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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

RESULTS HIGHLIGHTS

For the year ended 31 December 2018:

- Contracted sales amount of the Group and its joint ventures and associates was approximately RMB460.83 billion, representing a growth rate of approximately 27.3% as compared to last year;
- Revenue of the Group was approximately RMB124.75 billion, representing a growth rate of approximately 89.4% as compared to last year;
- Gross profit of the Group was approximately RMB31.14 billion, representing a growth rate of approximately 128.5% as compared to last year;
- Gross profit margin of the Group was approximately 25.0%, representing an increase of approximately 4.3 percentage points as compared to last year;
- Profit attributable to owners of the Company was approximately RMB16.57 billion, representing a growth rate of approximately 50.6% as compared to last year;
- Excluding the effect of gains from business combination and its amortisation, etc., the attributable net profit margin[1] of property development business of the Group and its joint ventures and associates was approximately 12.4%;
- Cash balance of the Group as at 31 December 2018 was approximately RMB120.2 billion, representing a growth rate of approximately 24.3% as compared to last year; and
- The Board proposed to declare a final dividend of RMB0.827 per share for the year ended 31 December 2018, representing an increase of approximately 65.1% as compared to last year.

Note 1: The attributable net profit margin of property development business is calculated by dividing the profits from property development attributable to owners of the Company by the revenue from property development of the Group and its joint ventures and associates attributable to owners of the Company.

The board (the "Board") of directors (the "Directors") of Sunac China Holdings Limited (the "Company" or "Sunac China") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018 with comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December	
	Note	**2018**	**2017**
		RMB'000	*RMB'000*
Revenue from contracts with customers	4	**124,745,623**	65,873,515
Cost of sales	10	**(93,609,587)**	(52,245,803)
Gross profit		**31,136,036**	13,627,712
Other income and gains	11	**11,848,091**	27,916,263
Selling and marketing costs	10	**(4,360,530)**	(3,419,436)
Administrative expenses	10	**(7,356,570)**	(3,535,411)
Other expenses and losses		**(1,986,111)**	(10,336,909)
Net impairment losses on financial and contract assets	10	**(3,485,395)**	(2,376,177)
Operating profit		**25,795,521**	21,876,042
Finance income	12	**806,208**	736,000
Finance expenses	12	**(2,893,493)**	(5,259,450)
Finance expenses - net	12	**(2,087,285)**	(4,523,450)
Share of post-tax profits/(losses) of associates and joint ventures accounted for using the equity method, net	5	**4,955,994**	(1,993,604)
Profit before income tax		**28,664,230**	15,358,988
Income tax expense	13	**(11,219,229)**	(3,694,608)
Profit for the year		**17,445,001**	11,664,380
Other comprehensive income for the year		**—**	—
Total comprehensive income for the year		**17,445,001**	11,664,380

	Note	Year ended 31 December **2018** **RMB'000**	 **2017** *RMB'000*
Total comprehensive income/(loss) attributable to:			
- Owners of the Company		**16,566,535**	11,003,863
- Holders of perpetual capital securities		**591,179**	679,084
- Other non-controlling interests		**287,287**	(18,567)
		17,445,001	11,664,380
Earnings per share attributable to owners of the Company (expressed in RMB per share):			
- Basic earnings per share	14	**3.79**	2.76
- Diluted earnings per share	14	**3.74**	2.70
Dividends	15	**3,644,638**	2,200,773

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	**As at 31 December** **2018** *RMB'000*	**2017** *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**49,224,305**	39,262,620
Investment properties		**16,195,739**	12,821,611
Land use rights and intangible assets		**16,020,807**	3,637,131
Deferred tax assets		**2,984,740**	1,913,730
Investments accounted for using the equity method	5	**65,496,826**	58,613,221
Financial assets at fair value through profit or loss		**9,872,592**	—
Available-for-sale financial assets		**—**	871,578
Receivables		**558,000**	915,750
Prepayments	7	**2,276,912**	4,950,793
Derivative financial instruments		**125,817**	14,865
Amounts due from related companies		**666,452**	500,016
		163,422,190	123,501,315
Current assets			
Properties under development		**291,913,575**	271,514,992
Completed properties held for sale		**47,336,265**	42,242,613
Inventories		**14,967**	10,771
Trade and other receivables	6	**27,392,266**	18,411,699
Contract assets		**932,328**	263,936
Derivative financial instruments		**153,507**	—
Amounts due from related companies		**48,299,169**	60,582,774
Prepayments	7	**10,414,376**	4,509,791
Prepaid income tax		**6,449,795**	5,345,490
Restricted cash		**44,017,011**	28,285,601
Cash and cash equivalents		**76,181,041**	68,433,256
Financial assets at fair value through profit or loss		**133,500**	—
		553,237,800	499,600,923
Total assets		**716,659,990**	623,102,238

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**378,421**	377,608
Other reserves		**14,259,603**	16,649,452
Retained earnings		**42,198,205**	26,775,180
		56,836,229	43,802,240
Perpetual capital securities		**5,526,772**	9,288,432
Other non-controlling interests		**10,743,568**	7,547,553
Total equity		**73,106,569**	60,638,225
Liabilities			
Non-current liabilities			
Borrowings	9	**137,363,520**	140,597,186
Derivative financial instruments		**79,509**	167,634
Deferred tax liabilities		**33,383,440**	34,498,436
Other payables		**1,474,373**	1,492,327
		172,300,842	176,755,583
Current liabilities			
Trade and other payables	8	**92,786,353**	68,789,140
Contract liabilities		**199,378,610**	131,190,587
Amounts due to related companies		**62,663,166**	91,947,252
Current tax liabilities		**23,753,921**	14,411,985
Borrowings	9	**92,045,543**	78,672,660
Derivative financial instruments		**14,017**	53,839
Provisions		**610,969**	642,967
		471,252,579	385,708,430
Total liabilities		**643,553,421**	562,464,013
Total equity and liabilities		**716,659,990**	623,102,238

NOTES

1 General information

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

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

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

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

2 Significant accounting policies

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

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

3 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- HKFRS 9 Financial Instruments
- Classification and Measurement of Share-based Payment Transactions — Amendments to HKFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property — Amendments to HKAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Group elected to early adopt HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") for its annual report for the year ended 31 December 2017.

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Certain newly published accounting standards and interpretations are not mandatory for the Reporting Period ended 31 December 2018 and therefore have not been early adopted by the Group. The Group's assessment on the impact of these new standards and interpretations is set out below.

