,613,731	102,770
Earnings per share attributable to owners of the Company (expressed in RMB per share):	14		
- Basic earnings per share		**0.34**	0.02
- Diluted earnings per share		**0.33**	0.02
Dividend	15	**—**	—

Interim Condensed Consolidated Balance Sheet

As at 30 June 2017

	Note	**30 June 2017** *(Unaudited)* *RMB'000*	31 December 2016 *(Audited)* *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**612,630**	546,526
Investment properties		**616,422**	656,046
Intangible assets		**492,345**	421,353
Investments accounted for using the equity method	4	**65,391,527**	34,552,860
Available-for-sale financial assets		**2,760,000**	160,000
Trade and other receivable	5	**600,000**	—
Prepayments	6	**434,161**	1,657,285
Deferred income tax assets		**1,240,712**	2,385,982
Derivative financial instruments		**92,635**	105,359
Total non-current assets		**72,240,432**	40,485,411
CURRENT ASSETS			
Properties under development		**141,786,000**	106,962,516
Completed properties held for sale		**21,042,619**	23,658,662
Trade and other receivables	5	**14,041,575**	8,416,425
Amounts due from related companies		**76,094,531**	37,919,092
Prepayments	6	**6,255,955**	5,928,319
Restricted cash		**21,748,276**	17,726,623
Cash and cash equivalents		**70,660,636**	52,086,050
Total current assets		**351,629,592**	252,697,687
Total assets		**423,870,024**	293,183,098
EQUITY			
Equity attributable to owners of the Company			
Share capital		**335,358**	331,408
Other reserves		**5,545,581**	6,737,203
Retained earnings		**17,500,931**	16,200,861
		23,381,870	23,269,472
Perpetual capital securities		**9,311,709**	9,957,036
Other non-controlling interests		**1,548,897**	2,184,645
Total equity		**34,242,476**	35,411,153

	Note	**30 June 2017**	31 December 2016
		(Unaudited)	*(Audited)*
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	8	**111,791,054**	80,199,682
Derivative financial instruments		**121,775**	187,776
Deferred income tax liabilities		**9,535,612**	8,790,371
Total non-current liabilities		**121,448,441**	89,177,829
Current liabilities			
Trade and other payables	7	**41,212,219**	41,413,335
Advanced proceeds from customers		**62,283,501**	34,376,367
Amounts due to related companies		**89,987,949**	51,671,111
Current income tax liabilities		**5,189,513**	8,488,966
Borrowings	8	**69,505,925**	32,644,337
Total current liabilities		**268,179,107**	168,594,116
Total liabilities		**389,627,548**	257,771,945
Total equity and liabilities		**423,870,024**	293,183,098

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, and property management services in the People's Republic of China (the "PRC"). The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1- 9005, Cayman Islands.

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

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information had been approved for issue by the board of directors of the Company (the "Board") on 31 August 2017.

2 Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

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

(i) *HKFRS 9 Financial instruments*

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

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensiveincome, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

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

(ii) *HKFRS 15 Revenue from contracts with customers*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018.

Management has identified the following areas that are likely to be affected:

- property sales - the application of HKFRS 15 may result in changes in some property sales' recognition timing from one-off recognition to a period of time, and differences between the consideration of the property received and the corresponding revenue recognised, if there is a long interval between the receipt of the consideration and delivery of the property;

- accounting for costs incurred in fulfilling a contract - certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

(iii) *HKFRS 16 Leases*

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments of RMB51.97 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019.

3 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 property development and investments, property management, Technology, Media & Telecom ("TMT") industry investment of the Group respectively. TMT industry investment is a new area the Group forayed into in year 2017. The performance of such operating segments is assessed based on a measure of profit/(loss) before income tax.

Segment assets primarily consist of all assets excluding deferred income tax assets and available-for-sale financial assets, both of which are managed on a central basis. Segment liabilities primarily consist of all liabilities excluding deferred income tax liabilities and current income tax liabilities.

The analysis of the Group's profit before income tax by segment is as follows:

	Six months ended 30 June 2017			
	Property development and investments *RMB'000*	**Property management** *RMB'000*	**TMT industry investment** *RMB'000*	**Total** *RMB'000*
Total segment revenue	**12,860,986**	**556,703**	**—**	**13,417,689**
Inter-segment revenue	**—**	**(85,145)**	**—**	**(85,145)**
Revenue from external customers	**12,860,986**	**471,558**	**—**	**13,332,544**
Profit/(loss) before income tax	**3,460,633**	**49,874**	**(1,502,123)**	**2,008,384**

	As at 30 June 2017			
	Property development and investment *RMB'000*	**Property management** *RMB'000*	**TMT industry investment** *RMB'000*	**Total** *RMB'000*
Total segment assets	**404,056,818**	**2,273,151**	**13,539,343**	**419,869,312**
Total segment liabilities	**372,419,337**	**2,483,086**	**—**	**374,902,423**

	Six months ended 30 June 2016			
	Property development and investment	Property management	TMT industry investment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	10,330,591	277,518	—	10,608,109
Inter-segment revenue	—	(22,024)	—	(22,024)
Revenue from external customers	10,330,591	255,494	—	10,586,085
Profit/(loss) before income tax	462,596	(15,471)	—	447,125

