



SUNAC 融創中國

2021 INTERIM REPORT 中期報告

融創中國控股有限公司
SUNAC CHINA HOLDINGS LIMITED

STOCK CODE 股份代號: 01918.HK

融創中國控股有限公司

SUNAC CHINA HOLDINGS LIMITED



Sunac China Holdings Limited (the “Company” and, together with its subsidiaries, the “Group”) is a company listed on the Main Board of the Stock Exchange of Hong Kong Limited. With the brand philosophy of “passion for perfection”, the Group is committed to providing wonderful living environment and services for Chinese families and becoming the “Co-builder of a Better City” in China through high-quality products and services and integration of high-quality resources. With a focus on its core business of real estate, the Group implements its strategic layout in six business segments, namely Sunac Real Estate, Sunac Services, Sunac Culture & Tourism, Sunac Culture, Sunac Conference & Exhibition and Sunac Medical & Health Care. After 18 years of development, the Group has become a TOP 4 enterprise in China’s real estate industry, the largest culture and tourism industry operator and property owner in China, as well as the largest convention and exhibition property owner and operator in China, with nationwide leading capabilities in comprehensive urban development and integrated industrial operation.



融創中國控股有限公司（「本公司」，連同其附屬公司統稱為「本集團」）是香港聯交所主板上市企業。本集團以「至臻•致遠」為品牌理念，致力於通過高品質的產品與服務，整合優質資源，為中國家庭提供美好生活場景與服務，成為中國「美好城市共建者」。本集團以地產為核心主業，佈局六大業務板塊：融創地產、融創服務、融創文旅、融創文化、融創會議會展、融創醫療康養。經過18年發展，本集團已是中國房地產行業TOP4企業，中國最大的文旅產業運營商和物業持有者，及中國最大的會議會展物業持有者和運營商，具備全國領先的綜合城市開發與產業整合運營能力。

**SUNAC
CHINA
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LIMITED**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Poon Chiu Kwok
Mr. Zhu Jia
Mr. Ma Lishan
Mr. Yuan Zhigang

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Gao Xi

AUTHORIZED REPRESENTATIVES

Mr. Wang Mengde
Mr. Gao Xi

AUDIT COMMITTEE

Mr. Poon Chiu Kwok (*Chairman*)
Mr. Zhu Jia
Mr. Ma Lishan
Mr. Yuan Zhigang

NOMINATION COMMITTEE

Mr. Sun Hongbin (*Chairman*)
Mr. Poon Chiu Kwok
Mr. Ma Lishan
Mr. Yuan Zhigang

REMUNERATION COMMITTEE

Mr. Zhu Jia (*Chairman*)
Mr. Sun Hongbin
Mr. Poon Chiu Kwok
Mr. Ma Lishan
Mr. Yuan Zhigang

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Wang Mengde (*Chairman*)
Mr. Poon Chiu Kwok
Mr. Zhu Jia
Mr. Ma Lishan
Mr. Yuan Zhigang

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Sidley Austin

As to Cayman Islands law:
Conyers Dill & Pearman

As to Mainland China law:
Jincheng Tongda & Neal Law Firm

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
China Construction Bank
Bank of China
Bank of Communications
China Merchants Bank
China CITIC Bank
China Minsheng Bank
SPD Bank
Industrial Bank Co., Ltd.
China Everbright Bank
Bank of Shanghai
China Bohai Bank
HSBC
Hang Seng Bank

STOCK CODE

HKEx: 01918

COMPANY'S WEBSITE

www.sunac.com.cn

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the business review of the Group for the first half of 2021 and outlook for the second half of 2021.

REVIEW FOR THE FIRST HALF OF 2021

In the first half of 2021, on the basis of management and regulatory regulations featured by “Three Red Lines and Four Camps” for real estate enterprises and management systems for the “concentration” of real estate loans for banks, the government further introduced new regulations of “dual centralization (雙集中)” land supply for the land market. Such establishment of a series of more systematic and transparent long-term regulatory mechanisms has strongly supported the regulatory objectives of “stabilising land prices, housing prices and expectations”, which is conducive to future development of the industry and enterprises in a more stable and healthy manner. Therefore, the Group is more confident in the future prospects of the industry.

In the first half of 2021, the Group recorded continuous growth in results and its profitability remained stable. For the six months ended 30 June 2021, the Group's revenue was approximately RMB95.82 billion, representing a year-on-year increase of approximately 23.9%; gross profit was approximately RMB19.98 billion, representing a year-on-year increase of approximately 12.5%; profit attributable to owners of the Company was approximately RMB11.99 billion, representing a year-on-year increase of approximately 9.4%; the core net profit amounted to approximately RMB13.15 billion, representing a year-on-year increase of approximately 0.8%.

In the first half of 2021, relying on its high-quality saleable resources, the Group's sales recorded a significant growth. The Group and its joint ventures and associates achieved contracted sales amount of approximately RMB320.76 billion (of which attributable contracted sales amount was approximately RMB200.76 billion), representing a year-on-year growth of approximately 64.3% and ranking the fourth in the industry. The Group also continued to consolidate its market-leading position in core cities, as its contracted sales amount exceeded RMB10 billion in 9 cities including Wuhan, Hangzhou, Chongqing, Shanghai, Xi'an, Wenzhou, Suzhou and Beijing, etc., of which the contracted sales amount in Wuhan and Hangzhou exceeded RMB20 billion.

In the first half of 2021, the Group strictly controlled the total amount of land acquisition. While ensuring continuous optimization of financial indicators and fully satisfying the regulatory requirements of “Three Red Lines and Four Camps”, the Group appropriately replenished high quality land with prudent decisions in core cities and further consolidated its competitive edge in land bank. The Group increased the attributable land bank by approximately 17.08 million sq.m. and attributable saleable resources by approximately RMB213.5 billion. The cumulative attributable land premium to attributable sales ratio for the 12 consecutive months as of the end of June was approximately 28.5%, and particularly, attributable land premium to attributable sales ratio in the first half of 2021 was approximately 37.9%. As at the end of June 2021, the attributable land bank of the Group and its joint ventures and associates amounted to approximately 164 million sq.m. and the expected saleable resources of attributable land bank amounted to approximately RMB2.0 trillion.

In the first half of 2021, the Group further improved its capital structure and continued to improve its indicators under the “Three Red Lines and Four Camps”. As at the end of June 2021, the Group’s net gearing ratio was approximately 86.6%, non-restricted cash to current borrowings ratio was approximately 1.11, and liabilities to assets ratio after excluding receipts in advance was approximately 76.0%. The constant optimisation of the Group’s capital structure has also further enhanced the recognition of financial institutions and supported the continuous improvement of the financing structure. The credit lending and cooperation with the five largest state-owned banks continued to increase, and the scale of trust loan balance dropped significantly for two consecutive years. The Group’s balanced and high-quality growth strategy and excellent performance were also recognised commonly by international credit rating agencies, with S&P’s rating rising from BB– stable to BB stable, Moody’s rating rising from Ba3 stable to Ba3 positive, Fitch’s rating rising from BB stable to BB positive, and CCXAP¹’s first BBBg– stable rating. The steady improvement in credit ratings is believed to support the continuous reduction in the Group’s future financing costs.

In the first half of 2021, the Group continued to promote product innovation and maintain industry-leading product competitiveness. After successively winning the TOP 1 Product Power (產品力TOP1) by CRIC² and EH Consulting³, the Group was further awarded the “Top 1 Outstanding Enterprises in China’s Real Estate Products (房地產產品力優秀企業TOP1)” by CIA⁴ in the first half of 2021. In addition, focusing on the rejuvenation of its main customers and rapid technological innovation, the Group promoted the innovation of “I AM I” youthful products while conducting research on the consumption trends of high-end customers and upgrading its products, so as to maintain continuous leadership of product competitiveness.

In the first half of 2021, the Group increased its efforts to promote digital technology construction to support the Group’s internal precision management. The digital technology development mainly covers property development, services and culture and tourism segments. The property segment focuses on full-chain digital operation from BIM design, smart calculation, centralised procurement platform, smart construction, online sales platform and customer relationship management, and based on the underlying logic of transparency, fairness and good experience, the segment is committed to creating value for customers and supporting the Group’s internal efforts to improve decision-making and operating efficiency. The service segment has built up an integrated online and offline intelligent service capability by deeply synergizing technology and business. The culture and tourism segment focused on improving user experience, empowering the operation of merchants and realizing refined control to improve the management efficiency through smart construction. The milestones of the Group’s digital technology construction have been recognised by the industry, and Sunac’s smart community project won the 2021 “IDC Future Enterprise Awards – Best in Future of Connectedness (IDC 數字化轉型 – 未來聯接領軍者)”.

Notes:

1. CCXAP is China Chengxin (Asia Pacific) Credit Ratings Company Limited (中國誠信(亞太)信用評級有限公司).
2. CRIC is 上海克而瑞信息技術有限公司.
3. EH Consulting is 上海億翰商務諮詢股份有限公司.
4. CIA is China Index Academy Limited (中指研究院有限公司).

CHAIRMAN'S STATEMENT

In the first half of 2021, Sunac Services Holdings Limited (“Sunac Services”, stock code: 01516.HK), the Group's property management segment, continued to achieve high quality growth in its operating performance with significant growth in revenue and continued optimisation of revenue mix. In the first half of 2021, revenue of Sunac Services was approximately RMB3.32 billion, representing a substantial year-on-year increase of approximately 85.4%. Profit attributable to owners of Sunac Services was approximately RMB0.61 billion, representing a substantial year-on-year increase of approximately 154.4%. With the continuous support of the property segment and third-party expansion, Sunac Services maintained rapid growth in management scale in the first half of 2021. As of the end of June 2021, the gross floor area under management of Sunac Services reached approximately 173 million sq.m., and the contracted gross floor area reached approximately 322 million sq.m..

In the first half of 2021, Sunac Culture & Tourism, the Group's cultural and tourism assets operation segment, achieved rapid growth in operating results, with a number of projects successfully launched across the country and the influence of its ice and snow business continued to increase as a result of rapid development. In the first half of 2021, revenue of Sunac Culture & Tourism reached approximately RMB2.61 billion, representing a significant year-on-year increase of approximately 166.3%, management profit reached approximately RMB440 million and passenger traffic reached approximately 72.01 million, representing a significant increase of approximately 102.9% year-on-year.

In the first half of 2021, while achieving excellent results, the Group also actively fulfilled its social responsibility in the environmental protection and social welfare. In respect of environmental protection, the Group has implemented green practices along the entire chain through procurement of green building materials, green technology R&D, green building design, green construction management and green operation management. In respect of social welfare, the Group has made a cumulative donation of over RMB2.7 billion focusing on areas such as rural revitalisation, architectural heritage conservation, education and disaster relief so far. In August, the Group's achievements in fulfilling its social responsibility were recognised by Sustainalytics, a leading global provider of environmental, social and corporate governance (“ESG”) rating, which upgraded the Company's ESG rating to “Low Risk”, ranking the best among 70 participating real estate companies in the Mainland China.

OUTLOOK FOR THE SECOND HALF OF 2021

In the second half of 2021, the overall real estate sales market is expected to be relatively stable. However, with the release of purchasing power and the continuation of regulatory policies in the first half of the year, property purchasers' expectations are changing and the divergence between cities will intensify, with possible downward pressure on sales in some cities. In terms of the land market, with the continuous optimisation of "dual centralization" land supply policy by the government, it will effectively achieve the goals of constraining housing prices, controlling land prices and improving quality, so as to support enterprises to have reasonable profit margins while continuously seeking to create high-quality products, thus guiding the industry to develop in a more healthy and benign manner.

In the second half of 2021, it is expected that the Group's total saleable resources will exceed RMB660.0 billion, of which 29% are located in the Yangtze River Delta region, 25% in the Core Western China region, 20% in the Bohai Rim region, 13% in the Core Central China region and 13% in Southern China region. Sufficient and high-quality saleable resources will strongly support the Group's sales performance and adequate operating cash flow.

In the second half of 2021, in the face of a possible downward sales market and a financial market environment with uncertainties, the Group will strictly control the total amount and pace of land acquisition to ensure sufficient liquidity for the Company while further supporting the continuous improvement of financial indicators and the continuous optimisation of control indicators under the "Three Red Lines and Four Camps" by the central bank. The Group expects that the attributable land premium to attributable sales ratio will be limited to 20% in the second half of the year, and the attributable land premium to attributable sales ratio for the year will be limited to 30%.

Since the second half of 2019, based on the requirements in its own development stage, the Group has proactively implemented a more balanced and high-quality development strategy of "de-leveraging and optimising capital structure", and thus all debt indicators have been continuously improved and optimised. Starting from the second half of 2021, the Group will be more determined to the strategic direction of balanced and high-quality development, with the strategic objective of "safer, more unruffled, longer-term and more valuable" in the next phase, and strive to continue to create more and longer-term value for the employees, customers, shareholders and society, enabling the enterprise to have a more comprehensive and social reputation. In the second half of 2021, the Group will systematically adjust its development model and internal control mechanism, and will adopt "safer, more unruffled, longer-term and more valuable" as the basic principles and appraisal direction of the team to support the achievement of the new strategic objectives.

In the past course of development, the Group has been actively fulfilling its social responsibility, and has achieved certain results and gained external recognition. In the future, under the new strategic objectives, the Group will further focus on sustainable development and invest more efforts and resources in environmental protection, rural revitalization and social welfare, so as to better fulfill its social responsibility and create long-term value for the society.

MANAGEMENT DISCUSSION AND ANALYSIS

1 REVENUE

For the six months ended 30 June 2021, most of the Group's revenue came from sales of residential and commercial properties business, with a small proportion of revenue from cultural and tourism city construction and operation, property management and other businesses.

