SUNAC 融創中國

2022年度報告

ANNUAL REPORT

融創中國控股有限公司

SUNAC CHINA HOLDINGS LIMITED

STOCK CODE 股份代號: 01918.HK

Sunac China Holdings Limited (the "Company" and, together with its subsidiaries, the "Group") is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 2010. With the brand philosophy of "passion for perfection", the Group is committed to providing wonderful living environment and services for Chinese families 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 real estate development, property management, ice & snow operation management, cultural tourism, culture and other business segments. After 20 years of development, the Group has become a leading enterprise in China's real estate industry, a leading ice & snow industry operator and a leading cultural tourism industry operator and property owner 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」)是一家於開曼群島註冊成立的有限公司,其股份於2010年在香港聯合交易所有限公司(「聯交所」)主板上市。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。本集團以地產為核心主業,佈局房地產開發、物業管理、冰雪運營管理、文旅、文化等業務板塊。經過20年發展,本集團已是中國房地產行業的頭部企業及中國領先的冰雪產業運營服務商、文旅產業運營商和物業持有者,具備全國領先的綜合城市開發與產業整合運營能力。

Relying on its high-quality land bank with an advantageous layout and leading product development capabilities, the Group's real estate development business is mainly located in the Yangtze River Delta, Bohai Rim, South China, and core cities in Central regions and Western regions, and is divided into 10 major regions for management, namely the Beijing region (including Beijing, Ji'nan and Qingdao, etc.), North China region (including Tianjin and Zhengzhou, etc.), Shanghai region (including Shanghai, Nanjing and Suzhou, etc.), Southeastern China region (including Hangzhou, Fuzhou and Hefei, etc.), Central China region (including Wuhan, Changsha and Nanchang, etc.), South China region (including Guangzhou, Shenzhen and Sanya, etc.), Northwestern China region (including Xi'an and Taiyuan, etc.), Cheng Yu region (including Chongqing and Chengdu, etc.), Yun Gui region (including Kunming and Guiyang, etc.) and Global Sunac (including the Global Sunac projects in Sichuan, Yunnan and Hunan Province).

本集團依托優勢佈局的高質量土地儲備以及領先的產品能力，房地產開發業務主要佈局於長三角、環渤海、華南、中部和西部地區核心城市，並劃分為十大區域進行管理，即北京區域(含北京、濟南及青島等城市)、華北區域(含天津及鄭州等城市)、上海區域(含上海、南京及蘇州等城市)、東南區域(含杭州、福州及合肥等城市)、華中區域(含武漢、長沙及南昌等城市)、華南區域(含廣州、深圳及三亞等城市)、西北區域(含西安及太原等城市)、成渝區域(含重慶及成都等城市)、雲貴區域(含昆明及貴陽等城市)及環球融創(含四川、雲南及湖南地區環融項目)。

SUNAC

CHINA

HOLDINGS

LIMITED

CONTENTS

目 錄

2 Corporate Information

4 Financial Summary

5 Chairman's Statement

7 Management Discussion and Analysis

15 Business Highlights

18 Biographies of Directors and Senior Management

24 Corporate Governance Report

40 Investor Relations Report

41 Report of the Directors

71 Independent Auditor's Report

74 Consolidated Balance Sheet

76 Consolidated Statement of Comprehensive Income

77 Consolidated Statement of Changes in Equity

79 Consolidated Statement of Cash Flows

81 Notes to the Consolidated Financial Statements

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Sun Hongbin *(Chairman)*
Mr. Wang Mengde *(Chief Executive Officer)*
Mr. Jing Hong
Mr. Tian Qiang
Mr. Huang Shuping
Mr. Sun Kevin Zheyi
Mr. Chi Xun *(resigned on 13 April 2023)*
Mr. Shang Yu *(resigned on 13 April 2023)*

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1517, Level 15
West Exchange Tower
322 Des Voeux Road Central
Sheung Wan
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACES OF BUSINESS IN THE PRC

BEIJING OFFICE

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

TIANJIN OFFICE

Building 1, East Side in Hopsca Center International,
No.278, Hongqi Road, Nankai District
Tianjin
The PRC
Postal code: 300381

REGISTERED OFFICE IN THE CAYMAN ISLANDS

One Nexus Way
Camana Bay
Grand Cayman, KY1-9005
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG SHARE REGISTRAR