	As at 31 December 2016			
	Property development and investment	Property management	TMT industry investment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total segment assets	289,000,762	1,796,354	—	290,797,116
Total segment liabilities	238,480,358	2,012,250	—	240,492,608

4 Investments accounted for using the equity method

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

	As at	
	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Joint ventures	**32,226,472**	24,679,369
Associates	**33,165,055**	9,873,491
	65,391,527	34,552,860

The amounts of the shares of the results from investment recognised in the profit/(loss) using the equity method were as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Share of losses of joint ventures	**(221,910)**	(305,558)
Share of (losses)/profits of associates	**(175,247)**	70,054
	(397,157)	(235,504)

4.1 Investments in joint ventures

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
At beginning of period	**24,679,369**	10,691,975
Additions:		
- Capital contributions to joint ventures at establishment	**1,226,790**	682,500
- Acquisition of joint ventures	**7,088,070**	1,693,430
- Additional investments in existing joint ventures	**911,936**	589,008
- A subsidiary becoming a joint venture	**21,280**	40,901
- Additions on business combinations	**—**	37,758
Disposals:		
- Disposal of investments in joint ventures	**—**	(49,870)
- Joint ventures becoming subsidiaries	**(1,132,211)**	(28,417)
- A joint venture becoming an associate	**(56,890)**	—
Share of losses of joint ventures, net	**(221,910)**	(305,558)
Share of capital premium addition of a joint venture	**73,715**	—
Dividends from joint ventures	**(363,677)**	(261,403)
At end of period	**32,226,472**	13,090,324

4.2 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 shares of results of these associates.

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
At beginning of period	**9,873,491**	4,568,606
Additions:		
- Acquisitions of associates	**17,690,262**	—
- Additional investments in an existing associate	**1,180,156**	—
- A subsidiary becoming an associate	**5,655,370**	—
- A joint venture becoming an associate	**56,890**	—
Disposals:		
- Associates becoming subsidiaries	**(5,642)**	—
Provision for investment in associates	**(1,110,225)**	—
Share of (losses)/profits of associates, net	**(175,247)**	70,054
At end of period	**33,165,055**	4,638,660

5 Trade and other receivables

	As at	
	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Non-current -		
Payment on behalf of a customer	**600,000**	—
Current -		
Trade receivables (Note (a))	**789,812**	819,863
Amounts due from non-controlling interests and their related parties	**5,223,884**	2,304,966
Amounts due from a business partner in a joint arrangement	**699,690**	678,264
Uncollected consideration for disposal of a subsidiary	**242,330**	—
Other receivables		
- Deposits	**1,394,409**	1,575,852
- Payments on behalf of customers	**234,549**	191,331
- Interests receivable	**420,833**	159,494
- Cash advances for potential projects	**4,149,591**	1,806,178
- Land costs receivable from government	**308,162**	347,468
- Others	**660,189**	614,883
	14,123,449	8,498,299
Less: Bad debt provision for other receivables	**(81,874)**	(81,874)
	14,041,575	8,416,425

As at 30 June 2017 and 31 December 2016, 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.

(a) In the six months ended 30 June 2017, the Group provided a credit period of 3-12 months to certain customers based on individual credit risk assessment.

Taking into account of the credit terms agreed in the property sale contract, the ageing analysis of trade receivables primarily arising from sales of properties is as follows:

	As at	
	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Within 90 days	**285,846**	293,554
91 - 180 days	**15,167**	60,206
181 - 365 days	**92,615**	64,658
Over 365 days	**396,184**	401,445
	789,812	819,863

As the Group normally holds collateral of the properties before collection of full contract amount and transfer of the legal titles to the customers, the Directors are of the view that the past due trade receivables would be recovered and no provision was made as at 30 June 2017 (31 December 2016: Nil).

6 Prepayments

	As at	
	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Non-current -		
Prepayments for equity investments	**434,161**	1,657,285
Current -		
Taxes payment upon pre-sale		
- Land appreciation tax ("LAT")	**2,289,992**	1,710,963
- Corporate income tax ("CIT")	**1,305,030**	1,116,130
- Business tax and surcharge	**537,438**	484,691
Input value added tax	**378,041**	378,313
Prepayments for land use rights acquisitions	**1,461,420**	2,106,690
Prepayments for project development costs	**260,234**	131,532
Others	**23,800**	—
	6,255,955	5,928,319

As at 30 June 2017 and 31 December 2016, the carrying amounts of the Group's prepayments were all denominated in RMB.

7 Trade and other payables

	As at	
	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Trade payables (Note (a))	**10,597,036**	12,590,923
Un-paid considerations for equity acquisitions	**19,136,196**	19,325,176
Amounts due to non-controlling interests	**2,814,516**	2,804,140
Cash advanced from business partners	**1,092,890**	259,555
Dividends payable	**999,669**	—
Notes payable	**305,023**	120,381
Interests payable	**1,003,865**	1,115,493
Advanced deed tax from customers	**360,176**	345,592
Other taxes payable	**1,206,226**	1,213,390
Payroll and welfare payables	**119,637**	588,663
Deposits received	**3,168,871**	2,255,248
Others	**408,114**	794,774
	41,212,219	41,413,335

(a) The ageing analysis of the Group's trade payables is as follows:

	As at	
	30 June	31 December
	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**4,380,946**	6,294,239
91-180 days	**1,000,792**	820,408
181-365 days	**1,531,820**	1,668,365
Over 365 days	**3,683,478**	3,807,911
	10,597,036	12,590,923