As at 30 June 2021, the Group's real estate development business achieved its national layout in tier-1 cities, tier-2 cities and strong tier-3 cities, which are divided into 7 major groups for management, namely the Beijing group (including Beijing, Ji'nan and Qingdao, etc.), North China group (including Tianjin, Zhengzhou and Xi'an, etc.), Shanghai group (including Shanghai, Nanjing and Suzhou, etc.), Southwestern China group (including Chongqing, Chengdu and Kunming, etc.), Southeastern China group (including Hangzhou, Xiamen and Hefei, etc.), Central China group (including Wuhan, Changsha and Nanchang, etc.) and South China group (including Guangzhou, Shenzhen and Sanya, etc.).

Total revenue of the Group for the six months ended 30 June 2021 amounted to approximately RMB95.82 billion, representing an increase of approximately 23.9% compared with the total revenue of approximately RMB77.34 billion for the six months ended 30 June 2020.

For the six months ended 30 June 2021, the total revenue of the Group and its joint ventures and associates was approximately RMB183.37 billion, representing an increase of approximately RMB55.37 billion (approximately 43.3%) as compared with the total revenue of approximately RMB128.00 billion for the six months ended 30 June 2020, of which approximately RMB124.49 billion was attributable to owners of the Company, representing an increase of approximately RMB29.69 billion (approximately 31.3%) as compared to approximately RMB94.80 billion for the six months ended 30 June 2020.

The following table sets forth certain details of the revenue:

	Six months ended 30 June			
	2021		2020	
	RMB billion	%	RMB billion	%
Revenue from sales of properties	87.50	91.3%	73.07	94.5%
Cultural and tourism city construction and operation income	2.61	2.7%	0.98	1.3%
Property management income	2.42	2.5%	1.33	1.7%
Other business income	3.29	3.5%	1.96	2.5%
Total	95.82	100.0%	77.34	100.0%
Total gross floor area delivered (in million sq.m.)	7.821		4.867	

For the six months ended 30 June 2021, revenue from sales of properties increased by approximately RMB14.43 billion (approximately 19.7%) as compared with that for the six months ended 30 June 2020. Total area of delivered properties increased by approximately 2.954 million square meters (approximately 60.7%) as compared with that for the six months ended 30 June 2020, mainly due to continuous increase in business scale of the Group's sales of properties, of which the delivered areas of property projects sold in various areas for the six months ended 30 June 2021 increased significantly as compared with that for the six months ended 30 June 2020.

2 COST OF SALES

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

For the six months ended 30 June 2021, the Group's cost of sales was approximately RMB75.84 billion, representing an increase of approximately RMB16.25 billion (approximately 27.3%) as compared to the cost of sales of approximately RMB59.59 billion for the six months ended 30 June 2020. Increase in cost of sales was mainly due to increase in area of delivered properties.

3 GROSS PROFIT

For the six months ended 30 June 2021, the Group's gross profit was approximately RMB19.98 billion, which was approximately RMB2.22 billion (approximately 12.5%) higher than the gross profit of approximately RMB17.76 billion for the six months ended 30 June 2020. Increase in gross profit was mainly due to increased sales revenue of the Group.

For the six months ended 30 June 2021, the Group's gross profit margin was approximately 20.8%, representing a decrease as compared to approximately 23.0% for the six months ended 30 June 2020.

For the six months ended 30 June 2021, the adjustments of revaluation surplus related to gains from business combination for the properties acquired led to the reduction of the Group's gross profit in the amount of approximately RMB5.33 billion. The Group's gross profit would have been approximately RMB25.31 billion and gross profit margin would have been approximately 26.4% for the six months ended 30 June 2021 without taking into account such impact.

For the six months ended 30 June 2021, total gross profit of the Group and its joint ventures and associates was approximately RMB36.02 billion, with a gross profit margin of approximately 19.6%, of which approximately RMB23.46 billion was gross profit attributable to owners of the Company. For the six months ended 30 June 2020, total gross profit of the Group and its joint ventures and associates was approximately RMB28.19 billion, with a gross profit margin of approximately 22.0%, of which approximately RMB20.91 billion was gross profit attributable to owners of the Company.

4 SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

The Group's selling and marketing costs increased by approximately 45.8% from approximately RMB2.62 billion for the six months ended 30 June 2020 to approximately RMB3.82 billion for the six months ended 30 June 2021. The Group's administrative expenses increased by approximately 1.6% from approximately RMB3.69 billion for the six months ended 30 June 2020 to approximately RMB3.75 billion for the six months ended 30 June 2021. The increase in sales and marketing costs and administrative expenses was mainly due to the continuous expansion of business scale and the increase in the number of property projects of the Group.

5 OTHER INCOME AND GAINS

For the six months ended 30 June 2021, the Group recognised other income and gains of approximately RMB4.05 billion, which mainly comprised income from capital utilisation fees received from joint ventures and associates, etc. of approximately RMB1.75 billion and net fair value gains on investment properties of approximately RMB0.82 billion. For the six months ended 30 June 2020, the Group's other income and gains amounted to approximately RMB7.31 billion, comprising income from capital utilisation fees received from joint ventures and associates, etc. of approximately RMB2.20 billion and net fair value gains on investment properties of approximately RMB0.05 billion. In addition, the Group had a pre-tax gain of approximately RMB2.80 billion on the disposal of its 24.36% shares in Jinke Property Group Co., Ltd. in the first half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

6 OPERATING PROFIT

Concluding from the above analysis, the Group's operating profit decreased by approximately RMB3.48 billion from approximately RMB18.03 billion for the six months ended 30 June 2020 to approximately RMB14.55 billion for the six months ended 30 June 2021, mainly due to the following reasons:

- (i) gross profit increased by approximately RMB2.22 billion;
- (ii) selling and marketing costs and administrative expenses increased by approximately RMB1.26 billion; and
- (iii) other income and gains decreased by approximately RMB3.26 billion, and other expenses and losses increased by approximately RMB1.26 billion.

7 FINANCE INCOME AND EXPENSES

The Group's finance expenses decreased by approximately RMB1.75 billion from approximately RMB2.45 billion for the six months ended 30 June 2020 to approximately RMB0.70 billion for the six months ended 30 June 2021, and finance income increased by approximately RMB0.66 billion from approximately RMB0.86 billion for the six months ended 30 June 2020 to approximately RMB1.52 billion for the six months ended 30 June 2021 at the same time, mainly due to the following reasons:

- (i) due to the change in trend of foreign exchange rates fluctuations, the exchange gain or loss of the Group changed from a loss of approximately RMB0.91 billion for the six months ended 30 June 2020 to a gain of approximately RMB0.70 billion for the six months ended 30 June 2021; and
- (ii) The average total borrowings of the Group decreased as compared to the six months ended 30 June 2020 resulting in a decrease in the total interest costs of the Group. The continuous expansion of business scale, and the increase in the number of property projects under construction of the Group led to an increase in the proportion of capitalised interest to the total interest cost, and as a result, the interest expenses decreased by approximately RMB0.84 billion to approximately RMB0.70 billion for the the six months ended 30 June 2021 from approximately RMB1.54 billion for the six months ended 30 June 2020.

8 SHARE OF POST-TAX PROFITS OF ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD, NET

During the six months ended 30 June 2021, share of post-tax profits of associates and joint ventures accounted for using the equity method, net was approximately RMB2.24 billion, representing a slight decrease of approximately RMB0.17 billion (approximately 7.1%) as compared with the share of post-tax profits of associates and joint ventures accounted for using the equity method, net of approximately RMB2.41 billion for the six months ended 30 June 2020.

9 PROFITS

The Group's profits attributable to owners of the Company increased by approximately 9.4% from approximately RMB10.96 billion for the six months ended 30 June 2020 to approximately RMB11.99 billion for the six months ended 30 June 2021. After excluding the impact of certain items such as gains from business combination and its effect on fair value adjustments, gain or loss on changes in fair value of financial assets, derivative financial instruments and investment properties, exchange gain or loss and charitable donations, etc., profit attributable to owners of the Company (the "core net profit", a non-GAAP financial measure) increased by approximately 0.8% from approximately RMB13.04 billion for the six months ended 30 June 2020 to approximately RMB13.15 billion for the six months ended 30 June 2021.

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

	For the six months ended 30 June	
	2021 RMB billion	2020 RMB billion
Profit for the period	13.30	11.70
Attributable to:		
Owners of the Company	11.99	10.96
Holders of perpetual capital securities	–	0.07
Other non-controlling interests	1.31	0.67
	13.30	11.70

10 CASH STATUS

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

The Group's cash balances (including restricted cash) decreased to approximately RMB123.19 billion as at 30 June 2021 from approximately RMB132.65 billion as at 31 December 2020, of which non-restricted cash increased to approximately RMB101.10 billion as at 30 June 2021 from approximately RMB98.71 billion as at 31 December 2020.

Increase in non-restricted cash was mainly due to:

- (i) approximately RMB11.72 billion of net cash inflow from operating activities;
- (ii) approximately RMB32.89 billion of net cash outflow used in investment activities; and
- (iii) approximately RMB23.57 billion of net cash inflow from financing activities.

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

MANAGEMENT DISCUSSION AND ANALYSIS

11 BORROWINGS AND SECURITIES

For the six months ended 30 June 2021, the Group assessed the market continuously, controlled the pace of its land acquisition and supported its operation and development with operating cash flows. As a result, its total borrowings were well managed. Total borrowings were approximately RMB303.53 billion as at 30 June 2021, which was basically flat with approximately RMB303.44 billion as at 31 December 2020.

As at 30 June 2021, approximately RMB272.71 billion (as at 31 December 2020: approximately RMB274.34 billion) of the Group's total borrowings were secured or jointly secured by the Group's restricted cash, properties under development, completed properties held for sale, etc. (total amount was approximately RMB210.49 billion (as at 31 December 2020: approximately RMB215.46 billion)) and equities of certain of the Group's subsidiaries (including those legally transferred as collateral).

12 NON-RESTRICTED CASH TO CURRENT BORROWINGS RATIO AND GEARING RATIO

Non-restricted cash to current borrowings ratio is calculated by dividing cash and cash equivalents by current borrowings. As at 30 June 2021, the Group's non-restricted cash to current borrowings ratio was approximately 1.11, representing an increase of approximately 0.03 as compared to that as at 31 December 2020.

Net gearing ratio is calculated by dividing total borrowings (including current and non-current borrowings) minus cash balances (including restricted cash) by total equity. As at 30 June 2021, the Group's net gearing ratio was approximately 86.6%, representing a decrease of approximately 9.4 percentage points as compared to that as at 31 December 2020.

Liabilities to assets ratio after excluding receipts in advance is calculated by dividing total liabilities minus receipts in advance (including contract liabilities and relevant value-added tax) by total assets minus receipts in advance (including contract liabilities and relevant value-added tax). As at 30 June 2021, the Group's liabilities to assets ratio after excluding receipts in advance was approximately 76.0%, representing a decrease of approximately 2.3 percentage points as compared to that as at 31 December 2020.

Net debt to total capital ratio is calculated by dividing the net debt by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) and lease liabilities less cash balances (including restricted cash). Total capital is calculated by adding total equity and net debt. As at 30 June 2021, the Group's net debt to total capital ratio was approximately 46.5%, representing a decrease as compared to approximately 49.1% as at 31 December 2020.

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 non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

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

	As at 30 June 2021 RMB billion	As at 31 December 2020 RMB billion
Floating interests		
Less than 12 months	15.16	15.53
1-5 years	40.91	41.49
Over 5 years	8.48	10.98
Subtotal	64.55	68.00
Fixed interests		
Less than 12 months	75.80	76.08
1-5 years	156.02	155.13
Over 5 years	7.16	4.23
Subtotal	238.98	235.44
Total	303.53	303.44

As at 30 June 2021, the Group has implemented certain interest rate swap arrangements to hedge its exposure to interest rate risk. The Group will continue to pay attention to interest rate swaps, consider refinancing and adjusting the financing structure and monitor its interest rate exposure on a monthly basis.

MANAGEMENT DISCUSSION AND ANALYSIS

14 FOREIGN EXCHANGE RISKS

As most of the Group's operating entities are located in China, the Group operates its business mainly in RMB. Some of the Group's bank deposits, financial assets at FVPL and senior notes are denominated in US dollars or Hong Kong dollars, meaning that the Group is exposed to foreign exchange risks. For the six months ended 30 June 2021, the Group recorded an exchange gain in the amount of approximately RMB0.70 billion due to fluctuations in foreign exchange rates. However, the Group's operating cash flow and liquidity were not significantly affected by fluctuations in foreign exchange rates. The Group managed its exposure to fluctuations in foreign exchange rates through the implementation of certain foreign exchange swap arrangements, and will continue to closely monitor fluctuations in foreign exchange rates and actively take corresponding measures to minimize foreign exchange risks.

15 CONTINGENT LIABILITIES

The Group provides guarantees to banks for the mortgage loans of certain property purchasers to ensure that the purchasers perform their obligations of mortgage loan repayment. The amount of such guarantees was approximately RMB146.12 billion as at 30 June 2021 as compared with approximately RMB139.14 billion as at 31 December 2020. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchasers which will generally occur within an average period of six months of the properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties. The period of guarantee provided by the Group starts from the date when the mortgage is granted.