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

LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin

As to Cayman Islands law:
Conyers Dill & Pearman

AUDITOR

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of China
China Construction Bank
Bank of Communications
China CITIC Bank
China Minsheng Bank
SPD Bank
China Merchants Bank
CZBANK
Industrial Bank Co., Ltd.
China Everbright Bank
China Bohai Bank

STOCK CODE

HKEx: 01918

COMPANY'S WEBSITE

www.sunac.com.cn

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

RMB billion

	2022	2021	2020	2019	2018
Revenue	**96.75**	198.39	230.59	169.32	124.75
Gross (loss)/profit	**(0.82)**	(1.79)	48.40	41.41	31.14
(Loss)/profit for the year	**(29.89)**	(42.00)	39.55	28.16	17.45
(Loss)/profit attributable to owners of the Company	**(27.67)**	(38.26)	35.64	26.03	16.57
Basic (loss)/earnings per share attributable to the owners of the Company (RMB)	**(5.16)**	(8.27)	7.82	5.99	3.79
Cash and cash equivalents (including restricted cash)	**37.54**	69.20	132.65	125.73	120.20
Dividend per share (RMB)	**–**	–	1.650	1.232	0.827
Dividends	**–**	–	7.69	5.73	3.65

CONSOLIDATED FINANCIAL POSITION

RMB billion

	2022	2021	2020	2019	2018
Total assets	**1,090.17**	1,176.55	1,108.40	960.65	716.66
Total liabilities	**1,003.77**	1,051.88	930.57	846.55	643.55
Total equity	**86.40**	124.67	177.83	114.10	73.11

CHAIRMAN'S STATEMENT

Dear Shareholders and Investors,

Since the fourth quarter of 2021, the industry environment has been constantly changing. A number of situations went beyond the Group's expectation. The Group has proactively taken all necessary measures to ensure stable cash flow. However, sales have declined precipitously since March 2022, and various funding proposals such as asset disposals and targeted financing, which were aggressively promoted to satisfy the liquidity requirements in the second quarter of 2022, could not be implemented due to the unfavorable changes in the external environment, resulting in the Group encountering liquidity issues and facing unprecedented operating pressure in the past year. On behalf of the Board, I would like to express my sincere apologies to the stakeholders for any inconvenience that has been caused. At the same time, I am also very grateful for your patience, understanding and trust in the Group.

On the one hand, the Group continuously reflects on and summarizes its own problems, on the other hand, the management and employees are working in unity and making every effort to find a way out of the difficult situation. Since 2022, the Group has made positive progress in the main risk mitigation work.

The Group has been actively pushing forward the restructuring process of onshore and offshore public bonds. With the support of all parties, the onshore open market bond restructuring had been completed by the end of 2022, and significant progress has been made in the offshore debt restructuring. On 28 March 2023, the Group and the AHG entered into the restructuring support agreement in relation to the offshore debt restructuring plan. The Group will strive to complete the necessary legal procedures for the offshore debt restructuring within 2023. The Group believes that the successful restructuring of onshore and offshore public bonds, and the release of this annual results announcement are critical milestones for the Group to resume normal operations, and also lay a solid foundation to support the continuous business recovery of the Group.

The Group has been working closely with asset-management companies to raise capital for its high-quality projects and to revitalize its assets. Benefiting from the Group's good asset quality and market reputation, the cooperation between the Group and major asset-management companies has progressed smoothly. At present, the Group has, amongst others, revitalized the Shanghai Dongjiadu project and the Wuhan Tao Hua Yuan project, with an aggregate fundraising of over RMB20 billion. Currently, several other projects are in progress. Through the collaboration with asset-management companies, the Group will hopefully be able to revitalize more high-quality projects and drive the overall recovery of the Group's business.

A majority of the Group's onshore project level loans remain normal, particularly for projects in core cities or those in cooperation with strong joint venture partners. For those project loans that require extension due to the market downturn, the Group has been actively seeking support from the financial institutions. For bank loans, reasonable extension is being sought through the negotiations between headquarters. For certain trust loans that are subject to more constraints on extension, the Group is also actively liaising with relevant financial institutions to formulate holistic resolutions, such as bringing in third-party financing from asset management companies, or AMCs. Overall speaking, the Group has quality assets, and a majority of the Group's project loans are secured by sufficient underlying assets. In future, the Group will continue to actively communicate with financial institutions to resolve financing issues at project level.