8 Borrowings

	As at	
	30 June	31 December
	2017	2016
	RMB'000	*RMB'000*
Non-current		
Secured,		
- Banks borrowings	**54,277,260**	31,178,520
- Other borrowings	**65,849,357**	35,732,344
- Senior notes	**2,696,205**	2,758,441
- Asset-backed securities	**3,175,258**	3,171,847
	125,998,080	72,841,152
Unsecured,		
- Bank borrowings	**—**	76,000
- Other borrowings	**5,651,501**	3,611,230
- Corporate bonds	**9,931,979**	9,921,436
- Private domestic corporate bonds	**14,854,658**	14,816,878
	156,436,218	101,266,696
Less: Current portion of long-term borrowings (Note (a))	**(44,645,164)**	(21,067,014)
	111,791,054	80,199,682
Current		
Secured,		
- Banks borrowings	**7,819,235**	6,679,423
- Other borrowings	**16,111,480**	4,741,200
- Asset-backed securities	**130,046**	110,700
	24,060,761	11,531,323
Unsecured,		
- Other borrowings	**800,000**	46,000
	24,860,761	11,577,323
Current portion of long-term borrowings (Note (a))	**44,645,164**	21,067,014
	69,505,925	32,644,337
Total borrowings	**181,296,979**	112,844,019

(a) As at 30 June 2017, included in long-term borrowing, RMB52,599 million (31 December 2016: RMB35,608 million) of borrowings for property development projects will be due for repayment upon an aggregated 20% - 80% pre-sale status in term of gross floor area of the respective projects were achieved. Based on the management's sales forecast, RMB7,205 million (31 December 2016: RMB10,280 million) of borrowings will be due for repayment in the twelve months ending 30 June 2018 and are included in current liabilities.

9 Expenses by nature

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Costs of completed properties sold	**10,114,893**	8,399,468
Business tax and related surcharges	**167,684**	489,503
Staff costs	**751,404**	305,237
Impairment provision for properties	**106,868**	71,602
(Reversal of)/provision for impairment of receivables	**(157,212)**	30,004
Advertisement and promotion costs	**383,563**	148,513
Depreciation and amortisation	**28,434**	16,213

10 Other income and gains

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Gains from business combination	**3,743,588**	560,379
Interest income	**696,035**	421,642
Fair value gains on derivative financial instruments	**66,001**	—
Gains from investments in joint ventures	**—**	460,758
Gain on disposal of a subsidiary	**—**	11,536
Gain on disposal of joint ventures and associates	**—**	22,705
Others	**7,055**	74,341
	4,512,679	1,551,361

11 Other expenses and losses

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Provision for investment in associates	**1,110,225**	—
Loss on disposal of a subsidiary	**134,696**	—
Fair value loss on derivative financial instruments	**43,853**	30,253
Loss on acquisition of a new subsidiary	**646**	—
Others	**62,720**	24,320
	1,352,140	54,573

12 Finance income and expenses

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Interest expenses	**4,172,518**	1,645,474
Other finance costs	**—**	224,073
Less: Capitalised finance costs	**(2,099,224)**	(666,843)
	2,073,294	1,202,704
Exchange loss	**65,867**	376,035
	2,139,161	1,578,739
Finance income:		
- Interest income on bank deposits	**(323,016)**	(98,507)
Net finance expenses	**1,816,145**	1,480,232

13 Income tax expenses

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
CIT		
- Current income tax	**339,465**	520,973
- Deferred income tax	**(626,598)**	(273,679)
	(287,133)	247,294
LAT	**681,786**	97,061
	394,653	344,355

(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 2017 based on existing legislations, interpretations and practices.

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries or regions in which the group operates.

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

Income tax expense is recognised based on management's estimate of the weighted-average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2017 was 25% (2016: 25%).

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

(b) 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.

14 Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the parent company (RMB'000)	**1,300,070**	72,935
Weighted-average number of ordinary shares in issue (thousand)	**3,876,742**	3,399,661

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the parent company (RMB'000)	**1,300,070**	72,935
Weighted-average number of ordinary shares in issue (thousand)	**3,876,742**	3,399,661
Adjusted for share options (thousand)	**63,260**	24,775
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	**3,940,002**	3,424,436

15 Dividends

No interim dividend for the six months ended 30 June 2017 was proposed by the Board (Six months ended 30 June 2016: Nil).

16 Events after the balance sheet date

(a) On 19 July 2017, Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate")and Dalian Wanda Commercial Properties Co., Ltd. ("Wanda Commercial") entered into an agreement, pursuant to which Sunac Real Estate agreed to acquire, and Wanda Commercial agreed to dispose of, 91% equity interest of the 13 cultural and tourism project companies ("Target Project Companies") in the PRC at the total consideration of RMB43,844 million. After completion of the acquisition, the Target Project Companies will become 91% indirectly owned subsidiaries of the Company.

(b) On 24 July 2017, the Company entered into a placing and subscription agreement with Sunac International Investment Holdings Ltd. ("Sunac International"), pursuant to which, the placing agents agreed to place, on a fully underwritten basis, 220 million placing shares at a price of HK$18.33 per share on behalf of Sunac International. Sunac International conditionally agreed to subscribe for 220 million subscription shares at the placing price of HK$18.33 per share. The total proceeds from the subscription is HK$4,032.6 million (equivalent to approximately US$516.4 million).