BUSINESS HIGHLIGHTS

SUMMARY OF PROPERTIES AND LAND BANK

As at 30 June 2021, the Group and its joint ventures and associates were engaged in a total of 964 property development projects, with a total site area of approximately 165 million sq.m., an estimated total gross floor area (“GFA”) of approximately 416 million sq.m. and an estimated saleable GFA of approximately 364 million sq.m.. The Group and its joint ventures and associates had a total land bank of approximately 278 million sq.m. and attributable land bank of approximately 164 million sq.m.. The breakdown of properties and land bank by cities was as follows:

Urban circle	City	Total site area '000 sq.m.	Estimated total GFA '000 sq.m.	Estimated saleable GFA '000 sq.m.	Total land bank '000 sq.m.	Attributable land bank '000 sq.m.
Yangtze River Delta	Hangzhou	4,225.9	13,127.1	10,233.7	9,052.2	4,411.2
	Wenzhou	1,148.7	4,288.6	3,424.5	4,288.6	2,800.8
	Wuxi	6,454.7	13,194.1	11,823.9	4,566.6	2,529.6
	Shanghai	2,752.1	6,700.8	5,940.8	3,803.8	2,199.5
	Shaoxing	1,303.2	3,903.1	2,965.4	3,217.7	1,661.3
	Jiaxing	889.8	2,084.7	1,876.2	1,697.8	1,639.2
	Hefei	2,414.5	6,420.6	5,831.5	1,763.3	1,587.3
	Xuzhou	1,048.0	2,933.9	2,587.3	2,330.8	1,171.6
	Ningbo	1,322.2	3,966.7	3,119.6	2,792.2	1,170.4
	Suzhou	2,246.7	5,079.1	4,210.7	2,632.7	1,132.8
	Nantong	1,240.5	2,667.2	2,378.5	1,777.4	1,071.9
	Changzhou	1,500.6	2,547.5	2,255.5	1,334.6	941.2
	Huzhou	731.5	1,692.1	1,245.6	1,118.5	680.9
	Nanjing	770.3	2,111.8	1,835.5	1,353.0	616.5
	Others	5,060.7	12,863.2	11,461.5	8,986.4	3,960.1
	Subtotal	33,109.4	83,580.5	71,190.2	50,715.6	27,574.3
Bohai Rim	Qingdao	10,085.7	20,081.4	18,823.8	13,371.5	9,394.5
	Tianjin	8,785.6	20,659.3	18,239.5	10,404.9	7,374.5
	Ji'nan	4,627.5	12,301.9	11,885.9	7,682.1	5,021.5
	Dalian	1,194.6	3,100.9	2,915.3	2,510.1	2,336.0
	Harbin	2,959.3	7,310.4	6,683.6	4,287.9	2,335.4
	Taiyuan	1,211.9	5,906.3	3,891.2	3,826.3	2,102.7
	Shenyang	2,038.6	5,381.0	4,463.0	3,983.2	2,051.7
	Shijiazhuang	1,076.2	4,168.2	3,497.0	3,307.0	1,887.5
	Beijing	944.4	3,411.7	2,949.7	1,869.4	1,081.9
	Yantai	1,276.6	2,806.6	2,550.6	1,836.2	1,066.2
	Changchun	712.9	1,920.9	1,423.4	1,150.8	943.9
	Langfang	719.4	2,157.9	1,764.6	1,683.4	939.4
	Tangshan	472.0	1,166.1	986.3	1,062.0	864.2
	Others	2,046.8	5,367.7	4,880.8	3,867.1	2,947.8
		Subtotal	38,151.5	95,740.3	84,954.6	60,841.9

BUSINESS HIGHLIGHTS

Urban circle	City	Total site area '000 sq.m.	Estimated total GFA '000 sq.m.	Estimated saleable GFA '000 sq.m.	Total land bank '000 sq.m.	Attributable land bank '000 sq.m.
Southern China	Jiangmen	914.4	3,304.3	2,973.1	2,618.5	2,419.7
	Guangzhou	1,610.5	6,694.8	6,347.3	4,466.6	2,300.0
	Hainan Province	4,056.8	5,223.2	4,329.9	3,311.4	1,882.1
	Qingyuan	871.9	2,431.4	2,248.2	1,938.3	1,684.4
	Fuzhou	785.6	2,407.3	2,185.8	1,759.1	984.5
	Huizhou	399.8	1,479.1	1,338.9	927.0	892.8
	Shenzhen	357.1	1,541.9	1,209.4	1,535.0	810.6
	Zhaoqing	399.7	1,377.4	1,292.8	909.2	734.4
	Zhuhai	393.9	920.3	795.3	857.3	724.7
	Foshan	479.6	2,633.7	2,455.8	1,276.3	717.3
	Others	2,768.5	9,105.8	8,500.6	7,690.5	3,644.7
	Subtotal	13,037.8	37,119.2	33,677.1	27,289.2	16,795.2
Core Central China	Wuhan	6,446.9	22,457.4	16,692.8	15,794.2	7,881.9
	Zhengzhou	4,312.1	10,665.7	8,349.4	7,959.1	5,018.4
	Changsha	1,288.9	4,774.3	3,693.2	2,736.3	2,111.6
	Nanchang	3,465.8	5,310.9	4,191.8	1,455.9	1,012.4
	Yueyang	458.6	1,843.7	1,366.9	1,392.8	800.5
	Ezhou	523.9	1,932.5	1,481.9	1,668.1	777.9
	Xianning	1,119.7	1,112.3	900.2	900.4	630.3
	Others	1,492.6	4,265.2	3,455.6	2,857.9	1,432.3
	Subtotal	19,108.5	52,362.0	40,131.8	34,764.7	19,665.3
Core Western China	Chongqing	14,924.1	41,372.5	39,579.1	23,061.8	14,072.3
	Meishan	7,233.8	15,024.2	13,363.1	13,992.5	7,131.7
	Xi'an	4,457.0	15,205.5	13,268.1	11,523.9	6,488.1
	Chengdu	6,941.9	14,310.1	12,518.3	8,396.9	6,208.0
	Kunming	4,851.3	15,626.1	13,668.3	10,013.7	5,486.6
	Xishuangbanna	4,976.4	5,535.9	4,748.0	3,300.7	2,542.6
	Guiyang	1,265.4	4,890.4	4,587.1	4,298.8	2,316.5
	Guilin	5,057.6	5,550.3	5,279.0	4,604.3	2,314.4
	Nanning	1,227.4	5,746.6	5,253.4	4,397.1	2,253.9
	Dali	2,276.9	3,296.6	2,714.6	2,595.2	1,545.5
	Yinchuan	631.4	2,287.0	2,226.0	1,579.9	1,309.9
	Liuzhou	812.6	2,631.1	2,444.8	2,433.4	1,050.9
	Beihai	818.1	2,009.6	1,958.9	1,931.5	799.3
	Others	5,704.2	13,808.7	12,735.0	12,456.3	5,815.3
	Subtotal	61,178.1	147,294.6	134,343.7	104,586.0	59,335.0
	Total	164,585.3	416,096.6	364,297.4	278,197.4	163,717.0

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as its own code on corporate governance and had, throughout the six months ended 30 June 2021, complied with all applicable code provisions under the Corporate Governance Code.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the guidelines for the Directors’ dealings in the securities of the Company. Upon specific enquiries being made with all the Directors, all the Directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2021 in relation to their securities dealings, if any.

CHANGES OF INFORMATION OF DIRECTORS

There is no change in Directors’ information that is required to be disclosed in accordance with Rule 13.51B(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2020 by the Company.

SHARE OPTION SCHEMES

The Company has adopted three share option schemes (collectively, the “Share Option Schemes”) as follows:

- (i) The Company adopted a Pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) on 9 September 2010 and had granted in aggregate 51,080,000 share options to the Directors and employees under the Pre-IPO Share Option Scheme before the completion of the global offering of the Company, representing approximately 1.67% of the total issued shares of the Company immediately following the completion of the capitalization issue and the global offering. No share option could be offered or granted under the Pre-IPO Share Option Scheme upon the completion of the global offering of the Company. As at 30 June 2021, no share option remained outstanding and exercisable under the Pre-IPO Share Option Scheme;
- (ii) The Company adopted a Post-IPO share option scheme (the “2011 Share Option Scheme”) on 29 April 2011 and proposed certain amendments to the 2011 Share Option Scheme, which were approved and adopted on 17 March 2014. The 2011 Share Option Scheme had a term of six years from its adoption date, i.e. 29 April 2011 and expired on 28 April 2017. The Company had granted in aggregate 99,900,000 share options to the Directors and employees during the period, representing approximately 3.33% of the total issued shares as at the adoption date of the 2011 Share Option Scheme. As at 30 June 2021, no share option remained outstanding and exercisable under the 2011 Share Option Scheme; and

CORPORATE GOVERNANCE AND OTHER INFORMATION

(iii) The Company adopted a new share option scheme (the "2014 Share Option Scheme") on 19 May 2014, which had a term of five years from its adoption date, i.e. 19 May 2014 and expired on 18 May 2019. The Company had granted in aggregate 166,374,246 share options to the Directors and employees, representing approximately 5% of the total issued shares as at the adoption date of the 2014 Share Option Scheme. As at 30 June 2021, 40,782,964 share options remained outstanding and exercisable under the 2014 Share Option Scheme, representing approximately 0.87% of total number of issued shares as at 30 June 2021.

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

For the six months ended 30 June 2021, the details and changes of the share options granted under the 2014 Share Option Scheme were as follows:

Date of grant	Vesting date	Percentage of vesting	Expiry date	Exercise price per share (HK\$)	Closing price before the date of grant (HK\$)	Number of options granted	Accumulated number of options exercised from the date of grant to 30 June 2021	Accumulated number of options cancelled from the date of grant to 30 June 2021	Accumulated number of options lapsed from the date of grant to 30 June 2021	Number of options outstanding 30 June 2021	Number of options exercised for the six months ended 30 June 2021	Weighted-average closing price before the exercise date for the six months ended 30 June 2021 (HK\$)
2014/6/5	2014/6/5	30%	2019/6/4	4.07	3.96	33,267,000	31,544,600	1,363,400	359,000	-	-	-
	2015/6/5	30%										
	2016/6/5	40%										
2015/7/9	2015/7/9	30%	2020/7/8	7.27	6.34	33,267,000	31,452,200	900,280	914,520	-	-	-
	2016/7/9	30%										
	2017/7/9	40%										
2016/6/20	2016/6/20	30%	2021/6/19	4.62	4.56	39,920,000	39,178,000	590,000	152,000	-	11,496,000	28.88
	2017/6/20	30%										
	2018/6/20	40%										
2017/12/22	2017/12/22	30%	2022/12/21	30.25	30.25	59,920,246	16,533,282	1,595,000	1,009,000	40,782,964	602,000	31.48
	2018/12/22	30%										
	2019/12/22	40%										
Total						166,374,246	118,708,082	4,448,680	2,434,520	40,782,964	12,098,000	

For the six months ended 30 June 2021, the movements in the share options granted to Directors and employees under the 2014 Share Option Scheme were as follows:

Name of grantee	Granted on 5 June 2014	Granted on 9 July 2015	Granted on 20 June 2016	Granted on 22 December 2017	Granted in aggregate	Number of	Number of	Number of	Number of outstanding options as at 30 June 2021
						options outstanding as at 1 January 2021	options exercised for the six months ended 30 June 2021	options cancelled for the six months ended 30 June 2021	
Directors									
Mr. Sun Hongbin	1,300,000	-	-	-	1,300,000	-	-	-	-
Mr. Wang Mengde	1,200,000	1,300,000	2,000,000	2,800,000	7,300,000	2,800,000	-	-	2,800,000
Mr. Jing Hong	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	2,300,000	300,000	-	2,000,000
Mr. Chi Xun	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	4,800,000	2,000,000	-	2,800,000
Mr. Tian Qiang	1,100,000	1,200,000	1,800,000	2,600,000	6,700,000	4,400,000	1,800,000	-	2,600,000
Mr. Shang Yu	1,100,000	1,200,000	1,500,000	2,500,000	6,300,000	4,000,000	1,500,000	-	2,500,000
Mr. Huang Shuping	1,100,000	1,100,000	1,800,000	1,830,082	5,830,082	1,830,082	-	-	1,830,082
Senior management and employees	25,267,000	26,067,000	28,820,000	44,590,164	124,744,164	33,060,882	6,498,000	-	310,000
Total	33,267,000	33,267,000	39,920,000	59,920,246	166,374,246	53,190,964	12,098,000	-	40,782,964

SHARE AWARD SCHEME

SUNAC CHINA SHARE AWARD SCHEME

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

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

During the period from the Adoption Date to 30 June 2019, the trustee of the Share Award Scheme purchased on the open market a total of 94,653,000 Shares of the Company at the total consideration of approximately HK\$2.57 billion pursuant to the terms of the trust deed and the rules of the Share Award Scheme. For the six months ended 30 June 2021, the trustee of the Share Award Scheme did not purchase any Shares.

As at 30 June 2021, 57,505,000 Shares had been awarded to the selected employees under the Share Award Scheme on a cumulative basis, of which 16,690,000 Shares had been awarded in the first half of 2021 (19,775,000 Shares awarded in 2020).

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUNAC SERVICES SHARE AWARD SCHEME

Reference is made to the prospectus of Sunac Services dated 9 November 2020 and the announcement of Sunac Services dated 11 June 2021. The share award scheme (the “Sunac Services Share Award Scheme”) was adopted by Sunac Shine (PTC) Limited (“Sunac Shine”, a wholly-owned subsidiary of the Company and the trustee of the Sunac Services Share Award Scheme) on 11 June 2021. The principal terms and conditions of the Sunac Services Share Award Scheme are summarised below:

(i) Purposes of the Sunac Services Share Award Scheme

The purposes of the Sunac Services Share Award Scheme are to (i) recognize the contributions to Sunac Services and its subsidiaries (“Sunac Services Group”) by certain Eligible Persons (as defined below) and to give incentives in order to motivate certain Eligible Persons for the continuing development of Sunac Services Group; and (ii) to align the interest of certain Eligible Persons with those of the shareholders by providing them with the opportunity to own equity interests of Sunac Services.

(ii) Duration of the Sunac Services Share Award Scheme

Subject to any termination of the Sunac Services Share Award Scheme as determined by Sunac Shine, the Sunac Services Share Award Scheme shall be valid and effective for ten years commencing on the date of the first grant of any award (each an “Award”) of shares of Sunac Services to a selected participant under the Sunac Services Share Award Scheme.

(iii) Participants of the Sunac Services Share Award Scheme and the Basis for Determining the Eligibility of Selected Participants

Persons eligible to be awarded shares of Sunac Services under the Sunac Services Share Award Scheme include, without limitation, the key management of Sunac Services Group such as directors, senior management and employees of Sunac Services Group and other persons who have made special contributions to Sunac Services Group (each such person, an “Eligible Person”).