HKFRS 16 *Leases*

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet by lessees, 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 Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases. The Group expects to recognise its right-of-use assets and lease liabilities on 1 January 2019. The Group expects that the net profit after tax for 2019 will decrease as a result of adopting the new rules. The Group's activities as a lessor are all operating lease hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the years prior to first adoption. Right-of-use assets for property leases will be measured on the transition date as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) ***Effects of the adoption of HKFRS 9***

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings. Provisions for impairment have not been restated in the comparative period, as well.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Amount
	RMB'000
Closing retained earnings 31 December 2017 - HKAS 39	26,775,180
Reclassify investments from available-for-sale to fair value through profit or loss ("FVPL")	—
Increase in provision for contract assets and trade and other receivables (excluding loans to third parties)	(16,439)
Increase in provision for loans to related and third parties	(43,767)
Increase in provision for financial guarantees	(35,091)
Increase in deferred tax assets relating to impairment provisions	23,824
Opening retained earnings 1 January 2018 - HKFRS 9	26,703,707

(i) Adjustments made to line items in the statement of profit or loss for the 2017 reporting period relate to (increase/(decrease)):

	2017
	RMB'000
Decrease of administrative expenses	(2,023,891)
Decrease of other expenses and losses	(352,286)
Increase of net impairment losses on financial and contract assets	2,376,177

(ii) Classification and measurement of financial instruments

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Fair value through other comprehensive income ("FVOCI") (Available-for-sale 2017)	**FVPL**
	RMB'000	*RMB'000*
Financial assets — 1 January 2018		
Closing balance 31 December 2017 — HKAS 39	871,578	—
Reclassify investments from available-for-sale to FVPL	(871,578)	871,578
Opening balance 1 January 2018 — HKFRS 9	—	871,578

Equity investments previously recognised as available-for-sale were elected to presented in financial assets at FVPL (RMB872 million as at 1 January 2018). Certain investments do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

(iii) Impairment of financial assets

The Group has four types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for properties sold or services performed in the ordinary course of business

- contract assets relating to property development and sales contracts

- other receivables (excluding loans to third parties)

- loans to related and third parties

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table above.

While restricted cash and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Contract assets, trade receivables and other receivables (excluding loans to third parties)

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contract assets and trade receivables. Other receivables (excluding loans to third parties) such as guarantees and deposit are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses.

On that basis, the loss allowance of RMB16.44 million as at 1 January 2018 (previous loss allowance was RMB64.3 million) was recognised in retained earnings and a further increase in the allowance by RMB14.67 million in the year ended 31 December 2018.

Contract assets and trade receivables and other receivables (excluding loans to third parties) are written off when there is no reasonable expectation of recovery.

Loans to related and third parties

For loans to related and third parties already in place at 1 January 2018, the Group has determined that reliably assessing the probability of default at the initial recognition of each loan to related and third parties would result in undue cost and effort. As permitted by HKFRS 9, the credit provision will be determined based on whether credit risk is low only at each reporting date, until the loan is derecognised.

Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB43.77 million on 1 January 2018 (previous loss allowance was RMB2,119.4 million) and a further increase in the allowance by RMB3,227.06 million in the year ended 31 December 2018.

Financial guarantee contract

The Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. In addition, the Group provided guarantees for certain joint ventures and associates for their borrowings. Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB35.1 million on 1 January 2018 (previous loss allowance was RMB352.29 million) and a further increase in the allowance by RMB223.58 million in the year ended 31 December 2018.

4 Segment information

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

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

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

In 2018, the Group established the Sunac Cultural and Tourism Group and expanded its management team. Upon completion of above activities, the Group commenced to directly manage the operation of the hotels, shopping malls and theme parks in the cultural and tourism cities (including the design, construction and operation of the cultural and tourism cities). Cultural and tourism city operation has been identified as a new independent reportable segment and the segment information of 2017 was restated correspondingly.

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

The performance of above operating segments is assessed based on a measure of profit before depreciation and amortisation, interest expenses and income tax expenses, defined as segment results.

Segment assets primarily consist of all assets excluding deferred tax assets, financial assets at FVPL (available-for-sale financial assets in 2017), derivative financial instruments and certain investments accounted using the equity method, which are managed on a central basis. Segment liabilities primarily consist of all liabilities excluding deferred tax liabilities, current tax liabilities, provisions and derivative financial instruments.

The segment results are as follows:

	Year ended 31 December 2018			
	Property development	**Cultural and tourism city operation**	**All other segments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	117,714,286	2,027,898	8,746,886	128,489,070
Recognised at a point in time	87,761,403	704,318	—	88,465,721
Recognised over time	29,952,883	1,323,580	8,746,886	40,023,349
Inter-segment revenue	—	—	(3,743,447)	(3,743,447)
Revenue from external customers	117,714,286	2,027,898	5,003,439	124,745,623
Segment gross profit	27,963,424	914,749	2,913,020	31,791,193
Net impairment losses on financial and contract assets	(206,924)	—	—	(206,924)
Selling and marketing costs	(4,062,549)	(150,980)	(76,310)	(4,289,839)
Administrative expenses	(5,824,482)	(703,425)	(562,347)	(7,090,254)
Other income and gains	10,275,942	240,025	21,939	10,537,906
Other expenses and losses	(665,309)	(41,284)	(8,470)	(715,063)
Finance income	806,208	—	—	806,208
Share of post-tax profits of associates and joint ventures accounted for using equity method, net	5,326,269	—	—	5,326,269
Segment results	33,612,579	259,085	2,287,832	36,159,496

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

	Year ended 31 December 2017 (Restated)			
	Property development	**Cultural and tourism city operation**	**All other segments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total segment revenue	62,569,237	1,085,948	2,687,673	66,342,858
Recognised at a point in time	49,040,247	—	—	49,040,247
Recognised over time	13,528,990	1,085,948	2,687,673	17,302,611
Inter-segment revenue	—	—	(469,343)	(469,343)
Revenue from external customers	62,569,237	1,085,948	2,218,330	65,873,515
Segment gross profit	12,164,294	485,814	1,192,283	13,842,391
Net impairment losses on financial and contract assets	77,938	—	—	77,938
Selling and marketing costs	(3,201,000)	(76,635)	(111,881)	(3,389,516)
Administrative expenses	(2,831,904)	(354,091)	(254,870)	(3,440,865)
Other income and gains	27,864,090	14,702	37,471	27,916,263
Other expenses and losses	(515,194)	(923)	(4,362)	(520,479)
Finance income	736,000	—	—	736,000
Share of post-tax profits of associates and joint ventures accounted for using equity method, net	2,482,315	—	225	2,482,540
Segment results	36,776,539	68,867	858,866	37,704,272

	As at 31 December 2017 (Restated)			
	Property development	**Cultural and tourism city operation**	**All other segments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total segment assets	565,926,857	49,892,249	2,426,544	618,245,650
Total segment liabilities	502,291,456	7,396,845	3,643,818	513,332,119

Reportable segments results are reconciled to total profit for the year as follows:

	2018 RMB'000	2017 RMB'000
Total segment results	36,159,496	**37,704,272**
Net impairment losses on financial and contract assets	(3,278,471)	**(2,454,115)**
Depreciation and amortisation	(992,164)	**(339,145)**
Finance costs	(2,893,493)	**(5,259,450)**
Other income and gains	1,310,185	**—**
Other expenses and losses	(1,271,048)	**(9,816,430)**
Share of losses of investments accounted for using equity method, net	(370,275)	**(4,476,144)**
Income tax expenses	(11,219,229)	**(3,694,608)**
Profit for the year	17,445,001	**11,664,380**