(c) On 2 August 2017, the Company issued senior notes with principal amount of US$1 billion ("Senior notes") in total, which were listed on the Singapore Exchange Securities Trading Limited. The US$400 million senior notes due 2020 (the 2020 Notes) and the US$600 million senior notes due 2022 (the 2022 Notes) will bear interest from and including 8 August 2017 at the rate of 6.875% and 7.950% per annum, respectively, payable semi-annually in arrears on 8 February and 8 August of each year, commencing from 8 February 2018, and with early redemption options in certain circumstances.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue

For the six months ended 30 June 2017, most of the Group's revenue came from sales of residential and commercial properties, with a small proportion of the Group's revenue from property management services.

For the six months ended 30 June 2017, the Group's real estate development business included all tier 1, surrounding cities of tier 1 cities and core cities in the PRC. They were divided into 8 major regions for management, namely the Beijing region (including cities of Beijing, Jinan, Qingdao and Taiyuan, etc.), North China region (including cities of Tianjin, Xi'an and Zhengzhou, etc.), Shanghai region (including cities of Shanghai, Suzhou, Nanjing and Wuxi, etc.), Southwestern China region (including cities of Chongqing, Chengdu, Nanning and Kunming, etc.), Southeastern China region (including cities of Hangzhou, Hefei, Ningbo and Xiamen, etc.), Guangzhou-Shenzhen region (including cities of Shenzhen, Guangzhou, Foshan, Dongguan and Huizhou, etc.) Central China region (including cities of Wuhan, Changsha and Nanchang, etc.) and Hainan region (including cities of Sanya, Wanning and Qionghai).

Total revenue of the Group for the six months ended 30 June 2017 amounted to approximately RMB13,332.5 million, representing an increase of approximately 25.9% comparing with the total revenue of approximately RMB10,586.1 million for the six months ended 30 June 2016.

For the six months ended 30 June 2017, the total revenue from subsidiaries, joint ventures and associates of the Group was RMB33,904.0 million, representing a significant increase of RMB13,940.5 million (approximately 69.8%) comparing with the total revenue of approximately RMB19,963.5 million for the six months ended 30 June 2016, of which approximately RMB24,192.4 million was attributable to owners of the Company, representing a significant increase of RMB8,967.8 million (approximately 58.9%) as compared to RMB15,224.6 million for the six months ended 30 June 2016.

The following table sets forth certain details of the revenue:

	Six months ended 30 June			
	2017		2016	
	RMB'000	%	*RMB'000*	%
Revenue from sales of properties	12,860,986	96.46	10,330,591	97.59
Property management service income and others	471,558	3.54	255,494	2.41
Total	13,332,544	100.00	10,586,085	100.00
Total gross floor area ("GFA") delivered (sq.m.)	885,823		629,364	
Average selling prices sold (RMB per sq.m.)	14,519		16,414	

For the six months ended 30 June 2017, revenue from sales of properties increased by approximately RMB2,530.4 million (or 24.5%) as compared with the amount for the six months ended 30 June 2016. Total area of properties delivered for the six months ended 30 June 2017 increased by 256,459 square meters (or 40.7%), mainly due to the fact that for the six months ended 30 June 2017, the delivered areas of properties in Qingdao and Chongqing increased substantially as compared to those delivered for the six months ended 30 June 2016. The average unit price of sold properties decreased from RMB16,414 per square meter for the six months ended 30 June 2016 to RMB14,519 per square meter for the six months ended 30 June 2017. This was mainly because as compared to the six months ended 30 June 2016, increased delivery of properties for the six months ended 30 June 2017 was mainly derived from property products sold at lower average unit price (mainly in Qingdao and Chongqing).

Cost of sales

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

For the six months ended 30 June 2017, the Group's cost of goods sold was RMB10,716.6 million, increased by RMB1,536.6 million (or 16.7%) as compared to the cost of goods sold of RMB9,180.0 million for the six months ended 30 June 2016. Increase in cost of goods sold was mainly due to increase in area of delivered properties.

Gross profit

For the six months ended 30 June 2017, the Group's gross profit was RMB2,615.9 million, which was RMB1,209.8 million higher than the gross profit of RMB1,406.1 million for the six months ended 30 June 2016. Increase in gross profit was mainly due to increased sales revenue and higher gross profit margin of the Group.

For the six months ended 30 June 2017, the Group's gross profit margin was 19.6%, representing a substantial increase of approximately 6 percentage points as compared to 13.3% for the six months ended 30 June 2016. This was mainly due to increase in higher gross profit margin of sales income from properties in Shanghai and Hangzhou for the six months ended 30 June 2017 as compared with the six months ended 30 June 2016.

Besides, for the six months ended 30 June 2017, total gross profit of the Group's subsidiaries, joint ventures and associated companies was RMB5,900.7 million, of which RMB4,402.2 million was attributable to owners of the Company. For the six months ended 30 June 2016, total gross profit of the Group's subsidiaries, joint ventures and associated companies was only RMB2,465.0 million, of which RMB1,967.3 million was attributable to owners of the Company.