The advisory committee (the “Advisory Committee”) as appointed by Sunac Shine from time to time with the power and authority to administer and distribute shares of Sunac Services under the Sunac Services Share Award Scheme and may, from time to time and at its sole discretion, select the Eligible Person(s) to be granted the Award(s) (the “Selected Participant”) and determine the number of Sunac Services’ shares to be awarded (the “Awarded Shares”), the vesting conditions (if any) and the vesting schedule of the Awarded Shares. The Selected Participant may accept the offer of the grant of the Award Shares in such manner set out in the offer letter to be issued by the Advisory Committee to such Selected Participant in respect of the Award.

(iv) Maximum Number of Shares of Sunac Services that can be Awarded

Sunac Shine has been appointed as the trustee of the Sunac Services Share Award Scheme for purpose of the Sunac Services Share Award Scheme.

The maximum number of shares of Sunac Services that may be granted as Awards under the Sunac Services Share Award Scheme to the Eligible Persons shall be the number of shares of Sunac Services held or to be held by Sunac Shine on trust for the purpose of the Sunac Services Share Award Scheme from time to time. As at the date of this report, Sunac Shine holds 462,000,000 shares of Sunac Services on trust for the Sunac Services Share Award Scheme, representing approximately 14.90% of the issued shares of Sunac Services.

(v) Grant and Acceptance of Awards

An offer letter setting out, among others, the number, vesting conditions (if any) and vesting schedule of the Awarded Shares to be granted will be issued by the Advisory Committee to each Selected Participant. The Selected Participant may accept the offer of the grant of the Awarded Shares in such manner as set out in the offer letter. Upon acceptance, the Selected Participant becomes a participant in the Sunac Services Share Award Scheme (a "Participant"). Pursuant to the Sunac Services Share Award Scheme, a Participant shall be entitled to receive the Awarded Shares held by Sunac Shine upon satisfaction of the vesting conditions set out in the offer letter. After satisfaction of the vesting conditions, Sunac Shine shall transfer the relevant Awarded Shares to the relevant Participant. Up to the date of this report, no Award has been granted since the adoption of the Sunac Services Share Award Scheme.

(vi) Rights and Restrictions

(1) Voting Rights

A Participant may not exercise the voting rights in respect of any Awarded Shares held on trust by Sunac Shine for the Participant before the vesting and transfer of such Awarded Shares to the Participant.

Sunac Shine shall consider any instructions or recommendations from the Company with respect to the exercise of the voting rights of the shares of Sunac Services which are held by it as trustee, including shares which are not yet awarded to any Participants and shares which are awarded but not yet vested and transferred onto the relevant Participants in accordance with the terms of the Sunac Services Share Award Scheme.

(2) Entitlement of the Related Distribution

A Participant shall not be entitled to any dividends and other distributions declared and made in respect of the shares of Sunac Services held on trust (the "Related Distribution") derived from the relevant Awarded Shares unless and until such Awarded Shares are vested and transferred onto the Participant in accordance with the terms of the Sunac Services Share Award Scheme.

Any Related Distribution declared and made in respect of any shares of Sunac Services held by Sunac Shine on trust (including shares which are not yet awarded to any Participants and shares which are awarded but not yet vested and transferred onto the relevant Participants in accordance with the terms of the Sunac Services Share Award Scheme) shall be treated and dealt with in such manner as the Advisory Committee may in its sole and absolute discretion determine.

(3) Rights Attached to the Awarded Shares

Any Awarded Shares transferred to a Participant under the Sunac Services Share Award Scheme will be subject to the provisions of the articles of association of Sunac Services and will rank pari passu with the fully paid shares of Sunac Services in issue on the date of the transfer or, if that date falls on a day on which the register of members of Sunac Services is closed, the first day of the reopening of the register of members. Accordingly, the relevant Participant will be entitled to participate in all dividends or other distributions declared or made on or after the date of the transfer or, if that date falls on a day when the register of members of Sunac Services is closed, the first day of the reopening of the register of members.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(4) No Assignment

The Awarded Shares granted pursuant to the Sunac Services Share Award Scheme are personal in nature. The Participants shall not sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the Awarded Shares, or any interest or benefits therein, before Sunac Shine transfer the relevant Awarded Shares to the Participants.

(5) Unvested Awarded Shares

An Award will lapse and will be canceled by the Advisory Committee if the Participant fails to satisfy the relevant vesting conditions. Any Award of which the Awarded Shares are not yet vested will also automatically lapse and be canceled by the Advisory Committee immediately where:

- (a) in the absolute opinion of the Advisory Committee, the Participant is not qualified for his/her position, does not perform his/her work as required by the Group, or commits any illegal act, or otherwise has done anything which, in the conclusive opinion of the Advisory Committee, adversely affects his/her ability to perform his/her duties properly;
- (b) the Participant has resigned or is no longer an employee of the Group due to the expiry of his/her employment contract;
- (c) the Participant has been convicted for any criminal offence involving his/her integrity or honesty;
- (d) the Participant commits serious misconduct and is punishable or subject to dismissal with immediate effect by the relevant member(s) of the Group in accordance with the relevant employees' manual or the relevant laws and regulations; or
- (e) the Advisory Committee exercises its reserved right to cancel any Award due to other reasons or other relevant provisions of the Sunac Services Share Award Scheme.

If any Awarded Shares are unvested prior to the Participant's death, incapacitation or retirement and none of the aforementioned events has occurred in relation to such Participant which would cause the Award to lapse or to be canceled, unless the Advisory Committee shall at its sole discretion determine otherwise, such unvested Awarded Shares will be deemed to be vested on the day immediately prior to his/her death, incapacitation, or retirement.

(6) Restrictions

No Award shall be made to any Selected Participants where any director of Sunac Services or any member of the Advisory Committee is in possession of inside information (as defined under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) in relation to Sunac Services or the directors of Sunac Services are prohibited from dealing in the shares of Sunac Services pursuant to the applicable requirements under the Listing Rules or applicable laws rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2021, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

INTERESTS IN SHARES OF THE COMPANY (LONG POSITION)

Name of Director	Nature of interest	Number of Shares	Approximate percentage of interest in the Company ²
Mr. Sun Hongbin	Interest in controlled corporations ¹	2,091,329,884	44.73%
	Beneficial owner	19,930,000	0.43%
Mr. Wang Mengde	Beneficial owner	17,177,000	0.37%
Mr. Jing Hong	Beneficial owner	11,546,000	0.25%
	Interest of spouse	609,000	0.01%
Mr. Chi Xun	Beneficial owner	8,228,396	0.18%
Mr. Tian Qiang	Beneficial owner	6,982,000	0.15%
Mr. Shang Yu	Beneficial owner	6,190,000	0.13%
Mr. Huang Shuping	Beneficial owner	5,400,000	0.12%
Mr. Sun Kevin Zheyi	Beneficial owner	261,000	0.01%

Notes:

- These 2,091,329,884 Shares were held as to 2,042,623,884 Shares by Sunac International Investment Holdings Ltd ("Sunac International") and 48,706,000 Shares by 天津標的投資諮詢有限公司 (for identification only, Tianjin Biaodi Investment Consultancy Company Limited*) ("Tianjin Biaodi"). The entire issued share capital of Sunac International was held by Sun family trusts, 70% of which was held by the new family trust ("New Family Trust") and the remaining 30% was held by two original family trusts. The new family trust was established by Mr. Sun Hongbin in December 2018, with South Dakota Trust Company LLC as the trustee and Mr. Sun Hongbin and some of his family members as the beneficiaries. The two original family trusts were established in May and June 2018, respectively, the beneficiaries of which were family members of Mr. Sun Hongbin. All the shares of Tianjin Biaodi were held by Mr. Sun Hongbin. In accordance with the SFO, Mr. Sun Hongbin was deemed to be interested in the aforesaid Shares.
- Calculated on the basis of 4,675,283,911 Shares in issue as at 30 June 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Name of Director	Number of outstanding share options granted under the Share Option Schemes	Number of unvested Shares awarded under the Share Award Scheme	Total	Approximate percentage of interest in the Company ¹
Mr. Wang Mengde	2,800,000	1,860,000	4,660,000	0.10%
Mr. Jing Hong	2,000,000	1,610,000	3,610,000	0.08%
Mr. Chi Xun	2,800,000	1,570,000	4,370,000	0.09%
Mr. Tian Qiang	2,600,000	1,570,000	4,170,000	0.09%
Mr. Shang Yu	2,500,000	1,960,000	4,460,000	0.10%
Mr. Huang Shuping	1,830,082	950,000	2,780,082	0.06%
Mr. Sun Kevin Zheyi	–	609,000	609,000	0.01%

Note 1: Calculated on the basis of 4,675,283,911 Shares in issue as at 30 June 2021.

INTERESTS IN SHARES OF SUNAC SERVICES, AN ASSOCIATED CORPORATION OF THE COMPANY (LONG POSITION)

Name of Director	Nature of interest	Number of ordinary shares of Sunac Services	Approximate percentage of interest in the associated corporation ²
Mr. Sun Hongbin	Interest in controlled corporations ¹	2,227,288,606	71.77%
	Beneficial owner	366,472	0.01%
Mr. Wang Mengde	Beneficial owner	1,257,734	0.04%
Mr. Jing Hong	Beneficial owner	323,551	0.01%
	Interest of spouse	1,019,594	0.03%
Mr. Chi Xun	Beneficial owner	1,483,989	0.05%
Mr. Tian Qiang	Beneficial owner	1,450,321	0.05%
Mr. Shang Yu	Beneficial owner	1,432,592	0.05%
Mr. Huang Shuping	Beneficial owner	1,464,092	0.05%
Mr. Sun Kevin Zheyi	Beneficial owner	2,895	0.0001%

Notes:

1. These 2,227,288,606 shares of Sunac Services were held as to:
 - (i) 1,698,000,000 shares of Sunac Services by Sunac Services Investment Limited (融創服務投資有限公司) (“Sunac Services Investment”);
 - (ii) 462,000,000 shares of Sunac Services by Sunac Shine;
 - (iii) 65,721,489 shares of Sunac Services by Sunac International; and
 - (iv) 1,567,117 shares of Sunac Services by Tianjin Biaodi.

Sunac Services Investment is wholly owned by Sunac China. Sunac Shine, is wholly-owned by Sunac China and acts as the trustee of the Sunac Services’ share award scheme trust which is set up for the Sunac Services Share Award Scheme adopted on 11 June 2021. As at the date of this report, no shares had been granted under the Sunac Services Share Award Scheme. By virtue of the SFO, Sunac China is deemed to be interested in the shares of Sunac Services held by Sunac Services Investment and Sunac Shine, and Mr. Sun Hongbin is deemed to be interested in these 2,227,288,606 shares of Sunac Services through Sunac China, Sunac International and Tianjin Biaodi.

2. Calculated on the basis of 3,103,500,000 shares in issue of Sunac Services as at 30 June 2021.

Save as disclosed herein, as at 30 June 2021, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 30 June 2021, the following persons (other than a Director or chief executive of the Company) had an interest in 5% or more in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

INTERESTS IN SHARES OF THE COMPANY (LONG POSITION)

Name of shareholder	Nature of interest/capacity	Number of Shares	Approximate percentage of interest in the Company ³
Sunac International	Beneficial owner ¹	2,042,623,884	43.69%
	Holder of equity derivative ²	95,344,868	2.04%
South Dakota Trust Company LLC	Trustee ¹	2,042,623,884	43.69%
	Holder of equity derivative ²	95,344,868	2.04%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. These 2,042,623,884 Shares were held by Sunac International. 70% of the issued shares of Sunac International were held by Sunac Holdings LLC. All issued shares of Sunac Holdings LLC were held by the New Family Trust. South Dakota Trust Company LLC was the trustee of the New Family Trust. The New Family Trust was established by Mr. Sun Hongbin and Mr. Sun Hongbin and some of his family members are the beneficiaries. Mr. Sun Hongbin was deemed to be interested in all those 2,042,623,884 Shares by virtue of the SFO.
2. As at 30 June 2021, the Company signed certain total return swap agreements with two separate financial institutions. Such financial institutions purchased a total of 73,515,000 Shares and are expected to be able to purchase approximately 21,830,000 Shares based on the share price at the date of the agreements (subject to actual share purchases). According to the total return swap agreements, the relevant financial institution may sell the Shares to the trustee of the Share Award Scheme, but will not make physical delivery of the Shares to the Company. Each of Sunac International and South Dakota Trust Company LLC, as the trustee of the New Family Trust, is deemed to have interests in the relevant Shares in the swap transaction through the Company.
3. Calculated on the basis of 4,675,283,911 Shares in issue as at 30 June 2021.

Save as disclosed herein, as at 30 June 2021, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The following sets forth the material cooperation with subsidiaries, joint ventures and associates undertaken by the Group during the six months ended 30 June 2021:

COOPERATION WITH GUILIN ZHANGTAI ENTERPRISE GROUP LIMITED* (桂林彰泰實業集團有限公司, "ZHANGTAI GROUP")

On 16 April 2021, Sunac Southwest Real Estate Development Group Co., Ltd. ("Sunac Southwest Group", an indirect wholly-owned subsidiary of the Company) and Zhangtai Group entered into a cooperation framework agreement, pursuant to which the parties proposed to jointly develop certain property projects (the "Target Projects") through the formation of a joint venture (the "Joint Venture"). Under which, Sunac Southwest Group or its designated parties will form a platform company as the Joint Venture, and Zhangtai Group and its related parties will then carry out a restructuring of certain target companies by transferring all of the target equity interests into the Joint Venture, such that the equity interests of the Joint Venture will be held as to 80% by Sunac Southwest Group or its designated parties and as to 20% by Zhangtai Group and its related parties. The total capital to be invested by Sunac Southwest Group to the Joint Venture will be approximately RMB9.91 billion.

On 26 April 2021, Sunac Southwest Group designated Nanning Rongrui Real Estate Development Co., Ltd.* (南寧融瑞房地產開發有限公司, "Nanning Rongrui", a wholly-owned subsidiary of the Company) to establish a platform company (Guangxi Zhangtai Sunac Investment Development Co., Ltd.* (廣西彰泰融創投資開發有限公司)) as the Joint Venture with a registered capital of RMB3.2 billion contributed by Nanning Rongrui.