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

	31 December 2018 *RMB'000*	31 December 2017 ***RMB'000***
Total segment assets	700,069,472	**618,245,650**
Deferred tax assets	2,984,740	**1,913,730**
Other assets	13,605,778	**2,942,858**
Total assets	716,659,990	**623,102,238**
Total segment liabilities	585,848,040	**513,332,119**
Deferred tax liabilities	33,383,440	**34,498,436**
Other liabilities	24,321,941	**14,633,458**
Total liabilities	643,553,421	**562,464,013**

5. Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Joint ventures	**40,009,448**	32,302,811
Associates	**25,487,378**	26,310,410
	65,496,826	58,613,221

The share of profits/(losses) from investment recognised in the income statement were as follows:

	2018	*2017*
	RMB'000	*RMB'000*
Share of profits of joint ventures	**3,891,426**	760,084
Share of profits/(losses) of associates	**930,385**	(2,906,689)
Gains from acquisitions of joint ventures and associates	**134,183**	153,001
	4,955,994	(1,993,604)

5.1 Investments in joint ventures

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

	2018	2017
	RMB'000	*RMB'000*
At beginning of year, as previously stated	**32,302,811**	24,679,369
Adjustment on adoption of HKFRS 15, net of tax	**—**	138,091
At beginning of year, after the adjustment	**32,302,811**	24,817,460
Additions:		
- Capital contributions to joint ventures at establishment	**1,692,166**	1,148,453
- Acquisitions of joint ventures	**4,320,822**	7,469,983
- Additional investments in existing joint ventures	**410,208**	1,961,936
- Subsidiaries becoming joint ventures	**605,069**	39,948
Disposals:		
- Disposal of investments in joint ventures	**(407,729)**	—
- Joint ventures becoming subsidiaries	**(1,759,026)**	(1,373,805)
- Joint ventures becoming associates	**—**	(1,180,672)
Capital deduction of joint ventures	**(476,266)**	(489,196)
Share of profits of joint ventures, net	**3,891,426**	760,084
Share of additional capital reserve in a joint venture	**—**	73,715
Dividends from joint ventures	**(570,033)**	(925,095)
At end of year	**40,009,448**	32,302,811

Note:

(a) All joint ventures are non-listed companies. A joint venture named Summer Sky Investments Limited is incorporated in Hong Kong, all remaining joint ventures of the Group are incorporated in the PRC.

5.2 Investments in associates

An analysis of the movement of equity investments in associates is as follows:

	2018	2017
	RMB'000	*RMB'000*
At beginning of year, as previously stated	**26,310,410**	9,873,491
Adjustment on adoption of HKFRS 15, net of tax	**—**	91,197
At beginning of year, after the adoption of HKFRS 15	**26,310,410**	9,964,688
Additions:		
- Capital contribution to an associate established by the Group	**274,992**	271,000
- Acquisitions of associates	**202,040**	20,125,804
- Additional investments in existing associates	**2,552,371**	1,437,146
- A subsidiary becoming an associate	**—**	5,439,506
- Joint ventures becoming associates	**—**	1,180,672
Disposals:		
- Disposal of investments in associates	**(3,010,003)**	—
- An associate becoming a subsidiary	**(575,519)**	(5,642)
Impairment provisions for investments in associates	**(404,047)**	(8,928,907)
Share of profits/(losses) of associates, net	**930,385**	(2,906,689)
Dividends from associates	**(793,251)**	(267,168)
At end of year	**25,487,378**	26,310,410

6 Trade and other receivables

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Trade receivables (i)	**1,359,626**	1,217,743
Amounts due from non-controlling interests and their related parties	**11,532,705**	7,343,578
Notes receivables	**26,915**	17,416
Deposits receivables	**6,024,104**	3,060,803
Other receivables(ii)	**8,755,984**	7,462,605
	27,699,334	19,102,145
Less: Bad debt provision for other receivables	**(307,068)**	(690,446)
	27,392,266	18,411,699

As at 31 December 2018 and 2017, the carrying amounts of the Group's trade and other receivables were all denominated in RMB.

Notes:

(i) 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:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Within 90 days	**750,092**	752,469
91 - 180 days	**42,911**	—
181 - 365 days	**145,901**	62,653
Over 365 days	**420,722**	402,621
	1,359,626	1,217,743

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

7 Prepayments

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Non-current -		
Prepayments for equity transactions	**2,276,912**	5,361,814
Less: Provision	**—**	(411,021)
Prepayments for equity transactions-net	**2,276,912**	4,950,793
Current -		
Tax and surcharge	**6,295,757**	2,461,293
Prepayments for land use rights acquisitions	**2,459,932**	1,168,516
Prepayments for project development costs	**1,315,828**	786,338
Others	**342,859**	93,644
	10,414,376	4,509,791

As at 31 December 2018 and 2017, the carrying amounts of the Group's prepayments were all denominated in RMB.

8 Trade and other payables

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Trade payables (i)	**35,933,716**	36,766,815
Un-paid considerations for equity acquisitions	**9,911,259**	4,569,360
Amounts due to non-controlling interests and their related parties	**5,546,634**	7,031,599
Notes payables	**5,650,538**	230,198
Payables for PP&E and investment properties	**10,939,331**	6,718,218
Other taxes payable	**4,349,916**	3,162,179
Interests payable	**2,901,451**	2,250,505
Payroll and welfare payables	**2,033,125**	1,090,426
Other payables(ii)	**15,520,383**	6,969,840
	92,786,353	68,789,140

Note:

(i) At 31 December 2018, the ageing analysis at the trade payable is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Within 90 days	**13,604,385**	12,826,711
91-180 days	**5,320,748**	5,303,460
181-365 days	**9,037,798**	5,151,093
Over 365 days	**7,970,785**	13,485,551
	35,933,716	36,766,815

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

9 Borrowings

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Non-current		
Secured,		
- Bank and other institution borrowings	**156,003,354**	159,122,216
- Senior notes	**22,143,124**	9,059,336
- Asset-backed securities	**2,890,353**	3,093,089
	181,036,831	171,274,641
Unsecured,		
- Bank and other instititution borrowings	**2,089,068**	5,531,108
- Corporate bonds	**7,792,522**	9,927,847
- Private domestic corporate bonds	**16,994,986**	15,907,112
	26,876,576	31,366,067
	207,913,407	202,640,708
Less: Current portion of non-current borrowings	**(70,549,887)**	(62,043,522)
	137,363,520	140,597,186
Current		
Secured,		
- Bank and other instititution borrowings	**21,169,912**	16,251,427
- Asset-backed securities	**311,755**	77,711
	21,481,667	16,329,138
Unsecured,		
- Bank and other institution borrowings	**13,989**	300,000
	21,495,656	16,629,138
Current portion of non-current borrowings	**70,549,887**	62,043,522
	92,045,543	78,672,660
Total borrowings	**229,409,063**	219,269,846