CHAIRMAN'S STATEMENT

The Group regarded ensuring property project delivery as its primary operational objective while actively responding to the government's requirement of property project delivery, and fulfilled its primary responsibility. The Group has been actively applying for special funds for guaranteed home delivery, ancillary financing and other types of supportive financing, in order to ensure the development and construction and the smooth completion and delivery of the property projects. Currently, the Group has received the first batch of special funds for guaranteed home delivery in the aggregate amount of approximately RMB11 billion. At the same time, the Group has made significant progress in the application for the second batch of special funds, and, so far, additional special funds have been approved by the relevant government departments for dozens of projects. Furthermore, the Group is also actively discussing with banks for guaranteed home delivery ancillary financing, and has so far received such financing for a number of projects. As it still takes time for the financing market and contracted sales to recover, such special funds are crucial for resumption of project work and construction and project delivery as well as for future recovery. In 2022, the Group achieved the delivery of over 180,000 houses in 84 cities. The Group will strive to take full advantage of the policy opportunities to support and ensure the development, construction, completion and delivery of its property projects by applying for guaranteed home delivery special borrowings, securing guaranteed home delivery ancillary financing from banks, and continuing its efforts to revitalize quality projects in collaboration with asset management companies and other financial institutions.

In 2022, the Group, together with its joint ventures and associates, recorded contracted sales of approximately RMB169.33 billion, representing a significant decline as compared with last year. Currently, the real estate sales market is in the process of gradual recovery following a series of supportive policies. With the recovery of the overall economy and the restoration of market confidence, the Group believes that contracted sales will continue to improve in the second half of 2023. The Group will increase its supply during this recovery window to facilitate the recovery of contracted sales in the second half of 2023, which will in turn support the improvement of confidence of all parties, and better promote the recovery of the operation.

In 2022, Sunac Services Holdings Limited ("Sunac Services", stock code: 01516.HK), the property management segment of the Group, maintained stable core business, responded proactively to changes in the industry and achieved remarkable improvements in receivables, cash flow and profit in the second half of the year. At the same time, it maintained a rising trend for its business management scale and made achievements in market exploration in terms of quantity and quality. In 2022, the ice and snow segment of the Group maintained good development trend with accelerated layout of new ski resorts, and new businesses such as ski training centers and membership also recorded steady growth. As at the end of 2022, the number of operating ski resorts under the management of the ice and snow segment reached 12 (including 7 indoor and 5 outdoor ski resorts). Currently, it has developed into a world-leading one-stop operation and service provider covering ski sports, education and entertainment in the new spending environment, the leading brand in sports education, and the No.1 trading and operating platform in China's skiing industry.

Looking into the future, I strongly believe in the gradual recovery of the business of the Group, on the basis of, on the one hand, the many favorable policies that have been rolled out by the government to support the overall economic growth and stabilize the real estate industry, as a result of which the external environment will continue to improve, and, on the other hand, the solid asset quality and strong brand, and the resilient and hardworking team of the Group. With the assistance and support from all parties, the Group will be able to orderly resolve problems, overcome difficulties and restore the normal course of operations to come back on track for a healthy business development.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1 REVENUE

For the year ended 31 December 2022, most of the Group's revenue came from sales of residential and commercial properties business, and the other revenue came from cultural tourism city construction and operation, property management and other businesses.

As at 31 December 2022, the Group's national strategic layout of real estate development business consisted of the Yangtze River Delta, Bohai Rim, South China, and core cities in Central regions and Western regions, which are divided into 9 major regional groups for management, namely the Beijing region (including Beijing, Ji'nan and Qingdao, etc.), North China region (including Tianjin and Zhengzhou, etc.), Shanghai region (including Shanghai, Nanjing and Suzhou, etc.), Southeastern China region (including Hangzhou, Fuzhou and Hefei, etc.), Central China region (including Wuhan, Changsha and Nanchang, etc.), South China region (including Guangzhou, Shenzhen and Sanya, etc.), Northwestern China region (including Xi'an and Taiyuan, etc.), Cheng Yu region (including Chongqing and Chengdu, etc.) and Yun Gui region (including Kunming and Guiyang, etc.).

Total revenue of the Group for the year ended 31 December 2022 amounted to approximately RMB96.75 billion, representing a decrease of approximately 51.2% compared with the total revenue of approximately RMB198.39 billion for the year ended 31 December 2021.