Selling and marketing costs and administrative expenses

The Group's sales and marketing costs increased by 144.7% from RMB318.5 million for the six months ended 30 June 2016 to RMB779.4 million for the six months ended 30 June 2017. The Group's administrative expenses increased by 84.0% from RMB421.5 million for the six months ended 30 June 2016 to RMB775.4 million for the six months ended 30 June 2017. Such increases were mainly due to increase in selling and marketing costs and administrative expense as a result of substantial increase in the number of properties and business scale of the Group for the six months ended 30 June 2017 comparing to the six months ended 30 June 2016 after the Group has completed the layout in all tier 1, surrounding cities of tier 1 cities and core cities in China in the year ended 31 December 2016.

Other income and gains

The Group's other income and gains increased by RMB2,961.3 million from RMB1,551.4 million for the six months ended 30 June 2016 to RMB4,512.7 million for the six months ended 30 June 2017 mainly due to the following reasons:

(i) The Group's gains from business combination and acquisition of equity interest of its joint ventures increased by RMB2,722.5 million; and

(ii) Interest income from the Group's joint ventures and associates increased by RMB209.3 million.

Other expenses and losses

The Group's other expenses and losses increased by RMB1,297.5 million from RMB54.6 million for the six months ended 30 June 2016 to RMB1,352.1 million for the six months ended 30 June 2017.

During the six month period ended 30 June 2017, Leshi Internet Information and Technology Corp. ("Leshi Internet") and Leshi Zhixin Electronic Technology (Tianjin) Limited ("Leshi Zhixin"), which the Group had invested into, were adversely affected by external unfavorable situation, and their operation was disturbed to certain extent. Taking a prudent approach, the Group made an impairment provision amounted to RMB1,110.2 million for its investment in Leshi Internet and Leshi Zhixin.

Although the business of Leshi Internet and Leshi Zhixin, which the Group invested into, will underperform in short run, the Group still has conviction of their long-term value. Moreover, the Group has put forward a series of measures in relation to various aspects such as corporate governance, management structure, financial facilities, operation, etc. to alleviate the external unfavorable situation so as to safeguard and promote the unlock of the long-term investment value of Leshi Internet and Leshi Zhixin.

Operating profit

Concluding from the above analysis, the Group's operating profit increased substantially by RMB2,058.8 million from RMB2,162.9 million for the six months ended 30 June 2016 to RMB4,221.7 million for the six months ended 30 June 2017, mainly due to the following reasons:

(i) Gross profit increased by RMB1,209.8 million;

(ii) Other income and gains increased by RMB2,961.3 million; other expenses and losses increased by RMB1,297.5 million; and

(iii) Operating expenses increased by RMB814.7 million.

Finance costs

The Group's finance costs increased by RMB560.5 million from RMB1,578.7 million for the six months ended 30 June 2016 to RMB2,139.2 million for the six months ended 30 June 2017 mainly due to the following reasons:

(i) As the scale of financing increased resulting in increased total interest costs, interest expenses increased by RMB870.6 million to RMB 2,073.3 million for the six months ended 30 June 2017 from RMB1,202.7 million for the six months ended 30 June 2016; and

(ii) As exchange rate fluctuation became gentle, exchange loss decreased to RMB65.9 million for the six months ended 30 June 2017 from RMB376.0 million for the six months ended 30 June 2016.

The Group's weighted average actual interest rate decreased from 6.36% for the six months ended 30 June 2016 to 5.8% for the six months ended 30 June 2017. This was because the Group achieved continuous optimization of debt structure and continuous fall of weighted actual interest rate through diversified financing channels, control of re-financing costs, replacement of existing high cost loans.

Share of results of investments accounted for using equity method

Share of results of investments accounted for using equity method recognized by the Group decreased from loss of RMB235.5 million for the six months ended 30 June 2016 to loss of RMB397.2 million for the six months ended 30 June 2017. The decrease was mainly due to the fact that the Group's investment in Leshi Internet and Leshi Zhixin was accounted for using equity method resulting in loss of RMB391.9 million for the six months ended 30 June 2017.

Profits

Due to increased gross profit and increased gains from business combination, the Group's profits attributable to owners of the Company increased substantially from RMB72.9 million for the six months ended 30 June 2016 to RMB1,300.1 million for the six months ended 30 June 2017.

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

	Six months ended 30 June	
	2017	**2016**
	RMB'000	*RMB'000*
Profits during the period	1,613,731	102,770
Attributable to:		
— Owners of the Company	1,300,070	72,935
— Holders of perpetual capital securities	351,537	2,361
— Other non-controlling interests	(37,876)	27,474
	1,613,731	102,770

Excluding the impact of net exchange loss, the Group's core profit attributable to owners of the Company amounted to RMB1,365.9 million for the six months ended 30 June 2017, representing a substantial increase of 204.2% as compared with RMB449.0 million for the six months ended 30 June 2016.

Cash status

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

The Group's cash and cash equivalents (including restricted cash) increased by 32.4% to RMB92,408.9 million as at 30 June 2017 from RMB69,812.7 million as at 31 December 2016, of which non-restricted cash increased to RMB70,660.6 million as at 30 June 2017 from RMB52,086.1 million as at 31 December 2016.

Non-restricted cash increased due to the following main reasons:

(i) RMB26,211.1 million of net cash inflow from operating activities was due to increased revenue from pre-sale of the Group's properties;

(ii) RMB64,780.9 million of net cash outflow used in investment activities was mainly caused by the new projects obtained by the Group through direct investments or acquisition of equities; and

(iii) RMB57,213.6 million of net cash inflow from financing activities was mainly attributed to RMB65,873.7 million of net borrowings inflow (including conversion between non-restricted cash and restricted cash due to borrowings).