10 Expenses by nature

	2018	2017
	RMB'000	*RMB'000*
Costs of properties sold	**88,643,224**	49,596,459
Business tax and related surcharge	**782,329**	1,050,478
Staff costs	**5,485,416**	2,937,400
Provision/(Reversal of) for impairment of properties	**360,333**	(244,501)
Net impairment losses on financial and contract assets	**3,485,395**	2,376,177
Advertisement and promotion costs	**2,496,145**	2,147,682
Profession service expenses	**906,501**	364,453
Depreciation and amortisation	**992,164**	339,145
Auditors' remunerations		
- Audit services	**22,000**	21,240
- Non-audit services	**1,550**	6,460

11 Other income and gains

	2018	2017
	RMB'000	*RMB'000*
Gains from business combination	**5,346,752**	25,107,561
Interest income	**2,933,793**	2,032,562
Gains from disposals of subsidiaries	**637,195**	35,648
Fair value gains on financial assets at FVPL	**888,871**	—
Fair value gains on derivative financial instruments	**332,644**	—
Fair value gains on investment properties	**208,988**	—
Others	**1,499,848**	740,492
	11,848,091	27,916,263

12 Finance income and expenses

	2018	2017
	RMB'000	*RMB'000*
Interest expenses	**14,623,745**	11,090,959
Less: Capitalised finance costs	**(12,936,990)**	(5,748,747)
	1,686,755	5,342,212
Exchange losses/(gains)	**1,206,738**	(82,762)
	2,893,493	5,259,450
Finance income:		
- Interest income on bank deposits	**(806,208)**	(736,000)
	2,087,285	4,523,450

13 Income tax expenses

	2018	2017
	RMB'000	*RMB'000*
Corporate income tax		
Current income tax	**10,066,909**	4,288,151
Deferred income tax		
- Increase in deferred tax assets	**(2,304,114)**	(1,736,022)
- Decrease in deferred tax liabilities	**(1,640,768)**	(1,465,590)
	6,122,027	1,086,539
Land appreciation tax	**5,097,202**	2,608,069
	11,219,229	3,694,608

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 year.

	2018	2017
Profit attributable to owners of the parent company (RMB'000)	**16,566,535**	11,003,863
Weighted-average number of ordinary shares in issue (thousand)	**4,402,505**	3,991,551
Adjusted for purchase ordinary shares for share award scheme (thousand)	**(26,025)**	—
Weighted-average number of ordinary shares for basic earnings per share (thousand)	**4,376,480**	3,991,551

(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.

	2018	2017
Profit attributable to owners of the parent company (RMB'000)	**16,566,535**	11,003,863
Weighted-average number of ordinary shares in issue (thousand)	**4,402,505**	3,991,551
Adjusted for purchase of ordinary shares for share award scheme (thousand)	**(26,025)**	—
Adjusted for share options (thousand)	**55,966**	78,804
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	**4,432,446**	4,070,355

15 Dividends

The dividends paid in 2018 and 2017 were RMB 2,201 million (RMB0.501 per share) and RMB991 million (RMB0.257 per share) respectively. A dividend in respect of the year ended 31 December 2018 of RMB0.827 per share, amounting to a total dividend of RMB3,645 million, is to be proposed at the annual general meeting. These financial statements did not reflect this dividend payable.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.827 (2017: RMB0.501) per ordinary share	**3,644,638**	2,200,773

16 Events after the balance sheet date

(a) *Acquisition of Beijing project and Shanghai project*

On 20 January 2019, Sunac Real Estate Group Co., Ltd. a wholly owned subsidiary of the Company (the "**Buyer**"), and Wuhan CBD Stock Company Limited (the "**Vendor**") entered into an agreement in relation to the acquisition of 100% equity interest in Oceanwide Construction Holdings Co., Ltd. (the "Target Company") for a payable consideration of approximately RMB12.553 billion. The Target Company owns 100% interest in the Beijing Oceanwide International Project Land Lot 1 and the Shanghai Dongjiadu Project. As of the date of this announcement, the Buyer has paid 80% of the consideration to the Vendor and has completed transfer of the right of management of the Target Company and equity delivery.

(b) ***Issuance of senior notes***

On 10 January 2019, the Company entered into a purchase agreement in connection with the issuance of US$600 million 8.375% senior notes due 2021 on the Singapore Exchange Securities Trading Limited. The senior notes will bear interest from and including 15 January 2019 at the rate of 8.375% per annum, payable semi-annually in arrears on 15 January and 15 July of each year, commencing 15 July 2019.

On 12 February 2019, the Company entered into a purchase agreement in connection with the issuance of US$800 million 7.875% senior notes due 2022 on the Singapore Exchange Securities Trading Limited. The senior notes will bear interest from and including 15 February 2019 at the rate of 7.875% per annum, payable semi-annually in arrears on 15 February and 15 August of each year, commencing on 15 August 2019.

On 20 March 2019, the Company entered into a purchase agreement in connection with the issuance of US$200 million 8.35% senior notes due 2023 on the Singapore Exchange Securities Trading Limited. These senior notes are consolidated and form a single series with US$450 million 8.35% Senior Notes due 2023 issued on 19 April 2018. The senior notes bear interest from 19 April 2018 at the rate of 8.35% per annum, payable semi-annually in arrears on 19 April and 19 October of each year, commencing on 19 April 2019. The issue price was 102.3% of the principal amount of the senior notes, with effective interest rate of approximately 7.678%, plus accrued interest from (and including)19 October 2018 (but excluding) 25 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

1 Revenue

For the year ended 31 December 2018, most of the Group's revenue came from sales of residential and commercial properties, with a small proportion of the Group's revenue from cultural and tourism city operation income, property management income and other income.

For the year ended 31 December 2018, the Group's real estate development business achieved its national layout in all tier-1 cities, tier-2 cities and strong tier-3 cities, which are divided into 8 major regions for management, namely the Beijing region (including Beijing, Jinan and Qingdao, etc.), North China region (including Tianjin, Zhengzhou and Xi'an, etc.), Shanghai region (including Shanghai, Suzhou and Nanjing, etc.), Southwestern China region (including Chongqing, Chengdu and Kunming, etc.), Southeastern China region (including Hangzhou, Hefei and Ningbo, etc.), Guangzhou-Shenzhen region (including Guangzhou, Shenzhen and Foshan, etc.), Central China region (including Wuhan, Changsha and Nanchang, etc.) and Hainan region (including Sanya, Haikou and Qionghai, etc.).

Total revenue of the Group for the year ended 31 December 2018 amounted to RMB124,746 million, representing a significant increase of 89.4% compared with the total revenue of RMB65,874 million for the year ended 31 December 2017.