For the year ended 31 December 2022, the total revenue of the Group and its joint ventures and associates was approximately RMB265.54 billion, representing a decrease of approximately RMB123.99 billion (approximately 31.8%) as compared with the total revenue of approximately RMB389.53 billion for the year ended 31 December 2021, of which approximately RMB159.49 billion was attributable to owners of the Company, representing a decrease of approximately RMB99.31 billion (approximately 38.4%) as compared to approximately RMB258.80 billion for the year ended 31 December 2021.

The following table sets forth certain details of the revenue:

	Year ended 31 December			
	2022		2021	
	RMB billion	**%**	RMB billion	%
Revenue from sales of properties	**82.84**	**85.6%**	178.88	90.2%
Cultural tourism city construction and operation income	**4.77**	**4.9%**	5.72	2.9%
Property management income	**6.26**	**6.5%**	5.64	2.8%
Revenue from other business	**2.88**	**3.0%**	8.15	4.1%
Total	**96.75**	**100.0%**	198.39	100.0%
Total gross floor area delivered during the year *(in million sq.m.)*	**8.096**		16.151	

For the year ended 31 December 2022, revenue from sales of properties decreased by approximately RMB96.04 billion (approximately 53.7%) as compared with that for the year ended 31 December 2021. Total area of delivered properties decreased by approximately 8.055 million square meters ("sq.m.") (approximately 49.9%) as compared with that for the year ended 31 December 2021, mainly due to the decrease in delivered areas and average selling price of property projects delivered in some areas for the year ended 31 December 2022 as compared with that for the year ended 31 December 2021 under such a grim environment caused by the downturn in the real estate industry and the COVID-19 epidemic in 2022.

2 COST OF SALES

Cost of sales mainly includes the costs incurred directly in the course of property development for the Group's properties sold.

For the year ended 31 December 2022, the Group's cost of sales was approximately RMB97.57 billion, representing a decrease of approximately RMB102.61 billion (approximately 51.3%) as compared to the cost of sales of approximately RMB200.18 billion for the year ended 31 December 2021, mainly due to the decrease in the delivery area of the properties.

3 GROSS LOSS

For the year ended 31 December 2022, the Group's gross loss was approximately RMB0.82 billion, representing a decrease of approximately RMB0.97 billion as compared with the gross loss of approximately RMB1.79 billion for the year ended 31 December 2021.

For the year ended 31 December 2022, the Group's gross profit margin was approximately minus 0.8%, almost equal to approximately minus 0.9% for the year ended 31 December 2021.

For the year ended 31 December 2022, 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 RMB3.08 billion. The Group's gross profit would have been approximately RMB9.10 billion and gross profit margin would have been approximately 9.4% for the year ended 31 December 2022 without taking into account such impact of fair value adjustments and provision for impairment of properties on gross profit.

For the year ended 31 December 2022, total gross profit of the Group and its joint ventures and associates was approximately RMB19.01 billion, with a gross profit margin of approximately 7.2%, of which approximately RMB7.93 billion was gross profit attributable to owners of the Company. For the year ended 31 December 2021, total gross profit of the Group and its joint ventures and associates was approximately RMB18.94 billion, with a gross profit margin of approximately 4.9%, of which approximately RMB10.97 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 decreased by approximately 34.0% from approximately RMB8.77 billion for the year ended 31 December 2021 to approximately RMB5.79 billion for the year ended 31 December 2022. The decrease in selling and marketing costs was in line with the decrease in the Group's contracted sales for the year ended 31 December 2022.

The Group's administrative expenses decreased by approximately 17.2% from approximately RMB8.43 billion for the year ended 31 December 2021 to approximately RMB6.98 billion for the year ended 31 December 2022.

5 OTHER INCOME AND GAINS

For the year ended 31 December 2022, the Group recognised other income and gains of approximately RMB5.79 billion, which mainly comprised income from capital utilisation fees received from joint ventures and associates, etc. of approximately RMB2.83 billion and the gain from the disposal of subsidiaries, joint ventures and associates of approximately RMB1.00 billion. The Group recorded a decrease in other income and gains of approximately RMB0.38 billion as compared with that for the year ended 31 December 2021 of approximately RMB6.17 billion, mainly due to the decrease in capital utilisation fees received from joint ventures and associates, etc.