On 7 May 2021, Sunac Southwest Group, Nanning Rongrui, Zhangtai Group and its wholly-owned subsidiaries, and the Joint Venture entered into a formal agreement in relation to the cooperation, pursuant to which the total capital to be invested by Nanning Rongrui to the Joint Venture was reduced to approximately RMB9.17 billion from approximately RMB9.91 billion. The reduction was mainly due to the reduction in adjusted contribution made by Zhangtai Group and the sales profit, leading to a corresponding reduction in the amount of specific borrowing to be provided by Nanning Rongrui.

Please refer to the announcements of the Company dated 16 April 2021 and 7 May 2021 for details.

Save as disclosed above, the Group had not undertaken any other significant investments, material acquisitions or disposals of subsidiaries, joint ventures or associates during the six months ended 30 June 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR PURCHASE OF CAPITAL ASSETS

As at 30 June 2021, the Group had no definite plan authorised by the Board for material investments or purchase of capital assets.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

BONDS ISSUED DURING THE PERIOD

SENIOR NOTES

On 26 January 2021, the Company issued (i) the US\$600 million 5.95% senior notes due 2024, and (ii) the US\$500 million 6.5% senior notes due 2026.

On 2 March 2021, the Company issued (i) an additional US\$342 million 5.95% senior notes due 2024 (consolidated and form a single series with the US\$600 million 5.95% senior notes due 2024); and (ii) an additional US\$210 million 6.5% senior notes due 2025 (consolidated and form a single series with the US\$540 million 6.5% senior notes due 2025).

The aforesaid senior notes are listed and traded on the Singapore Exchange Securities Trading Limited. Please refer to the Company's announcements dated 22 January 2021, 27 January 2021 and 3 March 2021 for details of these issuances.

CORPORATE BONDS

On 19 January 2021, Sunac Real Estate Group Co., Ltd.* (融創房地產集團有限公司) ("Sunac Real Estate"), a wholly-owned subsidiary of the Company, successfully issued the RMB1.58 billion 6.80% corporate bonds due 2025. The bonds are listed and traded on the Shenzhen Stock Exchange. Please refer to Sunac Real Estate's announcement published on the Shenzhen Stock Exchange dated 25 January 2021 for details of this issuance.

On 2 April 2021, Sunac Real Estate successfully issued the RMB2.0 billion 7.00% corporate bonds due 2025. The bonds are listed and traded on the Shenzhen Stock Exchange. Please refer to Sunac Real Estate's announcement published on the Shenzhen Stock Exchange dated 13 April 2021 for details of this issuance.

REDEMPTION OF SENIOR NOTES DURING THE PERIOD

On 22 January 2021, the Company announced to redeem the outstanding balance of the US\$800 million 7.875% senior notes due on 15 February 2022 in full on 21 February 2021 (the "Redemption Date") at a redemption price equal to 102.0% of the principal amount thereof, plus accrued and unpaid interest to (but not including) the Redemption Date. The Company cancelled the notes early redeemed in accordance with the terms of the notes and indentures. Details of the redemption are set out in the announcements of the Company dated 22 January 2021 and 23 February 2021.

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

Save as disclosed in the section headed "Redemption of Senior Notes During the Period" of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSEQUENT EVENTS

SENIOR NOTES ISSUED

On 20 July 2021, the Company issued (i) the US\$400 million 6.8% senior notes due 2024; and (ii) the additional US\$100 million 6.5% senior notes due 2026 (consolidated and form a single series with the US\$500 million 6.5% senior notes due 2026).

The aforesaid senior notes are listed and traded on the Singapore Exchange Securities Trading Limited. Please refer to the Company's announcements dated 14 July 2021 and 21 July 2021 for details of these issuances.

REPURCHASE OF THE SHARES OF THE COMPANY

Subsequent to the end of the reporting period and up to the date of this report, the Company has repurchased from open market a total of 13,400,000 Shares. All the repurchased Shares have been cancelled. Details of the repurchase after the end of the reporting period are as follows:

Month of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration (excluding expenses) HKD
		Highest HKD	Lowest HKD	
July 2021	13,400,000	23.75	21.75	303,315,860

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

2019 FACILITY AGREEMENT

As stated in the announcement of the Company dated 20 August 2019, on 20 August 2019, the Company as the borrower entered into a facility agreement (the "2019 Facility Agreement") with The Hongkong and Shanghai Banking Corporation Limited, China CITIC Bank International Limited, Credit Suisse AG, Singapore Branch, Industrial Bank Co., Ltd., Hong Kong Branch, Hang Seng Bank Limited, Deutsche Bank AG, Singapore Branch, Morgan Stanley Senior Funding, Inc. and EnTie Commercial Bank as the lenders (the "2019 Lenders"), and China Construction Bank (Asia) Corporation Limited as the facility agent (the "2019 Facility Agent"), pursuant to which the 2019 Lenders agreed to make available to the Company a term loan facility (the "2019 Facility") in the aggregate amount of US\$280 million, which subject to the accession by any banks or financial institutions to the 2019 Facility Agreement pursuant to the terms thereunder will be increased to an aggregate amount of not exceeding US\$400 million. As at 30 June 2021, the principal amount of the 2019 Facility made available to the Company by the 2019 Lenders amounted to US\$279 million. The term of the 2019 Facility is 36 months from the date of the 2019 Facility Agreement. Pursuant to the 2019 Facility Agreement, among other things, if (i) Mr. Sun Hongbin, his family members and family trusts, together, cease to hold, whether directly or indirectly through any person, beneficially (a) 30% or more of the issued share capital of the Company, or (b) issued share capital having the right to cast at least 30% of the votes capable of being cast in general meetings of the Company; (ii) Mr. Sun Hongbin, his family members and family trusts, together, cease to control the Company; or (iii) Mr. Sun Hongbin ceases to be the chairman of the Board, following the instructions given by the majority of the 2019 Lenders, the 2019 Facility Agent may cancel the 2019 Facility and declare all outstanding loans together with accrued interest and other payables immediately due and payable by giving prior notice to the Company.

2021 FACILITY AGREEMENT

As stated in the announcement of the Company dated 28 June 2021, on 25 June 2021, the Company as the borrower and certain subsidiaries of the Company as subsidiary guarantors entered into a facility agreement (the “2021 Facility Agreement”) with The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank Limited, Morgan Stanley Senior Funding, Inc., Chong Hing Bank Limited, and China CITIC Bank International Limited as the lenders (the “2021 Lenders”), and The Hongkong and Shanghai Banking Corporation Limited as the facility agent (the “2021 Facility Agent”), in relation to certain facilities (the “2021 Facility”) up to US\$350 million (or its equivalent). The term of the 2021 Facility is 36 months from the date of the 2021 Facility Agreement. The proceeds from the 2021 Facility will be used to refinance the existing debt of the Group. Pursuant to the 2021 Facility Agreement, among other things, if (i) Mr. Sun Hongbin, his family members and family trust and their respective affiliates (collectively, the “Permitted Holders”), together, cease to hold, whether directly or indirectly through any person, beneficially (a) 30% or more of the issued share capital of the Company, or (b) the issued share capital of the Company having the right to cast at least 30% of the votes capable of being cast in general meetings of the Company; (ii) the Permitted Holders, together, cease to control the Company; or (iii) Mr. Sun Hongbin ceases to be the chairman of the Board, following the instruction given by the majority of the 2021 Lenders, the 2021 Facility Agent will cancel the facilities under the 2021 Facility Agreement and declare all outstanding loans together with accrued interest and other payables immediately due and payable by giving prior notice to the Company.

Save as disclosed above, there was no other matter subsisting as at 30 June 2021 which requires disclosure in this report pursuant to Rule 13.21 of the Listing Rules.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2021, the Group had a total of 68,663 employees in the Mainland China and Hong Kong. For the six months ended 30 June 2021, the staff cost of the Group was approximately RMB5.26 billion (30 June 2020: RMB4.97 billion).

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

In order to attract and retain excellent talents, the Company adopted the Pre-IPO Share Option on 9 September 2010, the 2011 Share Option Scheme on 29 April 2011 and the 2014 Share Option Scheme on 19 May 2014 for granting share options to eligible persons (including employees of the Group) entitling them the right to subscribe for shares of the Company, details of which are set out on pages 17 to 19 of this report. Furthermore, (i) the Company adopted the Share Award Scheme on 8 May 2018; and (ii) Sunac Shine adopted the Sunac Services Share Award Scheme on 11 June 2021 to encourage and recognise employees of the Group for their contributions to the Group by providing them the opportunity to own equity interests in the Company and Sunac Services, details of which are set out on pages 19 to 22 of this report. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness. The Group did not experience any major difficulties in recruitment of employees, nor did it experience any material loss in manpower or any material labour dispute during the six months ended 30 June 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters related to auditing, internal control and risk management systems and financial reporting, including the review of the unaudited interim results of the Group for the six months ended 30 June 2021.

The unaudited interim financial information for the six months ended 30 June 2021 has been reviewed by PricewaterhouseCoopers, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 30 August 2021

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 32 to 77, which comprises the interim condensed consolidated balance sheet of Sunac China Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2021

PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong
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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Note	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	92,739,108	85,741,042
Investment properties	8	30,745,471	28,933,847
Right-of-use assets	9	16,567,781	16,395,822
Intangible assets	10	9,889,669	9,134,838
Deferred tax assets		13,813,884	12,237,271
Investments accounted for using the equity method	11	98,938,503	86,543,135
Financial assets at fair value through profit or loss	12	26,907,737	27,923,387
Other receivables	15	62,400	54,000
Prepayments	16	5,530,399	6,503,350
		295,194,952	273,466,692
Current assets			
Properties under development	13	560,457,107	504,147,025
Completed properties held for sale	14	71,327,745	64,536,564
Inventories		887,917	775,381
Trade and other receivables	15	70,733,761	61,000,686
Contract related assets	6	5,155,416	3,840,346
Amounts due from related companies	31	36,087,471	38,928,928
Prepayments	16	28,107,477	16,842,720
Prepaid income tax		11,649,936	8,761,882
Financial assets at fair value through profit or loss	12	2,664,365	3,458,725
Restricted cash	17	22,087,564	33,935,611
Cash and cash equivalents	17	101,099,468	98,710,644
		910,258,227	834,938,512
Total assets		1,205,453,179	1,108,405,204
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	401,921	400,938
Other reserves	19	19,478,927	28,025,584
Retained earnings		108,506,928	97,200,984
		128,387,776	125,627,506
Other non-controlling interests		79,943,641	52,202,977
Total equity		208,331,417	177,830,483

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Note	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	21	212,568,497	211,831,470
Derivative financial instruments		147,144	196,883
Lease liabilities	9	445,345	447,794
Deferred tax liabilities		28,891,291	33,878,924
Other payables	20	108,693	304,205
		242,160,970	246,659,276
Current liabilities			
Trade and other payables	20	248,282,240	202,075,006
Contract liabilities	6	319,733,254	273,759,529
Amounts due to related companies	31	46,520,900	68,896,873
Current tax liabilities		49,180,409	47,285,517
Borrowings	21	90,962,064	91,607,425
Lease liabilities	9	206,458	212,051
Derivative financial instruments		19,759	23,336
Provisions		55,708	55,708
		754,960,792	683,915,445
Total liabilities		997,121,762	930,574,721
Total equity and liabilities		1,205,453,179	1,108,405,204

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

The condensed consolidated interim financial information on pages 32 to 77 was approved by the Board of Directors on 30 August 2021 and was signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Unaudited Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	6	95,816,336	77,341,665
Cost of sales	22	(75,840,639)	(59,585,858)
Gross profit		19,975,697	17,755,807
Other income and gains	23	4,051,131	7,308,023
Selling and marketing costs	22	(3,818,211)	(2,615,289)
Administrative expenses	22	(3,749,034)	(3,685,860)
Other expenses and losses	24	(1,892,149)	(634,957)
Net impairment losses on financial and contract assets		(18,163)	(96,047)
Operating profit		14,549,271	18,031,677
Finance income	25	1,523,160	861,111
Finance expenses	25	(700,516)	(2,451,591)
Finance income/(expenses) – net		822,644	(1,590,480)
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net		2,238,285	2,414,541
Profit before income tax		17,610,200	18,855,738
Income tax expense	26	(4,313,537)	(7,154,856)
Profit for the period		13,296,663	11,700,882
Other comprehensive income for the period		–	–
Total comprehensive income for the period		13,296,663	11,700,882
Attributable to:			
– Owners of the Company		11,989,112	10,959,122
– Holders of perpetual capital securities		–	68,297
– Other non-controlling interests		1,307,551	673,463
		13,296,663	11,700,882
Earnings per share attributable to owners of the Company (expressed in RMB per share):			
– Basic earnings per share	27	2.62	2.41
– Diluted earnings per share		2.59	2.39

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Note	Unaudited					
		Attributable to owners of the Company				Other non-controlling interests	Total equity
		Share capital	Other reserves	Retained earnings	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2021		400,938	28,025,584	97,200,984	125,627,506	52,202,977	177,830,483
Total comprehensive income for the period ended 30 June 2021		-	-	11,989,112	11,989,112	1,307,551	13,296,663
Transactions with owners, recognised directly in equity							
Capital contributions from non-controlling interests		-	-	-	-	20,369,102	20,369,102
Acquisition of assets and liabilities through acquisition of subsidiaries		-	(1,067,977)	-	(1,067,977)	1,598,593	530,616
Acquisition of subsidiaries on business combination		-	(182,500)	-	(182,500)	40,058	(142,442)
Disposal of subsidiaries		-	-	-	-	(7,390)	(7,390)
Dividends to non-controlling interests		-	-	-	-	(54,723)	(54,723)
Transactions with non-controlling interests		-	(648,148)	-	(648,148)	4,487,473	3,839,325
Employees share option schemes:							
– Proceeds from shares issued	18,19	983	50,935	-	51,918	-	51,918
Share award scheme:							
– Value of employee services	19	-	312,122	-	312,122	-	312,122
Dividends relating to 2020		-	(7,011,089)	(683,168)	(7,694,257)	-	(7,694,257)
		983	(8,546,657)	(683,168)	(9,228,842)	26,433,113	17,204,271
Balance at 30 June 2021		401,921	19,478,927	108,506,928	128,387,776	79,943,641	208,331,417