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

Borrowings and securities

Due to the requirement for continuous business expansion of the Group, total borrowing increased by RMB68,453.0 million to RMB181,297.0 million as at 30 June 2017 from RMB112,844.0 million as at 31 December 2016.

As at 30 June 2017, in accordance with the terms of debt covenants, RMB15,756.7 million, RMB55,335.5 million, RMB46,011.4 million, RMB33,847.6 million and RMB30,345.8 million of the Group's total borrowing amount will be expired in the six months ending 31 December 2017, the year ending 31 December 2018, the year ending 31 December 2019, the year ending 31 December 2020, the year ending 31 December 2021 and thereafter.

As at 30 June 2017, RMB150,058.8 million (as at 31 December 2016: RMB84,372.5 million) of the Group's total borrowing amount were secured or jointly secured by the Group's properties under development, completed properties held for sale (total amount was RMB80,862.0 million (as at 31 December 2016: RMB82,180.0 million)) and equities (including those legally transferred as collateral) of certain of the Group's subsidiaries.

Interest rate risks

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

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

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

	As at 30 June 2017	**As at 31 December 2016**
	RMB Million	*RMB Million*
Floating interests		
Less than 12 months	18,719	12,954
1-5 years	34,415	14,076
Over 5 years	15	19
Subtotal	53,149	27,049
Fixed interests		
Less than 12 months	50,554	19,690
1-5 years	69,689	53,113
Over 5 years	7,905	12,992
Subtotal	128,148	85,795
Total	181,297	112,844

As at 30 June 2017, the Group did not use any interest rate swaps to hedge its exposure to interest rate risk. The Group monitors its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

Foreign exchange risks

As all the Group's operating entities located in China, the Group operates its business mainly in Renminbi. Some of the Group's bank deposits and senior notes are denominated in US dollar, Euro or Hong Kong dollars means that the Group is exposed to foreign exchange risks. For the six months ended 30 June 2017, the Group recorded only net exchange loss in the amount of RMB65.9 million as exchange rate fluctuation became gentle. As such, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. The Group will continue to closely track and manage its exposure to the fluctuation in foreign exchange rates.

Contingent liabilities

The Group provides guarantees to banks for the mortgage loans obtained by certain property buyers to ensure that the buyers perform their obligations of mortgage loan repayment. The amount was RMB23,221.5 million as at 30 June 2017 as compared with RMB11,379.4 million as at 31 December 2016. The guarantees shall terminate at the earliest occurrence of either of the following: (i) transfer of property ownership certificate to the buyer. Such certificate is generally transferred within 6 months from the date of property delivery; or (ii) full repayment of mortgage loan by the property buyer. The period of guarantee provided by the Group starts from the date when the mortgage is granted.

BUSINESS REVIEW AND OUTLOOK

Business Highlights

As at 30 June 2017, the Group was engaging in a total of 294 property development projects across 62 cities, with a total site area of approximately 45.70 million square meters, an estimated total GFA of approximately 124.06 million square meters and an estimated saleable or rentable GFA of approximately 108.01 million square meters. The table below sets forth the breakdown by regions and cities:

Region	City	Total site area (sq.m.)	Estimated aggregate GFA (sq.m.)	Estimated saleable/ rentable GFA (sq.m.)
Beijing region	Beijing	1,611,157	2,805,716	2,148,161
	Ji'nan	1,194,817	4,312,170	4,276,457
	Qingdao	2,469,360	4,696,573	4,482,396
	Taiyuan	213,997	1,048,912	795,235
	Shijiazhuang	318,216	1,174,094	1,037,509
	Yantai	279,152	793,153	790,740
	Zhangjiakou	54,917	171,133	130,440
	Langfang	393,473	1,193,601	882,668
	Chengde	121,125	392,964	351,548
	Subtotal	**6,656,214**	**16,588,316**	**14,895,154**
North China region	Tianjin	5,886,143	13,015,018	12,391,520
	Xi'an	1,250,261	5,501,170	5,073,191
	Zhengzhou	674,822	2,458,500	1,868,430
	Shenyang	380,056	1,672,027	1,558,456
	Dalian	546,558	1,817,923	1,763,850
	Daqing	222,002	512,192	494,508
	Subtotal	**8,959,842**	**24,976,830**	**23,149,955**