6 OTHER EXPENSES AND LOSSES

For the year ended 31 December 2022, other expenses and losses recognised by the Group amounted to approximately RMB11.76 billion, mainly including the loss of approximately RMB8.12 billion from the disposal of subsidiaries, joint ventures and associates and the loss of approximately RMB0.86 billion from the disposal of property, plant and equipment, investment properties and land used rights. The Group recorded a decrease in other expenses and losses of approximately RMB14.63 billion as compared with that for the year ended 31 December 2021 of approximately RMB26.39 billion, mainly because the Group recorded an investment loss of approximately RMB8.34 billion from the disposal of shares of Beike during the year ended 31 December 2021 and made an impairment provision of approximately RMB12.40 billion for the assets and goodwill of the Culture & Tourism City while there were no losses in the other expenses and losses for the year ended 31 December 2022; and losses from disposal of property projects and certain other assets increased during the year.

7 NET IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Given the combined impact of multiple unfavourable factors in macroeconomic, industry and financing environments, for the year ended 31 December 2021, the Group made provisions for expected credit losses of approximately RMB6.89 billion on amounts due from related companies, amounts due from non-controlling interests and other receivables, and made further provisions for expected credit losses of approximately RMB2.47 billion during the year ended 31 December 2022.

8 OPERATING LOSS

Concluding from the above analysis, the Group's operating loss decreased by approximately RMB24.07 billion from approximately RMB46.10 billion for the year ended 31 December 2021 to approximately RMB22.03 billion for the year ended 31 December 2022, mainly due to the following reasons:

(i) gross loss decreased by approximately RMB0.97 billion;

(ii) selling and marketing costs and administrative expenses decreased by approximately RMB4.43 billion;

(iii) net impairment losses on financial and contract assets decreased by approximately RMB4.42 billion; and

(iv) other income and gains decreased by approximately RMB0.38 billion and other expenses and losses decreased by approximately RMB14.63 billion.

9 FINANCE INCOME AND EXPENSES

The Group's finance expenses increased by approximately RMB10.68 billion from approximately RMB2.10 billion for the year ended 31 December 2021 to approximately RMB12.78 billion for the year ended 31 December 2022, and finance income decreased by approximately RMB2.42 billion from approximately RMB3.20 billion for the year ended 31 December 2021 to approximately RMB0.78 billion for the year ended 31 December 2022 at the same time, mainly due to the following reasons:

(i) due to the downturn in the real estate industry and the COVID-19 epidemic, construction progress of the Group's projects slowed down, resulting in a decrease in delivered areas and proportion of capitalized interests in total interest expenses as compared to that of the year ended 31 December 2021, which led to an increase of approximately RMB3.84 billion in expensed interest from approximately RMB2.10 billion for the year ended 31 December 2021 to approximately RMB5.94 billion for the year ended 31 December 2022; and

(ii) due to the change in trend of foreign exchange rates fluctuations, the exchange gain or loss of the Group turned from a net exchange gain of approximately RMB1.68 billion for the year ended 31 December 2021 to a net exchange loss of approximately RMB6.85 billion for the year ended 31 December 2022.

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

Share of post-tax profits of investments accounted for using the equity method, net recognised by the Group increased by approximately RMB1.40 billion from approximately RMB1.33 billion for the year ended 31 December 2021 to approximately RMB2.73 billion for the year ended 31 December 2022, mainly due to the decrease in the provision for impairment of properties made by associates and joint ventures of the Group as compared with the year ended 31 December 2021.

11 LOSS

Loss of the Group attributable to owners of the Company decreased by approximately RMB10.59 billion from approximately RMB38.26 billion for the year ended 31 December 2021 to approximately RMB27.67 billion for the year ended 31 December 2022. After excluding the impact of gains from business combination and its effect on fair value adjustments, gains or losses on changes in fair value of financial assets, derivative financial instruments and investment properties, disposal gains or losses on financial assets, subsidiaries and investments in joint ventures and associates, exchange gain or loss, charitable donations and losses on project demolition, loss attributable to owners of the Company (the "core net loss", a non-GAAP financial measure) decreased by approximately RMB11.44 billion from approximately RMB25.30 billion for the year ended 31 December 2021 to approximately RMB13.86 billion for the year ended 31 December 2022.

The table below sets out loss attributable to owners of the Company and non-controlling interests for the stated periods:

	For the year ended 31 December	
	2022	2021
	RMB billion	RMB billion
Loss during the year	**(29.89)**	(42.00)
Attributable to:		
Owners of the Company	**(27.67)**	(38.26)
Non-controlling interests	**(2.22)**	(3.74)
	(29.89)	(42.00)

12 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 RMB37.54 billion as at 31 December 2022 from approximately RMB69.20 billion as at 31 December 2021, of which non-restricted cash decreased to approximately RMB11.60 billion as at 31 December 2022 from approximately RMB14.34 billion as at 31 December 2021.