For the year ended 31 December 2018, the total revenue from the Group and its joint ventures and associates (excluding Leshi Internet Information & Technology Corp (Beijing) Co., Ltd., Lerong Zhixin Electronic Technology (Tianjin) Limited and Le Vision Pictures (Beijing) Co., Ltd. (the "Leshi Companies"), and Jinke Property Group Co., Ltd., the same below) was RMB214,328 million, representing a significant increase of RMB73,858 million (approximately 52.6%) as compared with the total revenue of RMB140,470 million for the year ended 31 December 2017, of which RMB163,867 million was attributable to owners of the Company, representing a significant increase of RMB63,507 million (approximately 63.3%) as compared to RMB100,360 million for the year ended 31 December 2017.

The following table sets forth certain details of the revenue:

	Year ended 31 December			
	2018		**2017**	
	RMB billion	%	*RMB billion*	%
Revenue from sales of properties	117.71	94.36%	62.57	94.99%
Cultural and tourism city operation income	2.03	1.63%	10.9	1.65%
Property management income and other income	5.01	4.01%	22.1	3.36%
Total	124.75	100.00%	65.87	100.00%
Total gross floor area ("GFA") delivered (in million sq.m.)	9.52		4.86	

For the year ended 31 December 2018, revenue from sales of properties increased by RMB55,145 million (or 88.1%) as compared with that for the year ended 31 December 2017. Total area of delivered properties increased by 4.66 million square meters ("sq. m.") (or 95.8%) as compared with that for the year ended 31 December 2017, mainly due to continuous increase in business scale of the Group's sales of properties, of which the delivered areas of property projects sold in various areas for the year ended 31 December 2018 significantly increased as compared with that for the year ended 31 December 2017.

2 Cost of sales

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

For the year ended 31 December 2018, the Group's cost of sales was RMB93,610 million, representing an increase of RMB41,364 million (or 79.2%) as compared to the cost of sales of RMB52,246 million for the year ended 31 December 2017. Increase in cost of sales was mainly due to increase in area of delivered properties.

3 Gross profit

For the year ended 31 December 2018, the Group's gross profit was RMB31,136 million, which was RMB17,508 million (or 128.5%) higher than the gross profit of RMB13,628 million for the year ended 31 December 2017. Increase in gross profit was mainly due to increased sales revenue and higher gross profit margin of the Group.

For the year ended 31 December 2018, the Group's gross profit margin was 25.0%, representing an increase of approximately 4.3 percentage points as compared to 20.7% for the year ended 31 December 2017. This was mainly due to increase in gross profit margin of sales income from properties in various areas for the year ended 31 December 2018 as compared with the year ended 31 December 2017.

For the year ended 31 December 2018, the amortization of revaluation surplus related to gains from business combination for the properties acquired reduced the Group's cost of sales in the amount of approximately RMB10,673 million (correspondingly reduced the Group's profit attributable to the owners of the Company in the amount of approximately RMB5,362 million). The Group's gross profit was approximately RMB41,809 million and gross profit margin was approximately 33.5% for the year ended 31 December 2018 without taking into account such impact.

Further, gross profit, gross profit margin and gross profit attributable to owners of the Company of the Group and its joint ventures and associates recorded a significant increase during the year ended 31 December 2018. For the year ended 31 December 2018, total gross profit of the the Group and its joint ventures and associates was RMB55,536 million, with a gross profit margin of 25.9%, of which RMB42,606 million was gross profit attributable to owners of the Company. For the year ended 31 December 2017, total gross profit of the Group and its joint ventures and associates was RMB31,521 million, with a gross profit margin of 22.4%, of which RMB21,971 million was gross profit attributable to owners of the Company.

4 Selling and marketing costs and administrative expenses

The Group's sales and marketing costs increased by 27.5% from RMB3,419 million for the year ended 31 December 2017 to RMB4,361 million for the year ended 31 December 2018. The Group's administrative expenses increased by 108.1% from RMB3,535 million for the year ended 31 December 2017 to RMB7,357 million for the year ended 31 December 2018. The increase in sales and marketing costs and administrative expenses was mainly due to continuous expansion of property development business scale, substantial increase in the number of property projects of the Group, resulting in substantial increase in staff costs. Meanwhile, the Group completed the acquisition of cultural and tourism city projects in stages in the second half of 2017, hence less than half year's administrative expenses for cultural and tourism city projects was recorded in 2017, whereas the full year's administrative expenses for cultural and tourism city projects were recorded in 2018, resulting in a relatively significant increase in the Group's administrative expenses as compared to 2017. Such administrative expenses were mainly used for establishing a cultural and tourism business system and building up a management team, which are expected to lay the foundation for the continuous improvement in construction quality of cultural and tourism city and an increase in operation efficiency in the future.

5 Other income and gains

The Group's other income and gains decreased by RMB16,068 million from RMB27,916 million for the year ended 31 December 2017 to RMB11,848 million for the year ended 31 December 2018, which was principally attributable to the decrease in the gains from the business combination recorded for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

6 Operating profit

Concluding from the above analysis, the Group's operating profit increased by RMB3,920 million from RMB21,876 million for the year ended 31 December 2017 to RMB25,796 million for the year ended 31 December 2018, mainly due to the following reasons:

(i) Gross profit increased by RMB17,508 million;

(ii) Sales and marketing costs and administrative expenses increased by RMB4,764 million; and

(iii) Other income and gains decreased by RMB16,068 million, other expenses and losses decreased by RMB8,351 million and net impairment loss of financial assets and contract assets increased by RMB1,109 million.

7 Finance costs

The Group's finance costs decreased by RMB2,366 million from RMB5,259 million for the year ended 31 December 2017 to RMB2,893 million for the year ended 31 December 2018 mainly due to the following reasons:

(i) As compared to the year ended 31 December 2017, the average total borrowings of the Group had increased, resulting in increased total interest costs of the Group, however as the Group's business scale continued to expand and the number of projects under construction continued to increase, the proportion of total interest costs that were capitalized had increased, resulting in a decrease in interest expenses by RMB3,656 million to RMB1,686 million for the year ended 31 December 2018 from RMB5,342 million for the year ended 31 December 2017; and

(ii) Due to changes in the trend of exchange rate fluctuation, the Group recorded an exchange loss of RMB1,207 million for the year ended 31 December 2018, compared with an exchange gain of RMB83 million for the year ended 31 December 2017.

The Group's weighted average effective interest rate edged up from 6.24% for the year ended 31 December 2017 to 6.81% for the year ended 31 December 2018, due to rising interest rates in the general market as a result of tightening monetary policies.

8 Share of results of investments accounted for using equity method

The Group recognised a net profit after tax of RMB4,956 million with respect to its share of results of investments accounted for using equity method for the year ended 31 December 2018, while the Group recognised a net loss of RMB1,994 million with respect to its share of results of investments accounted for using equity method for the year ended 31 December 2017. The Group recorded a loss of RMB4,476 million with respect to its share of results of investments accounted for using equity method in Leshi Companies for the year ended 31 December 2017. Excluding those factors, the Group recognised a net profit after tax with respect to its share of results of investments accounted for using equity method for the year ended 31 December 2018 increased by RMB2,474 million compared with the year ended 31 December 2017, mainly due to the increase in revenue and gross profit margin of sales of properties of the Group's joint ventures and associates as compared with the year ended 31 December 2017.