Region	City	Total site area (sq.m.)	Estimated aggregate GFA (sq.m.)	Estimated saleable/ rentable GFA (sq.m.)
Shanghai region	Shanghai	1,714,988	4,747,563	4,038,329
	Suzhou	1,044,040	2,428,145	1,817,469
	Nanjing	538,993	1,000,075	838,965
	Wuxi	2,972,654	7,013,512	6,327,309
	Changzhou	449,134	1,212,002	1,068,037
	Nantong	428,907	675,011	535,413
	Yangzhou	139,319	448,706	415,052
	Xuzhou	534,372	1,013,067	927,923
	Yancheng	29,430	83,511	76,669
	Taizhou	61,166	139,958	121,028
	Wuhu	118,796	292,062	245,025
	Ma’anshan	30,334	65,447	65,447
	Subtotal	**8,062,133**	**19,119,059**	**16,476,666**
Southwestern China region	Chongqing	6,804,995	17,494,082	13,011,079
	Chengdu	1,333,607	5,267,266	4,748,980
	Nanning	309,417	1,761,342	1,722,522
	Kunming	533,307	2,623,531	2,400,147
	Guiyang	294,027	1,182,399	1,171,088
	Liuzhou	34,818	114,478	109,990
	Subtotal	**9,310,171**	**28,443,098**	**23,163,806**
Southeastern China region	Hangzhou	1,924,612	6,009,330	4,275,440
	Hefei	635,426	2,806,111	2,463,076
	Ningbo	364,364	906,386	638,030
	Xiamen	32,537	134,001	94,156
	Huzhou	376,691	682,081	548,053
	Shaoxing	199,990	448,914	308,744
	Putian	45,227	152,678	110,736
	Quanzhou	38,553	79,241	45,571
	Jiaxing	119,575	334,451	234,050
	Zhoushan	135,704	457,573	348,064
	Taizhou	61,259	189,259	100,593
	Subtotal	**3,933,938**	**12,200,025**	**9,166,513**

Region	City	Total site area (sq.m.)	Estimated aggregate GFA (sq.m.)	Estimated saleable/ rentable GFA (sq.m.)
Guangzhou-Shenzhen region	Shenzhen	17,728	140,598	63,188
	Guangzhou	356,283	1,469,661	1,420,243
	Foshan	412,476	2,098,179	2,007,872
	Dongguan	125,150	380,650	374,451
	Huizhou	332,664	808,449	711,744
	Zhongshan	179,878	989,340	985,373
	Zhuhai	18,108	127,791	91,370
	Qingyuan	162,037	490,884	490,884
	Jiangmen	770,418	2,044,169	2,044,169
	Zhaoqing	194,261	1,478,377	1,403,435
	Subtotal	**2,569,003**	**10,028,098**	**9,592,729**
Central China region	Wuhan	1,138,179	5,522,686	5,193,080
	Changsha	739,016	2,033,648	1,843,512
	Jingdezhen	148,817	310,206	295,405
	Nanchang	46,841	158,529	136,333
	Subtotal	**2,072,853**	**8,025,069**	**7,468,330**
Hainan region	Wanning	383,004	554,041	472,445
	Qionghai	1,647,500	1,710,389	1,602,635
	Haikou	1,357,539	1,886,094	1,726,522
	Sanya	748,745	531,890	300,017
	Subtotal	**4,136,788**	**4,682,414**	**4,101,619**
	Total	**45,700,942**	**124,062,909**	**108,014,772**

Review for the first half of 2017

In the first half of 2017, the government adhered to the overall basic working philosophy of making progress while maintaining stability, through implementing supply side structural reforms, effective progress has been made in various tasks, and the development of the overall economy has maintained a stable to upward trend. The direction of the real estate austerity policy in the first half of the year was consistent with the previous prediction of the Company. On the basis of insisting on the residential nature of housing, imposing austerity measures by categories, and implementing policies according to conditions of different cities, the austerity policy was further enhanced and financing was tightened continuously. A series of "integrated punches" of austerity policies had effectively suppressed the excessive rising trend of housing prices, and the housing prices in some hotspot cities began to decline, trading volume of the overall market remained stable, and the policy results were remarkable. Targeting at the overheated land market, the government strengthened the austerity efforts, the "double bidding and double restriction" model was adopted for some land transfer transactions, price bidding for land was conducted on the basis of restricting unit type and housing prices, and restricting the ratio for self-retention or affordable housing, the overheated land market was further suppressed.

During the first half of 2017, the Company has achieved sound growth in its overall operations, revenue amounted to approximately RMB13.33 billion, representing an increase of approximately 25.9% year-on-year. Gross profit margin also recovered remarkably and increased significantly to 19.6% from 13.3% for the corresponding period in 2016; gross profit was approximately RMB2.62 billion, representing an increase of approximately 86.0% year-on-year. Profit attributable to owners of the Company reached approximately RMB1.30 billion, representing a growth of as high as 1,683.4% year-on-year.

During the first half of 2017, the Company increased sales efforts and was determined to eliminate inventories through sales, the realized amount of contracted sales reached approximately RMB108,850 million, representing an increase of approximately 94.2% year-on-year, and further reinforced the Company's No.7 ranking in the industry. The attributable amount of contracted sales also reached approximately RMB75,030 million, representing an increase of approximately 107.0% year-on-year.

During the first half of 2017, although the government has been increasing austerity efforts, the heat in open land market has not cooled down. Out of prudent consideration, the Company has significantly reduced acquiring land from the open land market, while leveraging on its own advantages to acquire quality land projects prudently at very reasonable costs through M&A transactions. The Company has acquired in aggregate a land bank of 30.23 million sq.m. during the first half of the year. As at 30 June 2017, the Company had a total land bank of approximately 99.51 million sq.m. and attributable land bank of approximately 68.42 million sq.m., of which approximately 96% were located in tier 1 and tier 2 cities and surrounding cities of tier 1 cities, the sufficient high quality land bank will forcefully support quick turnover operations and future stable development of the Company.