Decrease in non-restricted cash was mainly due to:

(i) approximately RMB20.74 billion of net cash inflow from operating activities;

(ii) approximately RMB5.57 billion of net cash inflow from investing activities; and

(iii) approximately RMB29.11 billion of net cash outflow used in financing activities.

Currently, the Group is taking the initiative in mitigating risks, and will continue to focus on completion and delivery of its property projects and the improvement of sales performance, so as to secure the steady business growth and sustainable operation of the Group.

13 BORROWINGS AND SECURITIES

As at 31 December 2022, the total borrowings of the Group were approximately RMB298.42 billion, representing a decline of approximately RMB23.29 billion as compared to approximately RMB321.71 billion as at 31 December 2021. Approximately RMB278.44 billion (as at 31 December 2021: approximately RMB288.20 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 RMB231.85 billion (as at 31 December 2021: approximately RMB254.30 billion)) and equities or disposal gains of certain of the Group's subsidiaries.

As at 31 December 2022, the total borrowings of the Group and its joint ventures and associates were approximately RMB404.25 billion, representing a decline of approximately RMB64.17 billion as compared to approximately RMB468.42 billion as at 31 December 2021, of which the total borrowings of joint ventures and associates were approximately RMB105.83 billion, representing a decline of approximately RMB40.88 billion as compared to approximately RMB146.71 billion as at 31 December 2021.

14 GEARING RATIO

The gearing 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 31 December 2022, the Group's gearing ratio was approximately 75.2%, representing an increase as compared to approximately 67.0% as at 31 December 2021.

The Group's gearing ratio experienced fluctuations this year. The Group will proactively deal with debt situation, continue to accelerate sales, and release operating cash flow so as to improve the gearing ratio.

15 INTEREST RATE RISK

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

The Group's interest rate risk arises from long-term borrowings. Long-term borrowings include borrowings issued at variable rates and borrowings issued at fixed rates, of which borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates while 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, categorised by maturity dates.

	As at 31 December 2022 RMB billion	As at 31 December 2021 RMB billion
Floating interests		
Less than 12 months	**56.77**	45.22
1-5 years	**4.13**	18.44
Over 5 years	**–**	3.31
Subtotal	**60.90**	66.97
Fixed interests		
Less than 12 months	**196.71**	189.93
1-5 years	**37.22**	59.48
Over 5 years	**3.59**	5.33
Subtotal	**237.52**	254.74
Total	**298.42**	321.71

The Group will continue to pay attention to and monitor interest rate risks.

16 FOREIGN EXCHANGE RISKS

As most of the Group's operating entities are located in China, the Group operates its business mainly in RMB. Given that some of the Group's bank deposits, financial assets at fair value through profit or loss and senior notes are denominated in US dollars or Hong Kong dollars, the Group is exposed to foreign exchange risks. For the year ended 31 December 2022, the Group recorded an exchange loss in the amount of approximately RMB6.85 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 will continue to closely monitor fluctuations in foreign exchange rates and actively take corresponding measures to minimise foreign exchange risks.

17 CONTINGENT LIABILITIES

(a) Financial guarantee

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 RMB102.09 billion as at 31 December 2022 as compared with approximately RMB156.72 billion as at 31 December 2021. 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 after 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.

(b) Litigation

Up to the date of this report, various parties have filed litigation against the Group for the settlement of unpaid borrowings, outstanding construction and daily operations payables, delayed delivery of several projects and other matters. The Directors have assessed the impact of the above litigation matters on the consolidated financial statements for the year ended 31 December 2022 and accrued provision on the consolidated financial statements of the Group. The Group is also actively communicating with relevant creditors and seeking various ways to resolve these litigations. The Directors consider that such litigations, individually or jointly, will not have significant adverse effects on the operating performance, cash flow and financial condition of the Group at the current stage.