9 Profits

Due to substantial increase in the Group's gross profit, the Group's profits attributable to owners of the Company increased from RMB11,004 million for the year ended 31 December 2017 to RMB16,567 million for the year ended 31 December 2018. Excluding the effects of non-operating items such as gains from business combination and its amortization, exchange losses and net impairment losses on financial assets and contract assets, the profit of the Group attributable to owners of the Company was RMB21,488 million.

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

	Year ended 31 December	
	2018	**2017**
	RMB billion	*RMB billion*
Profits during the year	17.45	11.66
Attributable to:		
Owners of the Company	16.57	11.00
Holders of perpetual capital securities	0.59	0.68
Other non-controlling interests	0.26	(0.02)
	17.45	11.66

10 Cash status

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

The Group's cash and cash equivalents (including restricted cash) increased by 24.3% to RMB120,198 million as at 31 December 2018 from RMB96,719 million as at 31 December 2017, of which non-restricted cash increased to RMB76,181 million as at 31 December 2018 from RMB68,433 million as at 31 December 2017.

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

(i) RMB52,055 million of net cash inflow from operating activities was due to increased revenue from pre-sale of the Group's properties;

(ii) RMB34,079 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 construction costs of cultural and tourism cities;

(iii) RMB10,427 million of net cash outflow from financing activities was mainly attributed to RMB13,489 million of interest payment, RMB4,018 million of reimbursement of perpetual capital securities, RMB2,201 million of dividend payment to the shareholders of the Company and RMB12,337 million of net borrowings inflow.

The Group's total net cash inflow from operating and investment business was RMB17,976 million, while the investment business also recorded cash outflows for investment in certain non-property development projects. 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

As the Group further reduced its leverage level through measures such as formulating more prudent investment strategies for new projects, total borrowings slightly increased to RMB229,410 million as at 31 December 2018 from RMB219,270 million as at 31 December 2017.

As at 31 December 2018, RMB202,519 million (as at 31 December 2017: RMB187,604 million) 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, investment properties, fixed assets and intangible assets (total amount was RMB187,529 million (as at 31 December 2017: RMB164,408 million)) and equities (including those legally transferred as collateral) of certain of the Group's subsidiaries.

12 Net debt to total asset ratio and gearing ratio

Net debt to total asset ratio is calculated by dividing the total net liabilities with total asset amount. Net debt is calculated by deducting cash and cash equivalents (including restricted cash) from total borrowings (including current and long-term borrowings). As at 31 December 2018, the Group's net debt to total asset ratio was 15.2%, representing a decrease as compared to 19.7% as at 31 December 2017.

Gearing ratio is calculated by dividing the net debt with total capital. Total capital is calculated by adding total equities and net debt. As at 31 December 2018, the Group's gearing ratio was 59.9%, representing a decrease as compared to 66.9% as at 31 December 2017.

The Group will continue to pay attention to and manage the financial structure and their potential risks in the course of development.

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

	As at 31 December 2018 *RMB billion*	**As at 31 December 2017** *RMB billion*
Floating interests		
Less than 12 months	18.78	30.17
1-5 years	38.52	40.97
Over 5 years	2.59	5.32
Subtotal	59.89	76.46
Fixed interests		
Less than 12 months	73.27	48.50
1-5 years	95.38	91.29
Over 5 years	0.87	3.02
Subtotal	169.52	142.81
Total	229.41	219.27

As at 31 December 2018, 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.

14 Foreign exchange risks

As all the Group's operating entities are located in China, the Group operates its business mainly in RMB. Some of the Group's bank deposits and senior notes are denominated in US dollar, Euro or Hong Kong dollars, meaning that the Group is exposed to foreign exchange risks. For the year ended 31 December 2018, the Group recorded an exchange loss in the amount of RMB1,207 million 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 to ensure that the risk of fluctuations in foreign exchange rates is maintained at an acceptable level.

15 Contingent liabilities

The Group provides guarantees to banks for the mortgage loans obtained by certain property buyers to ensure that the buyers perform their obligations of mortgage loan repayment. The total amount of such guarantees was RMB88,598 million as at 31 December 2018 as compared with RMB49,780 million as at 31 December 2017. 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

Review of 2018

In 2018, in the background of China's overall economy facing pressure, as well as various policies of the government for the continuous regulation of the real estate industry, the market's expectation gradually changed and clear diversification among different cities emerged, such that in the second half of the year a cool down was observed in most cities, and in the fourth quarter the land market, which had been heated up for two years consecutively, had gradually returned to rationality.

During the year, the Group actively responded and adhered to the overall strategy of enhancing operation, controlling investment and reducing leverage. On one hand, it improved land acquisition standard and strictly controlled the pace of investment, on the other hand, it resolutely stepped up the destocking efforts. With its advantageous layout in core cities, high-quality and cost-effective land bank and high-quality product and service capabilities, the Group achieved overall and high quality growth in operating results, and at the same time further consolidated its competitive advantages.

In 2018, the Group recorded consolidated revenue of approximately RMB124.75 billion, representing an increase of approximately 89.4% year-on-year; gross profit amounted to approximately RMB31.14 billion, representing an increase of approximately 128.5% year-on-year, and gross profit margin increased rapidly from 20.7% in 2017 to 25.0% in 2018. In 2018, profit attributable to owners of the Company amounted to approximately RMB16.57 billion, representing an increase of approximately 50.6% year-on-year.

While the Group's profit increased rapidly, its net gearing ratio dropped significantly by the end of 2018 as compared to the end of 2017, achieving a steady decrease for three consecutive results periods. In 2018, the Group' s liquidity continued to remain sufficient, the carrying amount of cash of the Group reached approximately RMB120.2 billion, representing an increase of approximately 24.3% year-on-year.

In 2018, despite the significant changes in the market, the Group had reacted proactively. With the support of its sufficient high-quality and saleable resources and high-quality products, the Group maintained a relatively high destocking level, and achieved a contracted sales amount of approximately RMB460.83 billion for the year, representing an increase of 27.3% year-on-year, securely ranking the fourth within the industry. Meanwhile, with the Group's cultivating strategies continuing to be effective, sales amount exceeded RMB 10 billion in 16 cities and there was a rapid increase in market share in an increasing number of cities. Among the target cities, the Group ranked among the top ten in terms of sales in 37 cities such as Shanghai, Hangzhou, Tianjin, Chongqing, Wuhan, Zhengzhou, Qingdao, Jinan (ranked among the top five in 25 of such cities).

In 2018, as the Group's operating performance continued to improve, the Group's core competitiveness had also been strengthened.