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Note	Unaudited	
		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		23,163,143	31,628,339
Income tax paid		(11,444,256)	(9,188,996)
Net cash generated from operating activities		11,718,887	22,439,343
Cash flows from investing activities			
Net cash outflow on business combinations	30	(736,526)	(1,770,143)
Net cash (outflow)/inflow on disposal of subsidiaries		(314)	29,071
Proceeds from disposal and capital decreasing of joint ventures and associates		175,979	11,835,714
Settlement of consideration payment for equity transactions		(14,097,238)	(8,412,662)
Cash advance received/(payment) for potential equity transactions		3,050,003	(653,350)
Investments in joint ventures and associates		(8,685,694)	(6,326,665)
Dividend received from joint ventures and associates		70,290	2,619,258
Payments for financial assets at fair value through profit or loss ("FVPL")		(2,714,241)	(122,012)
Purchases of property, plant and equipment ("PP&E"), land use rights, intangible assets and investment properties		(9,502,047)	(8,503,812)
Proceed from redemption/settlement of financial assets at FVPL		3,039,600	244,824
Loans granted to joint ventures and associates		(6,591,736)	(5,252,432)
Repayments of loan received from joint ventures and associates		1,300,499	2,981,324
Interest received		1,520,649	2,053,888
Proceeds from disposals of PP&E and land use rights		106,781	865,636
Others		174,036	–
Net cash used in investing activities		(32,889,959)	(10,411,361)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Note	Unaudited	
		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from issue of ordinary shares		51,918	7,227,914
Redemption of perpetual capital securities		–	(1,903,000)
Proceeds from borrowings		96,543,064	105,844,771
Repayments of borrowings		(103,409,277)	(111,758,409)
Proceeds (paid for)/from derivative financial instruments		(24,892)	9,707
Distribution paid to holders of perpetual capital securities		–	(166,774)
Dividends or deemed distribution paid to non-controlling interests		(6,364,371)	(1,044,513)
Loans from non-controlling interests		21,948,201	3,151,086
Loan repayments to non-controlling interests		(3,396,996)	(1,639,417)
Proceeds from transaction with non-controlling interests		4,451,561	793,099
Interest paid		(13,794,235)	(14,958,974)
Deposit received for bank borrowings		7,310,338	6,008,876
Contribution from non-controlling interests		20,369,102	3,770,620
Principal elements of lease payments		(112,474)	(100,792)
Others		–	(50,000)
Net cash generated from/(used in) financing activities		23,571,939	(4,815,806)
Net increase in cash and cash equivalents		2,400,867	7,212,176
Cash and cash equivalents at beginning of period		98,710,644	77,943,661
Effect of exchange difference		(12,043)	72,780
Cash and cash equivalents at end of period		101,099,468	85,228,617

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

1 General information

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

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands.

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

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

2 Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 *Interim financial reporting*. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcement made by the Company during the interim reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

3 Accounting policies

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

(A) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Below new and amended standards and interpretations became effective for annual reporting periods commencing on 1 January 2021 and adopted by the Group for the first time in 2021 interim report:

- *Interest Rate Benchmark Reform – Phase 2 – Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16*

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

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

Certain new accounting standards and amendments have been published, which are not effective for 2021 interim reporting period and have not been early adopted by the Group. These new and amended standards are not expected to have any significant impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Effective for the financial year beginning on or after
<i>Reference to the Conceptual Framework – Amendments to HKFRS 3</i>	1 January 2022
<i>Property, Plant and Equipment: Proceeds before intended use – Amendments to HKAS 16</i>	1 January 2022
<i>Onerous contracts – costs of fulfilling a contract – Amendments to HKAS 37</i>	1 January 2022
<i>Annual improvements to HKFRSs Standards 2018-2020</i>	1 January 2022
<i>Merger Accounting for Common Control Combination – Revised Accounting Guideline 5</i>	1 January 2022
<i>Classification of liabilities as current or non-current – Amendments to HKAS 1</i>	1 January 2023
<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (2020)</i>	1 January 2023
<i>Insurance contracts – HKFRS 17</i>	1 January 2023
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12</i>	1 January 2023
<i>Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2</i>	1 January 2023
<i>Definition of Accounting Estimates – Amendments to HKAS 8</i>	1 January 2023
<i>Sale or contribution of assets between an investor and its associate or joint ventures – Amendments to HKFRS 10 and HKAS 28</i>	To be determined

4 Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements and estimations made by management were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

5 Financial risk management and financial instruments

5.1 FINANCIAL RISK FACTORS

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

There have been no significant changes in the risk or in any risk management policies since 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

5 Financial risk management and financial instruments (Continued)

5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

(i) Fair value hierarchy

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2021 and 31 December 2020 on a recurring basis:

At 30 June 2021	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets					
Financial assets at FVPL	12	13,727,460	1,160,253	14,684,389	29,572,102
Financial liabilities					
Derivative financial instruments		–	166,903	–	166,903
At 31 December 2020	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets					
Financial assets at FVPL	12	1,690,880	663,421	29,027,811	31,382,112
Financial liabilities					
Derivative financial instruments		–	220,219	–	220,219

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

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

(i) Fair value hierarchy *(Continued)*

During the six months ended 30 June 2021, there were no transfers between levels 1 and 2 for recurring fair value measurements during this period. For transfers out of level 3 measurements see (iii) below.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- discounted cash flow method and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- market approach and back-solve method with observable and unobservable inputs, including risk-free rate, expected volatility, discount of lack of marketability, discount rate, market multiples rate, etc;
- for currency and interest derivative contracts – option pricing model and the present value of the estimated future premium payments set out in these contracts; and
- for option embedded in the corporate bond contracts – trinomial option pricing model with prominent factors that will materially affect value of the options, including terms and conditions of the option of the bonds, volatilities of the market interest rates, etc.

The financial instruments classified as level 2 included currency derivative contracts, interest rate swap derivative contracts and total return swap contracts entered into with certain commercial banks and option embedded in the corporate bond contracts.

As at 30 June 2021, the Group's level 3 instruments included equity investments measured at fair value through profit or loss and debt instruments. For the investment in unlisted equity securities and debt instruments, as these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including market approach etc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

5 Financial risk management and financial instruments (Continued)

5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

The following table presents the changes in level 3 items for the periods ended 30 June 2021:

	Financial assets at FVPL		
	Equity investment	Debt instruments	Total
	RMB'000	RMB'000	RMB'000
Opening balance 1 January 2021	26,401,108	2,626,703	29,027,811
Acquisition of subsidiaries	–	26,210	26,210
Additions	1,016,068	1,026,250	2,042,318
Disposals	–	(933,211)	(933,211)
Transfer to level 1	(16,144,282)	–	(16,144,282)
Gains recognised in other income and gains*	658,811	6,732	665,543
Closing balance 30 June 2021	11,931,705	2,752,684	14,684,389

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

208,330	3,809	212,139
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During six months period ended 30 June 2021, the equity investments was reclassified from level 3 of fair value hierarchy to level 1 due to the common shares of one listed company held by the Group became unrestricted listed securities consequently.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Description	Fair value at		Valuation method	Significant unobservable inputs	Range of significant unobservable inputs	
	30 Jun 2021 RMB'000	31 Dec 2020 RMB'000			30 June 2021	31 December 2020
Equity investments	11,931,705	26,401,108	Market approach and back-solve method	Discount of lack of marketability Expected volatility rate Discount rate	10%-30% 37.73%-49.15% 13%	10%-30% 37.07%-46.98% 13%
Debt instruments	2,752,684	2,626,703	Discounted cash flow method	Discount rate	3.85%-4.65%	3.85%-4.65%

5 Financial risk management and financial instruments (Continued)

5.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

Relationships of unobservable inputs to fair value are as follows:

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

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

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

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since either the interest receivable/payable is close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 30 June 2021:

	Carrying amount RMB'000	Fair value RMB'000
Non-current borrowings:		
– Corporate bonds (note 21)	14,845,304	15,710,699
– Private domestic corporate bonds (note 21)	10,064,925	10,609,692
	24,910,229	26,320,391

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

6 Segment information

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

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

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

In November 2020, the Group spun-off Sunac Services Holdings Limited ("Sunac Services"), its operating segment of property management services, to be separately listed on the Stock Exchange. The executive directors assess the performance of property management segment as a new independent reportable segment since then and the segment information of 2020 interim was restated correspondingly.

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

The performance of above reportable segments is assessed based on a measure of profit before depreciation and amortisation, interest expenses and income tax expenses, defined as segment results. The segment results exclude the fair value gains or losses on financial assets at FVPL and derivative financial instruments, which are managed on a central basis.

Segment assets primarily consist of all assets excluding deferred tax assets, prepaid income tax, financial assets at FVPL and derivative financial instruments, which are managed on a central basis. Segment liabilities primarily consist of all liabilities excluding deferred tax liabilities, current tax liabilities and derivative financial instruments.

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

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

6 Segment information (Continued)

The segment results are as follows:

	Six months ended 30 June 2021				
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	87,503,605	2,608,912	3,319,248	14,132,323	107,564,088
Recognised at a point in time	65,773,086	1,130,729	276,473	285,959	67,466,247
Recognised over time	21,730,519	1,478,183	3,042,775	13,846,364	40,097,841
Inter-segment revenue	-	-	(898,503)	(10,849,249)	(11,747,752)
Revenue from external customers	87,503,605	2,608,912	2,420,745	3,283,074	95,816,336
Net impairment losses on financial and contract assets	-	-	(18,163)	-	(18,163)
Net fair value gains on investment properties	-	812,176	-	6,000	818,176
Interest income	1,741,853	-	7,080	-	1,748,933
Finance income	1,427,483	-	95,677	-	1,523,160
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	2,207,634	14,668	6,494	9,489	2,238,285
Segment results	18,345,684	1,289,634	558,320	1,071,506	21,265,144
Other information					
Capital expenditure	1,584,906	8,128,305	36,664	597,107	10,346,982

	As at 30 June 2021				
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment assets	949,589,666	133,215,013	12,757,059	54,855,519	1,150,417,257
Investments accounted for using the equity method	98,096,585	143,352	68,666	629,900	98,938,503
Total segment liabilities	852,885,662	32,007,173	3,696,859	30,293,465	918,883,159

6 Segment information (Continued)

Reportable segment results are reconciled to total profit as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Total segment results	21,265,144	21,855,901
Depreciation and amortisation	(1,659,249)	(1,230,113)
Finance expenses	(700,516)	(2,451,591)
Other income and gains	28,423	752,197
Other expenses and losses	(1,323,602)	(70,656)
Income tax expense	(4,313,537)	(7,154,856)
Profit for the period	13,296,663	11,700,882

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
	Total segment assets	1,150,417,257
Deferred tax assets	13,813,884	12,237,271
Other assets	41,222,038	40,143,994
Total assets	1,205,453,179	1,108,405,204
Total segment liabilities	918,883,159	849,190,061
Deferred tax liabilities	28,891,291	33,878,924
Other liabilities	49,347,312	47,505,736
Total liabilities	997,121,762	930,574,721

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

6 Segment information (Continued)

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Related to development and sales of properties contracts:		
Cost to obtain the contract	5,155,416	3,840,346
Contract liabilities	319,733,254	273,759,529

7 Property, plant and equipment

	Buildings and equipment RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold Improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2020						
Cost	73,456,200	300,042	775,692	644,575	14,547,716	89,724,225
Accumulated depreciation	(3,396,656)	(92,848)	(307,457)	(186,222)	-	(3,983,183)
Net book amount	70,059,544	207,194	468,235	458,353	14,547,716	85,741,042
Half-year ended 30 June 2021						
Opening net book amount	70,059,544	207,194	468,235	458,353	14,547,716	85,741,042
Acquisition of subsidiaries (note 30(B))	668	103	679	122	-	1,572
Additions	59,027	14,396	85,891	72,072	8,269,172	8,500,558
Transfers	13,688,586	-	-	-	(13,688,586)	-
Disposals	(299,552)	(3,154)	(13,252)	-	-	(315,958)
Depreciation charges	(1,041,835)	(16,146)	(68,877)	(61,248)	-	(1,188,106)
Closing net book amount	82,466,438	202,393	472,676	469,299	9,128,302	92,739,108
At 30 June 2021						
Cost	86,779,108	304,132	838,971	716,769	9,128,302	97,767,282
Accumulated depreciation	(4,312,670)	(101,739)	(366,295)	(247,470)	-	(5,028,174)
Net book amount	82,466,438	202,393	472,676	469,299	9,128,302	92,739,108

For the six months ended 30 June 2021, depreciation expense of RMB751 million, RMB37 million and RMB400 million has been charged to "cost of sales", "selling and marketing costs" and "administrative expenses" respectively.

8 Investment properties

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

	Completed Investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At 31 December 2020	26,701,368	2,232,479	28,933,847
Additions	–	945,528	945,528
Acquisition of subsidiaries (note 30(B))	47,920	–	47,920
Fair value changes	53,100	765,076	818,176
Transfers	2,643,393	(2,643,393)	–
At 30 June 2021	29,445,781	1,299,690	30,745,471

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

As at 30 June 2021, all the investment properties are within level 3 of the fair value hierarchy. Management obtains independent valuations for its investment properties including office buildings, shopping malls and commercial properties. DTZ Cushman & Wakefield Limited performed the independent valuation of these buildings. There were no significant changes to the valuation techniques during the period.