BUSINESS HIGHLIGHTS

SUMMARY OF LAND BANK

As at 31 December 2022, the Group and its joint ventures and associates were engaged in a total of 890 property development projects, and the Group and its joint ventures and associates had a total land bank of approximately 218 million sq.m. and attributable land bank of approximately 130 million sq.m.. The breakdown of land bank by city is as follows:

Urban circle	City	Attributable land bank '000 sq.m.	Total land bank '000 sq.m.
Yangtze River Delta	Hangzhou	2,930.6	6,129.2
	Wenzhou	2,466.7	3,029.6
	Wuxi	1,615.3	2,676.4
	Shaoxing	1,549.3	3,000.7
	Shanghai	1,395.9	3,227.0
	Xuzhou	1,371.9	1,858.7
	Jiaxing	1,193.9	1,483.8
	Ningbo	920.5	1,716.4
	Suzhou	865.5	1,752.6
	Nanjing	704.3	1,676.7
	Nantong	690.6	1,303.0
	Changzhou	602.9	975.2
	Others	2,503.7	6,002.7
	Subtotal	**18,811.1**	**34,832.0**

BUSINESS HIGHLIGHTS

Urban circle	City	Attributable land bank '000 sq.m.	Total land bank '000 sq.m.
Bohai Rim	Qingdao	8,238.8	12,140.0
	Tianjin	6,638.5	7,748.1
	Ji'nan	4,032.3	6,277.9
	Taiyuan	2,376.0	3,741.3
	Dalian	2,042.2	2,123.9
	Harbin	1,796.9	3,203.4
	Shijiazhuang	1,188.6	2,014.9
	Beijing	1,140.6	1,904.6
	Shenyang	1,059.5	2,425.1
	Yantai	946.7	1,601.2
	Tangshan	877.4	1,075.1
	Langfang	839.9	1,521.5
	Daqing	546.1	546.1
	Others	1,837.8	2,479.1
	Subtotal	**33,561.3**	**48,802.2**
Southern China	Jiangmen	3,303.3	4,097.2
	Qingyuan	1,587.8	1,722.4
	Hainan Province	1,526.5	2,562.4
	Guangzhou	1,397.6	2,842.2
	Zhongshan	728.2	852.4
	Huizhou	699.4	733.7
	Shenzhen	659.8	1,272.7
	Zhuhai	640.0	690.3
	Zhaoqing	634.5	762.4
	Foshan	559.7	956.1
	Fuzhou	523.2	1,291.8
	Others	1,621.9	3,622.9
	Subtotal	**13,881.9**	**21,406.5**

Urban circle	City	Attributable land bank '000 sq.m.	Total land bank '000 sq.m.
Core Western China	Chongqing	11,072.3	16,782.4
	Meishan	6,262.3	12,028.3
	Xi'an	6,028.9	11,000.2
	Kunming	3,310.0	6,486.6
	Xishuangbanna	2,505.1	3,162.8
	Chengdu	2,445.6	6,319.4
	Guiyang	2,413.6	4,517.9
	Guilin	1,960.7	3,598.0
	Nanning	1,465.5	2,958.8
	Dali	1,235.2	2,058.7
	Yinchuan	1,196.1	1,380.7
	Liuzhou	933.2	2,131.7
	Beihai	702.3	1,706.3
	Others	4,727.3	10,465.4
	Subtotal	**46,258.1**	**84,597.2**
Core Central China	Wuhan	7,112.6	12,545.4
	Zhengzhou	4,906.5	6,481.2
	Changsha	1,990.1	2,599.9
	Yueyang	656.0	1,338.8
	Nanchang	611.6	968.1
	Ezhou	572.4	1,244.6
	Xianning	569.3	813.3
	Others	1,150.6	2,209.3
	Subtotal	**17,569.1**	**28,200.6**
	Total	**130,081.5**	**217,838.5**

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

As at the latest practicable date prior to the issuance of this annual report, the latest profile of the directors (the "Directors") and senior management of the Company set out as follows:

EXECUTIVE DIRECTORS

Mr. SUN Hongbin, aged 60, is the Group's founder, the Chairman of the board (the "Board") of Directors, an executive Director, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Sun Hongbin commenced his real estate business in 1994 and has accumulated about 30 years of ample experience in the real estate industry in the PRC over the years. Mr. Sun Hongbin obtained a master's degree in engineering from Tsinghua University in 1985 and completed an advanced management program at Harvard Business School in the United States in 2000. Mr. Sun Hongbin is the father of Mr. Sun Kevin Zheyi, an executive Director and vice president of the Group and president of the Sunac Culture Group.