In 2018, the Group continued to make good market judgments and seized cyclical opportunities, avoided the risk of acquiring expensive land, and effectively captured the opportunity of market adjustments to further consolidate its land bank advantages. In 2018, the Group maintained a relatively high standard for land acquisition, in particular, it stringently controlled the pace and scale of its land acquisition during the first three quarters of the year, gave full play to the Group's reputation and brand influence in respect of merger and acquisition, integrated and utilized the resources of partners and acquired high-quality projects; meanwhile, as the land price became more reasonable in the fourth quarter, the Group seized the opportunity and further replenished high-quality land bank in core tier 1 & 2 cities.

During the year, the new land bank acquired[1] amounted to approximately 48.2 million sq. m., of which the attributable land bank was approximately 26.31 million sq. m. and the average land cost was RMB3,723/sq. m. As of the date of this announcement, taking into account the land under agreement for urban redevelopment, the Group has total land bank[2] of approximately 256 million sq. m., with total inventory value amounting to RMB3.55 trillion. Our adequate high-quality land bank will strongly support the balanced and sound development of the Group in the future.

In 2018, the Group continued to consolidate its high quality product and service capabilities. During the year, the Group continuously upgraded its product concept and forged Sunac's "Gui Xin Community" (歸心社區) with its leading product power, its above-industry construction standards and community facilities needed to lead a blissful life. In particular, the Group's first "Gui Xin Community" Hangzhou Marquis Mansion (杭州侯潮府) was successfully delivered, earning the market's high recognition. In 2018, the Group continued to enrich and improve its product ranges and successively launched new product lines such as the "Nine Mansion Series" (九府系) and "Yihe Series" (宜和系). Customer service satisfaction further improved to 90 points in 2018, which was the benchmarking level in the industry.

The Group, on the basis of laying out the cultural and tourism business in 2017 at a high starting point, established the Sunac Culture & Tourism Group in 2018, and acquired a well-structured and experienced cultural and tourism team, established Sunac Culture & Tourism design institute, Culture & Tourism construction business division through further transactions with the Wanda Group in October 2018, thereby achieved the one-stop integrated management for cultural and tourism projects from products design and construction to operation, effectively improving its ability to build cultural and tourism projects, and supporting the constanting optimization of cultural and tourism products, which laid a good foundation for the realization of value of the cultural and tourism segment.

In 2018, the Group established the Public Welfare Foundation and carried out sustainable industry-supporting and wisdom-fostering events through the three public welfare plans comprising the "Saplings Charity Program", the "Rural Revitalization Program" and the "Architectural Heritage Conservation Program" to fulfill social responsibility in a more active and systematic manner.

Notes:

1. Taking the land under agreement of urban redevelopment into account, the Group acquired new land bank of approximately 64.39 million sq. m. during the year;

2. As of the date of this announcement, the Group has land bank under agreement of urban redevelopment of approximately 73.27 million sq. m.

Outlook for 2019

In 2019, under the regulatory thinking of "city specific policies, guidance by type" of the government, the Group expects that real estate regulatory policies will become more market-oriented and will be more specific, but it is still possible that the government may further strengthen the regulatory policies if overheating, in particular significant price hike, appears in individual markets. On the other hand, as the demand and supply relationship varies in different cities, the market may develop marked differentiation. In particular, for tier 1 & 2 core cities and strong tier 3 cities which had accumulated relatively large demands over the past two years but had relatively limited supplies, the market may recover first with gradual improvement in transaction volumes. However, the Group expects that the room for further hike in housing price is limited, and overall it will remain stable.

In 2019, the Group will have over 400 projects under sales during the year, and it is expected that the total saleable resources will be more than RMB780 billion. Adequate and high-quality saleable resources will support the stable growth of the Group's sales. In terms of sales strategy, the Group will continue to keep destocking and accelerate releasing the cash flows from operating activities, thereby support the sound and high-quality development of the Group.

In 2019, the Group will, on the basis of guaranteeing the sufficiency of cash flow and without affecting the long-term downward trend of its leverage ratio, continue to monitor and assess opportunities in the land market, continue to maintain high standard in land acquisitions, and place more focus on the land market of core tier 1 & 2 cities, so as to prudently select premium land.

In 2019, the Group will continue to adhere to the strategy of market-leading products, enrich and improve its product ranges and further consolidate and broaden its leading advantage in high-quality products. It will also consistently upgrade the quality control system to efficiently secure the high standard delivery of its projects, forge more Sunac's "Gui Xin Community", and further enhance the brand influence of its products.

The property development business will continue to be the Group's core principal business for the long term. The Group will stringently control non-property investments, emphasize on improving the operations and profitability of its existing assets, with a view to nurturing them as the Company's new growth points in the future.

Sunac Service Group, comprising the property service and housing maintenance business, will focus on providing high quality community services with full product cycle and full life cycle that are tailored for its customers. In 2019, on the basis of consolidating the basic competitive strengths of its services, the Service Group will expand the scope of its diversified community service, achieve higher efficiency, greater convenience and more precise customer services and operation, so as to comprehensively improve its community operation efficiency and overall operational capability. In 2019, Sunac Culture & Tourism Group will continue to improve its operation and management capabilities to ensure that the commencement of the cultural and tourism projects in Guangzhou, Wuxi and Kunming will be successful and the proposals for future cultural and tourism projects can be optimized and thus the industry competitiveness and brand influence of the Sunac Culture & Tourism Group in the cultural and tourism sector can be further improved and the operation efficiency and profitability of its cultural and tourism assets can be enhanced. In early 2019, the Group established the Sunac Culture Group with the assets of Qingdao Movie Metropolis (東方影都), Lerong Zhixin Electronic Technology (樂融致新) and Suniverse Film Entertainment (樂創文娛), with the goal of building a platform for family entertainment and providing quality contents, as well as achieving synergistic development with the Sunac Cultural and Tourism Group. In 2019, the newly established Sunac Culture Group will place more focus on optimizing its organisational structure and team building, further improve its systemic management capabilities, so as to achieve a high starting point for its development.

The Group's core principal business - the property development business has established strong competitive strengths. Its non-property development businesses also possess good foundation for development or layout for a high starting point. The Group will, on the basis of the outstanding operating results in 2018, strive to achieve even more comprehensive and high quality growth in 2019.

Business Highlights

Summary of land bank

As at 31 December 2018, the Group and its joint ventures and associates had a total land bank of approximately 166 million sq.m. and attributable land bank of approximately 113 million sq.m.. The breakdown of land bank by city is as follows:.