9 Leases

	Land use rights RMB'000	Properties RMB'000	Vehicles RMB'000	Total right-of-use assets RMB'000
Right-of-use assets				
31 December 2020	15,797,408	585,727	12,687	16,395,822
Additions	858,708	138,421	3,487	1,000,616
Transfer to properties under development	(400,844)	–	–	(400,844)
Disposals	(39,985)	(37,367)	–	(77,352)
Depreciation charges	(212,361)	(134,262)	(3,838)	(350,461)
30 June 2021	16,002,926	552,519	12,336	16,567,781

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

9 Leases (Continued)

	30 June 2021 RMB'000	31 December 2020 RMB'000
Lease liabilities		
Current	206,458	212,051
Non-current	445,345	447,794
Total lease liabilities	651,803	659,845

For the six months ended 30 June 2021, depreciation expense of RMB196 million and RMB154 million has been charged to "cost of sales" and "administrative expenses" respectively.

10 Intangible assets

	Goodwill (A) RMB'000	Customer relationships and trademark RMB'000	Others RMB'000	Total RMB'000
At 31 December 2020				
Cost	7,972,369	1,723,585	755,279	10,451,233
Accumulated amortisation and impairment	(652,030)	(497,153)	(167,212)	(1,316,395)
Net book amount	7,320,339	1,226,432	588,067	9,134,838
Half-year ended 30 June 2021				
Opening net book amount	7,320,339	1,226,432	588,067	9,134,838
Acquisition of subsidiaries (note 30)	667,320	154,440	11,565	833,325
Additions	–	–	42,188	42,188
Amortisation charges	–	(82,608)	(38,074)	(120,682)
Closing net book amount	7,987,659	1,298,264	603,746	9,889,669
At 30 June 2021				
Cost	8,639,689	1,878,025	809,032	11,326,746
Accumulated amortisation and impairment	(652,030)	(579,761)	(205,286)	(1,437,077)
Net book amount	7,987,659	1,298,264	603,746	9,889,669

10 Intangible assets (Continued)

(A) IMPAIRMENT TESTS FOR GOODWILL

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

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Cultural and tourism city construction and operation	4,392,488	4,392,488
Property management	1,721,146	1,053,826
Property development	595,412	595,412
All other segments	1,278,613	1,278,613
	7,987,659	7,320,339

There have been no significant changes in goodwill allocation for the six months ended 30 June 2021. Management reviews the business performance and monitors the goodwill on individual CGU or group of CGUs basis as at 30 June 2021. The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

Assumption	Cultural and tourism city construction and operation	Zhejiang New Century Property Management Co., Ltd.
30 June 2021		
Revenue growth rate	Start-up period: 11.8%-24.1% Stable period: 3.7%-5.5%	11.3%-23.9%
Profit rate over the stable period	12.3%-45.3%	7.5%-8.6%
Terminal growth rate	3%	3.0%
Pre-tax discount rate	12.2%	19.5%

Except for the goodwill allocated to cultural and tourism city construction and operation segment and property management segment, there is no individual CGU for which the carrying amount of goodwill is significant in comparison with the total carrying amount of goodwill. The key assumptions used to determine the recoverable amount of each of such CGU include the future unit selling price, revenue growth rate, profit rate, terminal growth rate, estimated future costs to complete the project development and pre-tax discount rate. The range of pre-tax discount rate used for the analysis of each CGU in the operating entities is 17.9%-23.9% as at 30 June 2021 (2020 pre-tax discount rate: 18.1%-23.7%).

The directors and management have considered and assessed reasonably possible changes for above key assumptions and have not identified any instances that would have resulted in a significant impairment against the goodwill of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

11 Investments accounted for using the equity method

	30 June 2021 RMB'000	31 December 2020 RMB'000
Joint ventures	73,101,781	64,478,669
Associates	25,836,722	22,064,466
	98,938,503	86,543,135

11.1 INVESTMENTS IN JOINT VENTURES

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
At beginning of period	64,478,669	60,049,425
Increasing:		
– New investments in joint ventures	9,961,620	5,441,893
– Acquisition from business combination	–	47,198
Decreasing:		
– Disposal and capital decreasing of joint ventures	(290,645)	(1,825,715)
– Impact on asset acquisition transactions	(370,740)	(2,441,128)
Share of profits of joint ventures, net	1,822,206	1,381,653
Dividends from joint ventures	(2,499,329)	(2,822,957)
At end of period	73,101,781	59,830,369

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

11.2 INVESTMENTS IN ASSOCIATES

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
At beginning of period	22,064,466	28,944,867
Increasing:		
– New investments in associates	4,231,738	2,615,790
Decreasing:		
– Disposal and capital decreasing of associates	(23,776)	(10,126,612)
– Impact on asset acquisition transactions	(51,765)	–
Share of profits of associates, net	416,079	454,086
Dividends from associates	(800,020)	(783,278)
At end of period	25,836,722	21,104,853

12 Financial assets at fair value through profit or loss

	30 June 2021 RMB'000	31 December 2020 RMB'000
Equity investment	26,819,418	28,755,409
Debt investments	2,752,684	2,626,703
	29,572,102	31,382,112

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

13 Properties under development

	30 June 2021 RMB'000	31 December 2020 RMB'000
Comprising:		
Land use rights costs	373,895,804	333,721,133
Construction costs and capitalised expenditures	119,559,089	110,769,268
Capitalised finance costs	67,472,007	61,245,093
	560,926,900	505,735,494
Less: Provision for loss on realisable value	(469,793)	(1,588,469)
	560,457,107	504,147,025
Including: To be completed within 12 months	180,830,155	165,561,224
To be completed after 12 months	379,626,952	338,585,801
	560,457,107	504,147,025

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

14 Completed properties held for sale

	30 June 2021 RMB'000	31 December 2020 RMB'000
Completed properties held for sale	73,815,738	67,417,740
Less: Provision for loss on realisable value	(2,487,993)	(2,881,176)
	71,327,745	64,536,564

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

15 Trade and other receivables

	30 June 2021 RMB'000	31 December 2020 RMB'000
Non-current –		
Amounts due from construction customers	48,000	48,000
Other receivables (c)	14,400	6,000
	62,400	54,000
Current –		
Trade receivables from contracts with customers (a)	3,103,631	2,790,035
Amounts due from non-controlling interests and their related parties (b)	36,360,403	32,804,732
Notes receivables	54,058	29,734
Deposits receivables	9,232,586	9,470,270
Other receivables (c)	22,554,766	16,459,435
	71,305,444	61,554,206
Less: Loss allowance	(571,683)	(553,520)
	70,733,761	61,000,686

As at 30 June 2021 and 31 December 2020, the carrying amounts of the Group's trade and other receivables were all denominated in RMB and the carrying amounts of trade and other receivables approximated their fair values.

Notes:

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Within 90 days	1,111,455	1,540,308
91-180 days	193,789	54,492
181-365 days	743,039	377,650
Over 365 days	1,055,348	817,585
	3,103,631	2,790,035

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

16 Prepayments

	30 June 2021 RMB'000	31 December 2020 RMB'000
Non-current –		
Prepayments for equity transactions	5,470,002	6,458,240
Prepayments for purchase of PP&E	60,397	45,110
	5,530,399	6,503,350
Current –		
Prepaid value added taxes and other taxes	5,611,378	3,613,616
Prepayments for land use rights acquisitions	18,958,849	11,039,614
Prepayments for construction costs	2,228,858	1,218,431
Others	1,308,392	971,059
	28,107,477	16,842,720

As at 30 June 2021 and 31 December 2020, the carrying amounts of the Group's prepayments were all denominated in RMB.

17 Cash and cash equivalent

	30 June 2021 RMB'000	31 December 2020 RMB'000
Cash at banks and on hand	123,187,032	132,646,255
Less: Restricted cash (a)	(22,087,564)	(33,935,611)
	101,099,468	98,710,644

- (a) Restricted cash mainly included the restricted cash from property pre-sale proceeds and guarantee deposits as reserve for bank loans. In certain subsidiaries of the Company, a portion of the proceeds from pre-sale of properties is saved as guarantee bank deposits in accordance with the municipal regulations and is released in line with certain development progress milestones.

18 Share capital

	Number of shares (thousands)	Share capital	
		HK\$'000	Equivalent to RMB'000
Authorised:			
At 1 January 2021 and 30 June 2021, HK\$0.1 per share	10,000,000	1,000,000	
Issued and fully paid:			
As at 1 January 2021	4,663,186	466,320	400,938
Shares issued upon exercise of employees' share options (a)	12,098	1,210	983
As at 30 June 2021	4,675,284	467,530	401,921

Note:

(a) The Company adopted a Share Option Scheme (the "2014 Share Option Scheme") on 19 May 2014 (note 19(a)).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

19 Reserves

	Share premium RMB'000	Share option reserve RMB'000	Other reserves RMB'000	Total RMB'000
Six months ended 30 June 2021				
At 1 January 2021	6,960,154	1,909,578	19,155,852	28,025,584
Transactions with non-controlling interests	–	–	(648,148)	(648,148)
Acquisition of subsidiaries on business combination (note 30(A))	–	–	(182,500)	(182,500)
Acquisition of assets and liabilities through acquisition of subsidiaries (note 30(D))	–	–	(1,067,977)	(1,067,977)
Employees share option schemes (a)				
– Exercise of employees' share options	50,935	–	–	50,935
Share award scheme (b)				
– Value of employee services	–	312,122	–	312,122
Dividends relating to 2020	(7,011,089)	–	–	(7,011,089)
At 30 June 2021	–	2,221,700	17,257,227	19,478,927
Six months ended 30 June 2020				
At 1 January 2020	5,437,780	1,338,957	10,733,880	17,510,617
Transactions with non-controlling interests	–	–	1,139,948	1,139,948
Employees share option schemes (a)				
– Exercise of employees' share options	173,693	–	–	173,693
Share award scheme (b)				
– Value of employee services	–	366,105	–	366,105
Proceeds from placing of new shares	7,036,066	–	–	7,036,066
Dividends relating to 2019	(5,726,051)	–	–	(5,726,051)
At 30 June 2020	6,921,488	1,705,062	11,873,828	20,500,378

Notes:

- (a) For the six months ended 30 June 2021, 12,098,000 shares in connection with the 2014 Share Option Scheme were exercised by the employees, which resulted in an increase of RMB0.98 million in the share capital and RMB50.94 million in share premium (note 18).

As at 30 June 2021, 40,782,964 shares of the 2014 Share Option Scheme were exercisable (31 December 2020: 53,190,964 shares of the 2014 Share Option Scheme).

19 Reserves (Continued)

Notes: (continued)

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

For the six months ended 30 June 2021, no additional share was purchased from open market pursuant to the Share Award Scheme.

For the six months ended 30 June 2021, 16,690 thousand shares in connection with the Share Award Scheme were granted to the eligible employees for no cash consideration. The fair value of the rights at grant date was estimated by taking the market price of the Company's shares on that date less the present value of expected dividends that will not be received by the eligible employees on their rights during the waiting period. As at 30 June 2021, 18,919 thousand shares in connection with the Share Award Scheme were exercisable.

The total expense recognised in the profit or loss for the Share Award Scheme granted to employees for the six months ended 30 June 2021 was RMB312.12 million.

20 Trade and other payables

	30 June 2021 RMB'000	31 December 2020 RMB'000
Non-current –		
Un-paid amounts for acquisition of equity investments	–	169,624
Other payables (d)	108,693	134,581
	108,693	304,205
Current –		
Trade payables (a)	130,648,475	123,297,865
Amounts due to non-controlling interests and their related parties (b)	35,062,577	13,630,355
Un-paid amounts for acquisition of equity investments	11,178,236	7,108,469
Dividend payables	7,748,980	–
Other taxes payable	4,490,407	5,203,316
Interests payable	3,242,515	3,865,838
Payroll and welfare payables	1,303,405	3,807,306
Consideration payable arising from non-controlling shareholders' put option (c)	1,250,477	–
Other payables (d)	53,357,168	45,161,857
	248,282,240	202,075,006

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

20 Trade and other payables (Continued)

Notes:

- (a) As at 30 June 2021, the ageing analysis of the trade payables is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Within 90 days	46,244,530	50,072,362
91-180 days	16,220,358	20,897,115
181-365 days	33,374,532	25,054,599
Over 365 days	34,809,055	27,273,789
	130,648,475	123,297,865

- (b) The amounts due to non-controlling interests and their related parties are unsecured and repayable on demand.
- (c) There are several put options provided to the non-controlling shareholders of some subsidiaries of the Group which they have the right to sell the remaining equity interests to the Group at any time. The financial liabilities being the present value of the redemption amount for the acquisition of the remaining equity interest upon the exercise of the put option are recognised and included in other payables.
- (d) As at 30 June 2021, other payables mainly included value-added tax relevant to pre-sale of properties amounted to RMB17,268 million (as at 31 December 2020, RMB13,848 million). Beside this, the residual amounts mainly included deposits from customers, deed tax and maintenance funds received on behalf of customers and cash advance from potential equity investment partners.

21 Borrowings

	30 June 2021 RMB'000	31 December 2020 RMB'000
Non-current		
Secured,		
– Bank and other institution borrowings	205,847,407	214,597,482
– Senior notes (A)	50,553,215	47,072,708
	256,400,622	261,670,190
Unsecured,		
– Bank and other institution borrowings	5,400,324	1,949,050
– Corporate bonds (B)	14,845,304	11,265,506
– Private domestic corporate bonds (C)	10,064,925	15,391,031
	30,310,553	28,605,587
Less: Current portion of non-current borrowings	286,711,175 (74,142,678)	290,275,777 (78,444,307)
	212,568,497	211,831,470
Current		
Secured,		
– Bank and other institution borrowings	16,310,312	12,668,110
Unsecured,		
– Bank and other institution borrowings	509,074	495,008
Current portion of non-current borrowings	16,819,386 74,142,678	13,163,118 78,444,307
	90,962,064	91,607,425
Total borrowings	303,530,561	303,438,895

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

21 Borrowings (Continued)

(A) SENIOR NOTES

The Company issued senior notes ("Senior Notes") on the Singapore Exchange Securities Trading Limited, payable semi-annually in arrears. As at 30 June 2021, the total principal amount of the outstanding Senior Notes was USD7,872 million.