	As at 30 June 2017			
Region	**Total Land Bank (sq.m.)**	**Proportion**	**Attributable Land Bank (sq.m.)**	**Proportion**
Beijing region	14,194,340	14.3%	9,445,057	13.8%
North China region	22,285,071	22.4%	13,538,227	19.8%
Shanghai region	13,502,414	13.5%	9,167,314	13.4%
Southwestern China region	19,075,364	19.2%	12,935,371	18.9%
Southeastern China region	9,643,937	9.7%	6,969,661	10.2%
Guangzhou-Shenzhen region	9,852,304	9.9%	8,090,515	11.8%
Central China region	6,564,867	6.6%	5,679,930	8.3%
Hainan region	4,395,146	4.4%	2,593,709	3.8%
Total	**99,513,443**	**100.0%**	**68,419,784**	**100.0%**

Note: As at 25 August 2017, the Company had a land bank of 101.04 million sq.m. and attributable land bank of 69.44 million sq.m. (excluding the 13 Wanda cultural and tourism projects).

Since 2016, the Company has captured opportunities to acquire a large quantity of quality projects that mostly commenced construction during the first half of the year, project loans increased accordingly. Meanwhile, the Company has also acquired some quality land bank at very suitable costs through M&A transactions during the first half of the year. Further, an early layout plan has been implemented to ensure long-term sound development and persistent profit increase by making strategic investments in companies, such as Leshi and Homelink, that have competitive advantages in other industries with growth potential, and has resulted in an increase in expenditure and led to an increase in the net gearing ratio of the Company during the interim period (the Company has supplemented capital funds through the placement of new shares in July that has caused a reduction in the net gearing ratio to a certain extent). Although the net gearing ratio will increase in the short-run, the Company has highly sufficient liquidity. As of 30 June 2017, the carrying amount of cash reached approximately RMB92.4 billion, the rigid interest-bearing liabilities due in the second half of the year will be only approximately RMB15.8 billion, and the Company's inventories available for sale during the second half of 2017 are highly sufficient, which will support a significant growth of sales and contribute a large quantity of cash receipts for the Company, ensuring the sufficiency of liquidity while supporting a further reduction in the level of net gearing ratio.

Outlook for the second half of 2017

The Company predicts that the real estate austerity policy of the government will continue in the second half of the year, particularly the policy on loans for housing purchasers and developers will continue to tighten in order to further highlight the austerity results, which will be more remarkable in cities with excessive increase in housing prices and continuous increase in supply, the Company still maintains a cautious attitude for the real estate market in the second half of the year. In the second half of the year, the Company will continue to adhere to the operation strategy implemented during the first half of the year: on one hand, it will insist on increasing sales turnover and enhancing the speed to eliminate inventories in order to generate quick return of funds; while on the other hand, it will follow more prudent land acquisition principles in the face of an overheated land market.

In the second half of 2017, the Company is expected to market and sell more than 90 brand new projects, the anticipated value of the units will exceed RMB160 billion, together with unsold inventories brought down from the first half of the year and newly marketed inventories of old projects, it is anticipated that the Company will have more than 260 projects on sale in the second half of the year, the total inventories available for sale will exceed RMB380 billion in the second half of 2017. Reasonable land cost has enabled the Company to have more room in responding to the national austerity policy of the industry, it will be more determined on sales and will accelerate turnover in order to attain better sales performance.

The Company has captured the opportunities in the land market during 2015 and 2016 to complete the nationwide land bank layout plan in tier 1 cities, surrounding cities of tier 1 cities and core cities and has acquired sufficient land bank, and has entered into cooperation with Wanda in July this year in respect of 91% equity interest in 13 cultural and tourism projects, further supplementing the land bank of the Company. The ample high quality land bank will be sufficient to support the Company to maintain stable and sound growth in the next few years, so that the Company can be more relaxed facing the recent persistent heat in the land market, more cautious attitude will be adopted by slowing down the acquisitions of land in the second half of the year.

The Company possesses long-term competitive advantages at present, including sufficient high quality land bank, strong product competitiveness and brand influence, efficient turnover and inventory elimination capability, and well-established management team and system capabilities. In future, the Company will focus more attention on turning competitive advantages of the Company into excellent results performance: on one hand, accelerate the release of sales results in line with the size of land bank and gradually achieve profit performance in line with the scale of sales; on the other hand, more prudent growth policy for land bank will be adopted, with increasing sales volume and persistent rising profit, the net gearing ratio of the Company will continue declining, and will support more balanced, stable and sound development of the Company in the future.

OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the guidelines for the Directors' dealings in the securities of the Company. Following specific enquiries of all the Directors, each of them confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2017 in relation to their securities dealings, if any.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance and had, throughout the six months ended 30 June 2017, complied with all applicable code provisions under the Corporate Governance Code.

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

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and Code Provision C.3 of the Corporate Governance Code. The Audit Committee currently consists of five independent non-executive Directors, namely, Mr. Poon Chiu Kwok, Mr. Zhu Jia, Mr. Li Qin, Mr. Ma Lishan and Mr. Tse Chi Wai, and is chaired by Mr. Poon Chiu Kwok who is a 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 and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters related to auditing, internal control and risk management systems and financial reporting matters, including the review of the unaudited interim results of the Group for the six months ended 30 June 2017.

The unaudited interim results for the six months ended 30 June 2017 have been reviewed by the independent auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.sunac.com.cn). The Company's interim report for the six months ended 30 June 2017 will be despatched to shareholders of the Company and published on the aforementioned websites in due course.

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

Hong Kong, 31 August 2017

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