City	**Total land bank** *('000 sq.m.)*	**Attributable land bank** *('000 sq.m.)*
Chongqing	15,667.8	10,621.4
Qingdao	13,125.1	9,297.4
Tianjin	10,004.0	6,939.3
Jinan	8,260.4	6,279.4
Zhengzhou	5,979.9	3,780.7
Xi'an	5,780.8	3,422.9
Chengdu	5,588.2	4,854.9
Kunming	5,162.8	3,469.0
Wuhan	4,779.2	3,862.2
Hangzhou	4,593.8	2,723.9
Hainan	4,423.4	2,651.5
Wuxi	3,822.3	3,024.3
Shanghai	3,633.6	1,996.8
Harbin	3,584.6	2,829.5
Suzhou	3,221.7	1,414.0
Jiangmen	2,924.4	2,751.4
Guangzhou	2,569.2	1,956.4
Hefei	2,545.2	2,291.2
Taiyuan	2,510.1	1,518.8
Xishuangbanna	2,404.7	2,188.3
Qingyuan	2,386.7	2,160.5
Shenyang	2,385.9	1,320.9
Yantai	2,132.8	1,377.6
Ningbo	2,128.3	1,323.7
Guiyang	2,017.7	1,194.0
Guilin	1,948.6	1,773.2
Xuzhou	1,917.9	883.7
Nanchang	1,854.7	1,671.3
Dalian	1,791.2	1,681.2
Shijiazhuang	1,786.8	527.2

City	**Total land bank** *('000 sq.m.)*	**Attributable land bank** *('000 sq.m.)*
Nanning	1,584.5	1,170.4
Taizhou	1,498.3	679.1
Foshan	1,426.5	1,058.0
Huzhou	1,418.0	700.9
Zhaoqing	1,324.4	1,136.6
Changsha	1,275.5	1,268.8
Yangzhou	1,189.4	403.8
Jiaxing	1,157.9	753.0
Jinhua	1,146.8	458.9
Shaoxing	1,078.0	752.3
Zhongshan	978.2	935.8
Huizhou	852.1	852.1
Nanjing	830.4	494.8
Wenzhou	727.4	174.1
Yichang	721.1	396.6
Nantong	666.7	486.0
Zhoushan	648.5	220.5
Zhenjiang	642.3	187.5
Urumqi	564.9	282.4
Lanzhou	556.3	227.0
Beijing	546.8	302.1
Shenzhen	540.5	223.4
Other cities	13,305.9	8,366.9
Total	**165,612.2**	**113,317.6**

As at the date of this announcement, the total land bank[1] and attributable land bank[1] of the Group and its joint ventures and associates amounted to approximately 183 million sq. m. and 124 million sq. m., respectively. Taking the contracted land reserve such as redevelopment of old residential properties into account, the total land bank[1] of the Group and its joint ventures and associates amounted to approximately 256 million sq.m..

Note 1: The land bank is as of 31 December 2018 and also includes land acquired since January 2019.

OTHER INFORMATION

ANNUAL GENERAL MEETING, FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Company's annual general meeting (the "AGM") is expected to be held on Tuesday, 4 June 2019, and the notice of AGM will be published and dispatched to the shareholder of the Company (the "Shareholders") in the manner as required by the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in due course.

For the purpose of determining the eligibility of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 30 May 2019 to Tuesday, 4 June 2019 (both days inclusive), during which period no transfer of shares of the Company (the "Shares") will be registered. In order to qualify for attending and voting at the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 29 May 2019.

At the meeting of the Board held on 28 March 2019, the Board proposed to declare a final dividend of RMB0.827 per share, being approximately RMB3,645 million in aggregate, for the year ended 31 December 2018, subject to approval of the Shareholders at the forthcoming AGM. The proposed final dividend is expected to be paid on or around 18 July 2019 to those Shareholders whose names appear on the register of members of the Company as at the close of business on 14 June 2019. The proposed final dividend will be paid in Hong Kong dollars, such amount to be calculated by reference to the central parity rate published by the People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at 4 June 2019.

For the purpose of determining the Shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Tuesday, 11 June 2019 to Friday, 14 June 2019 (both days inclusive), during which period no transfer of Shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted on at the AGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 10 June 2019.

SENIOR NOTES ISSUED DURING THE YEAR

On 19 April 2018, the Company issued the 7.35% senior notes due 2021 with a principal amount of US$650 million (the "2021 Notes") and the 8.35% senior notes due 2023 with a principal amount of US$450 million (the "2023 Notes"). The 2021 Notes and 2023 Notes are listed and traded on the Singapore Stock Exchange. The issue prices of both the 2021 Notes and the 2023 Notes were 100% of the principal amount thereof. Details of issuance of the 2021 Notes and the 2023 Notes are set out in the Company's announcements dated 16 April 2018, 17 April 2018 and 23 April 2018. The proceeds had been fully utilized as intended for re-financing the Group's existing indebtedness and for other general corporate purposes.

On 27 July 2018, the Company issued the 8.625% senior notes due 2020 with a principal amount of US$400 million (the "2020 Original Notes"). Subsequently on 4 December 2018, the Company issued the additional 8.625% senior notes due 2020 with a principal amount of US$350 million (the "2020 Additional Notes" , which are consolidated with the 2020 Original Notes and form a single series). The issue prices of the 2020 Original Notes and the 2020 Additional Notes were 100% and 99.231% of their respective principal amount. Details of issuance of the 2020 Original Notes are set out in the Company's announcements dated 24 July 2018, 25 July 2018 and 31 July 2018, and details of issuance of the 2020 Additional Notes are set out in the Company's announcements dated 29 November 2018, 30 November 2018 and 6 December 2018. The proceeds had been fully utilized as intended for re-financing the Group's existing indebtedness.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

The Company adopted a share award scheme with effect from 8 May 2018 (the "Share Award Scheme"), details of which are set out in the Company's announcement dated 8 May 2018. During the year ended 31 December 2018, the trustee of the Share Award Scheme purchased on the open market a total of 66,649,000 shares of the Company at the total consideration of approximately HK$1.67 billion pursuant to the terms of the trust deed and the rules of the Share Award Scheme. As at the date of this announcement, on a cumulative basis, the trustee of the Share Award Scheme has purchased on the open market a total 76,547,000 shares at the total consideration of approximately HK$1.90 billion.

Save as the aforesaid, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2018, the Group had a total of 38,040 employees in the PRC and Hong Kong. The Group's employee remuneration policy is determined by reference to factors such as remuneration standard of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and employee performance. The Group conducts annual performance appraisals for its employees, the results of which are applied in annual salary and promotional assessment. Social insurance are paid by the Group for its PRC employees in accordance with the relevant PRC regulations. The Group also operates insurance and mandatory provident fund schemes for Hong Kong employees.

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 Listing Rules as the guidelines for the Directors' dealings in securities of the Company. Following specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards as set out in the Model Code in relation to their securities dealings during the year ended 31 December 2018, 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 year ended 31 December 2018, complied with all applicable code provisions of the Corporate Governance Code.

The Board recognises and appreciates the importance and benefits of good corporate governance practices and has adopted 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 within the Group in order to monitor the operation and business development of the Group.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters concerning the audit, internal control and risk management system and financial reporting matters, including reviewing the Group's annual results for the year ended 31 December 2018.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expresssed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL 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 2018 annual report will be despatched to Shareholders along with the AGM circular, the notice of AGM and the proxy form for use at the AGM and such documents will be published on the aforementioned websites in due course.

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

Hong Kong, 28 March 2019

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