During the period ended 30 June 2021, the Company has newly issued senior notes as follows:

Issue dates	Maturity	Principal USD million	Interest rate
26 January 2021	3.3 years	600	5.950%
26 January 2021	5 years	500	6.500%
02 March 2021	3.3 years	342	5.950%
02 March 2021	3.86 years	210	6.500%

According to the terms of the Senior Notes, at any time and from time to time on or after the redemption date, which are set in the first to fourth year after the issue dates, the Company may redeem the Senior Notes, in whole or in part, at a redemption price in range of 101%-108.375% of principal amount plus accrued and unpaid interests, if any, to (but not including) the redemption date.

(B) CORPORATE BONDS

Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate"), a wholly owned subsidiary of the Group, issued corporate bonds (the "Corporate Bonds") on the Shanghai Stock Exchange and Shenzhen Stock Exchange, payable annually in arrears. During the period ended 30 June 2021, Corporate Bonds newly issued were listed as follows:

Issue dates	Principals RMB'000	Interest rate	Maturity
19 January 2021	1,580,000	6.80%	4 years
02 April 2021	2,000,000	7.00%	4 years

All the Corporate Bonds are with the issuer's option to adjust the coupon rate and the investors' option to sell back the bonds at the end of the second, third or fifth years.

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

The options embedded in the Corporate Bonds were not closely related to the host contracts and were recognised at fair value at the respective issue date and 30 June 2021.

21 Borrowings (Continued)

(C) PRIVATE DOMESTIC CORPORATE BONDS

Sunac Real Estate issued private domestic corporate bonds (the "Private Bonds") on Shanghai Stock Exchange and Shenzhen Stock Exchange. During the period ended 30 June 2021, Private Bond newly issued was listed as follows:

Issue date	Principal RMB'000	Interest rate	Maturity
29 June 2021	600,000	7.00%	4 years

Certain Private Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the first, second, third or fifth years.

The options embedded were not closely related to the host contracts and were recognised at fair value at the issue date and 30 June 2021.

- (D) As at 30 June 2021, RMB272,711 million (as at 31 December 2020: RMB274,338 million) of the Group's total borrowings were secured or jointly secured by the Group's certain assets, comprised of restricted cash, PUD, completed properties held for sale, investment properties, PP&E and land used rights, which total amount was RMB210,488 million (as at 31 December 2020: RMB215,458 million) and equity interests of certain subsidiaries of the Group.

22 Expenses by nature

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Costs of properties sold	68,827,048	54,792,817
Staff costs	2,729,567	2,822,835
Advertisement and promotion costs	2,359,416	1,435,659
Depreciation and amortisation	1,659,249	1,230,113
Value-added tax surcharges	855,035	364,468
Net impairment losses for properties	88,242	780,682

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

23 Other income and gains

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest income	1,748,933	2,199,915
Net fair value gains on investment properties	818,176	50,699
Net gain from disposal of joint venture and associate	5,816	2,741,600
Fair value gains on derivative financial instruments	28,423	41,371
Net Fair value gains on financial assets at FVPL	–	710,826
Gains from business combination	–	616,384
Others	1,449,783	947,228
	4,051,131	7,308,023

24 Other expenses and losses

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Net fair value losses on financial assets at FVPL	1,222,268	–
Impairment provision for goodwill	–	137,394
Fair value losses on derivative financial instruments	–	70,656
Others	669,881	426,907
	1,892,149	634,957

25 Finance income and expenses

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Financial expenses:		
Interest expenses	13,055,553	15,178,592
Interest expenses for lease liabilities	29,507	31,680
Less: Capitalised finance costs	(12,384,544)	(13,669,483)
	700,516	1,540,789
Net exchange losses	–	910,802
	700,516	2,451,591
Finance income:		
Interest income on bank deposits	(826,532)	(861,111)
Net exchange gains	(696,628)	–
	(1,523,160)	(861,111)
Finance (income)/expenses – net	(822,644)	1,590,480

26 Income tax expense

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Corporate income tax (“CIT”)		
– Current income tax	6,005,328	6,487,988
– Deferred income tax	(3,864,497)	(1,401,304)
	2,140,831	5,086,684
Land appreciation tax (“LAT”)	2,172,706	2,068,172
	4,313,537	7,154,856

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

26 Income tax expense *(Continued)*

(A) CIT

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the six months ended 30 June 2021 based on existing legislations, interpretations and practices.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year.

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

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

(B) LAT

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

27 Earnings per share

(A) BASIC

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

	Six months ended 30 June	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	11,989,112	10,959,122
Weighted-average number of ordinary shares in issue (thousand)	4,664,970	4,631,211
Adjusted for purchase of shares for share award scheme (thousand)	(82,453)	(91,576)
Weighted-average number of ordinary shares for basic earnings per share (thousand)	4,582,517	4,539,635

(B) DILUTED

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

	Six months ended 30 June	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	11,989,112	10,959,122
Weighted-average number of ordinary shares in issue (thousand)	4,664,970	4,631,211
Adjusted for purchase of shares for share award scheme (thousand)	(82,453)	(91,576)
Adjusted for share options and awarded shares (thousand)	37,843	48,996
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	4,620,360	4,588,631

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

27 Earnings per share (Continued)

(B) DILUTED (Continued)

The Company has two categories of dilutive potential ordinary shares:

- (i) share options – the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration.
- (ii) awarded shares – the number of shares granted under the Share Award Scheme less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the proceeds equal to unamortised fair value 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.

28 Commitments

- (A) Property development expenditures and capital expenditures at the balance sheet date but not yet incurred is as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Contracted but not provided for		
– PUD and completed properties held for sale	181,635,891	147,779,020
– PP&E	7,131,251	16,687,239
– Investment properties	668,308	612,701
– Right-of-use assets	64,729	58,972
	189,500,179	165,137,932

(B) EQUITY INVESTMENTS

	30 June 2021 RMB'000	31 December 2020 RMB'000
– Contracted but not provided for	1,730,255	1,478,349

29 Contingent liabilities

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	146,119,534	139,137,672

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

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the mortgage. The Directors consider that the likelihood of default of payments by purchasers is minimal.

In addition, the Group had provided guarantees for certain joint ventures and associates for their borrowings amounted to RMB42.37 billion (31 December 2020: RMB42.73 billion) together with the business partners on pro rata basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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30 Business combination

(A) ACQUISITIONS OF SUBSIDIARIES

In May 2021, the Group entered into an acquisition agreement with Taixing Holdings Limited (as vendor) and Taitao Holdings Limited to acquired 80% equity interest of Zhangtai Services Group Co., Ltd. (the "Zhangtai Services") at a total consideration of RMB730 million (the "Consideration"). Upon completion of the transaction, Zhangtai Services became an 80% owned subsidiary of the Group. Pursuant to the agreement, the original shareholders of Zhangtai Services were guaranteed a put option under which they may elect to sell their remaining 20% equity interest in Zhangtai Services to the Group at any time after the date of completion of acquisition. The consideration for the transfer of the remaining equity interest shall be the Consideration divided by 80% and times 20% plus an annualised interest of 10% minus distributed profit (if any) and the corresponding interest. If the put option is exercised, the Group would control 100% of equity interests in Zhangtai Services. Beside above acquisition transaction, the Group acquired equity interests of several property management companies from third parties during the six months ended 30 June 2021, at a total consideration of RMB53 million. Upon completion of these transactions, these entities became subsidiaries of the Group. The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition dates was not disclosed.

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

	Total
	RMB'000
Fair value of total interests acquired	115,680
Cash considerations for acquisition of equity interests	783,000
Goodwill from business combination	667,320

30 Business combination (Continued)

- (B) The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions of subsidiaries in the above transactions are summarised as follows:

	Total
	RMB'000
(1) Fair value of net assets	
Non-current assets	
PP&E	1,572
Investment properties	47,920
Intangible assets	166,005
Current assets	
Inventory	1,063
Cash and cash equivalents	18,710
Financial assets at fair value through profit of loss	26,210
Other current assets	315,308
Non-current liabilities	
Other non-current liabilities	27,132
Current liabilities	
Borrowings	16,900
Other current liabilities	377,018
Net assets	155,738
Less: Non-controlling interests	(40,058)
Fair value of the net assets acquired	115,680
(2) Cash impact	
	Total
	RMB'000
Considerations settled by cash in current period	(755,236)
Cash and cash equivalents in the subsidiaries acquired	18,710
Net cash impact on acquisitions	(736,526)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

30 Business combination (Continued)

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

	Total RMB'000
Revenue	67,710
Net gains	21,677

If the acquisition date for all business combinations that occurred during six months ended 30 June 2021 had been as of the beginning of this interim reporting period, the Group's consolidated revenue and consolidated profit for six months ended 30 June 2021 would have been RMB95,951 million and RMB13,329 million respectively.

(D) ASSET ACQUISITION

In May 2021, Sunac Southwest Real Estate Development Group Co., Ltd., (the "Sunac Southwest Group") which is an wholly-owned subsidiary of the Group and Guilin Zhangtai Enterprise Group Limited (the "Zhangtai Group") entered into a cooperation agreement to jointly develop several property development projects (the "Target Projects"). Pursuant to the agreement, Nanning Rongrui Real Estate Development Co., Ltd. (the "Nanning Rongrui"), a wholly-owned subsidiary of Sunac Southwest Group, established Guangxi Zhangtai Sunac Investment Development Co., Ltd. (the "Guangxi Zhangtai Sunac") with a total paid-in capital of RMB3.2 billion as a platform company. Zhangtai Group and its related parties then carried out a restructuring of the Target Projects by transferring all of the equity interests of the Target Projects held by Zhangtai Group or its related parties into Guangxi Zhangtai Sunac. After completion of these restructuring, Nanjing Rongrui and Zhangtai Group will hold 80% and 20% equity of Guangxi Zhangtai Sunac respectively.

In addition, the cooperation agreement also stipulates that Zhangtai Group which is the non-controlling interest of Guangxi Zhangtai Sunac were provided a put option under which Zhangtai Group may elect to transfer its remaining equity interest in Guangxi Zhangtai Sunac to the Group at any time. The consideration for the transfer of the equity interest shall be the registered capital and capital reserve attributable to the remaining equity interest, plus the premium of the equity consideration for this transaction divided by 80% and times 20%. If the put option is exercised, the Group would control 100% of equity interests in Guangxi Zhangtai Sunac.

Beside above transaction with Zhangtai Group, the Group acquired equity interests of several property development companies from third parties during the six months ended 30 June 2021, at a total consideration of RMB3.32 billion. Upon completion of these transactions, these entities became subsidiaries of the Group.

The Group elected to apply the concentration test to assess above acquisition transactions individually. As substantially all of the fair value of the gross assets acquired is concentrated in properties under development and completed properties held for sale, the concentration tests were met and these acquisition transactions have been accounted for as asset acquisition.

31 Related party transactions

(A) TRANSACTIONS WITH RELATED PARTIES

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

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Cash paid to joint ventures and associates	(74,498,035)	(64,532,260)
Cash received from joint ventures and associates	67,506,347	65,151,673
	(6,991,688)	619,413

(ii) Rendering of services and interest income

Nature of transaction	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Joint ventures:		
– Interest income	1,481,547	1,896,758
– Fitting and decoration services	1,766,506	952,386
– Property management services	374,777	356,530
Associates		
– Interest income	53,185	91,959
– Fitting and decoration services	106,406	63,567
– Property management services	46,649	11,041

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

31 Related party transactions (Continued)

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Salaries and other short-term benefits	44,911	43,945
Share Award Scheme	142,122	169,788
	187,033	213,733

(C) RELATED PARTIES BALANCES

	30 June 2021 RMB'000	31 December 2020 RMB'000
Amounts due from joint ventures		
– Trade receivable	3,118,703	2,505,352
– Interest receivable	617,921	533,963
– Other receivables	30,441,296	33,194,886
	34,177,920	36,234,201
Less: Loss allowance	(34,589)	(34,589)
	34,143,331	36,199,612
Amounts due from associates		
– Trade receivable	145,612	93,264
– Interest receivable	21,862	77,601
– Other receivables	1,780,596	2,562,381
	1,948,070	2,733,246
Less: Loss allowance	(3,930)	(3,930)
	1,944,140	2,729,316
Amounts due to joint ventures	43,974,944	63,373,133
Amounts due to associates	2,545,956	5,523,740
	46,520,900	68,896,873

31 Related party transactions *(Continued)*

(C) RELATED PARTIES BALANCES *(Continued)*

The amounts due from joint ventures and associates have no fixed repayment date, bearing interest rate at 3.44% to 16% per annum for the six months ended 30 June 2021.

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

32 Dividends

No interim dividend for the six months ended 30 June 2021 was proposed by the board of directors of the Company (Six months ended 30 June 2020: Nil).

33 Events after the balance sheet date

(A) ISSUANCE OF SENIOR NOTES

On 20 July 2021, the Company issued an USD400 million 6.8% senior notes due 2024 (the "2024 Senior Notes") and an additional USD100 million 6.5% senior notes due 2026 (the "2026 Additional Notes") on the Singapore Exchange Securities Trading Limited. The 2024 Senior Notes bear interest from and including 20 July 2021 at the rate of 6.8% per annum, payable semi-annually in arrears on 20 April and 20 October of each year, except that the first payment of interest, to be made on 20 April 2022, will be in respect of the period from and including 20 July 2021 to (but excluding) 20 April 2022. The 2026 Additional Notes are consolidated with the 6.5% senior notes due 2026 in the aggregate principal amount of USD500 million issued on 26 January 2021 to form a single series.

(B) REPURCHASE OF THE COMPANY'S SHARES

In July 2021, 13,400,000 shares of the Company were repurchased by the Company from open market with the aggregate consideration of HK\$303 million (excluding expenses). All the repurchased shares of the Company were cancelled on 10 August 2021.



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