Mr. WANG Mengde ("Mr. Wang"), aged 52, is an executive Director, the Chief Executive Officer of the Group and the chairman of the Environmental, Social and Governance Committee of the Company. Mr. Wang is also the chairman of the board of directors and a non-executive director of Sunac Services. Mr. Wang has over 20 years of experience in the real estate industry in the PRC. Mr. Wang joined the Group in 2006 and acted as the chief financial officer and the vice president of the Group. He has been the executive president and chief executive officer of the Group since 2011 and September 2015, respectively. Mr. Wang has served as the chairman of the board of directors and a non-executive director of Sunac Services since 4 August 2020. Prior to joining the Group, Mr. Wang was the general manager of Sunco China Holdings Limited ("Sunco China") in East China region from 2003 to 2005, and the chief operating officer and chief financial officer of Sunco China, a company engaged in the business of property development in the PRC from 2005 to 2006. Mr. Wang graduated from Nankai University with a bachelor's degree in auditing in 1997.

Mr. JING Hong ("Mr. Jing"), aged 61, is an executive Director and the executive president of the Group and the president of the Beijing regional branch of the Group, being mainly responsible for the overall operation and management of Beijing region. Mr. Jing has extensive experience in real estate development. Mr. Jing joined the Group in January 2007. Since then, he has been the general manager of Beijing Sunac Hengji Real Estate Co., Ltd. and has been responsible for overall business operations. Prior to joining the Group, from October 2002 to 2006, Mr. Jing served as a vice president of Sunco China. Mr. Jing graduated from the Beijing Jiaotong University (previously known as Northern Jiaotong University) in 1984 with a bachelor's degree in engineering.

Mr. TIAN Qiang ("Mr. Tian"), aged 46, is an executive Director and the executive president of the Group and the president of the Shanghai regional branch of the Group, being mainly responsible for the overall operation and management of Shanghai region. Mr. Tian joined the Group in 2007 and acted as a deputy general manager of Tianjin Xiangchi Investment Co., Ltd.. In 2007, Mr. Tian held the position of a general manager of Wuxi Sunac Real Estate Co., Ltd.. Mr. Tian has been the general manager of the Shanghai regional branch of the Group since 2012, and has been the executive president of the Group since 2015. Prior to joining the Group, Mr. Tian was a sales manager, deputy general sales manager and general manager between 2002 and 2007 at Sunco China. Mr. Tian graduated from the Tianjin Chengjian University (天津城建大學) (formerly known as Tianjin Urban Construction Institute (天津城市建設學院)) in 1999 with a bachelor's degree in engineering specializing in construction project management.

Mr. HUANG Shuping ("Mr. Huang"), aged 42, is an executive Director and the executive president of the Group and the president of the South China regional branch of the Group, being mainly responsible for the overall operation and management of South China region. Mr. Huang joined the Group in 2007 and acted successively as a supervisor and the general manager of the capital operations centre, the deputy general manager of the finance management department and the assistant to chief executive officer. Mr. Huang served as the vice president of the Group from 2011 to 2015, the chief financial officer and company secretary of the Group from 2012 to 2015, and the executive president of the Group since 2015. Prior to joining the Group, Mr. Huang was an assistant to the president of Sunco China with responsibilities in capital management from 2005 to 2007. Mr. Huang graduated from Xiamen University with a bachelor's degree in economics in 2003 and received a master's degree from the University of Liverpool in finance in 2004.

Mr. SUN Kevin Zheyi, aged 33, is an executive Director and the vice president of the Group and president of the Sunac Culture Group, being mainly responsible for the overall operation and management of the Sunac Culture Group. Mr. Sun Kevin Zheyi joined the Group in 2014 and served various roles relating to capital market, land acquisition and project operation in the Group's headquarters and different regional branches. Prior to joining the Group, Mr. Sun Kevin Zheyi worked in Snow Lake Capital L.P. (雪湖資本有限合夥) and Charm Communications Inc. (昌榮傳播股份有限公司). Mr. Sun Kevin Zheyi graduated from Boston College in 2011 with a dual Bachelor's degree in business management and history. Mr. Sun Kevin Zheyi is the son of Mr. Sun Hongbin who is the Chairman of the Board and an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. POON Chiu Kwok ("Mr. Poon"), aged 60, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Company. Mr. Poon has years of experience in listed companies finance, governance and management. Mr. Poon is responsible for supervising and providing independent advice to the Board. Mr. Poon currently serves as an executive director, vice president and company secretary of Huabao International Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange (stock code: 336) and an independent non-executive director of Yuanda China Holdings Limited (stock code: 2789), Changan Minsheng APLL Logistics Co., Ltd. (stock code: 1292), AUX International Holdings Limited (stock code: 2080), Sany Heavy Equipment International Holdings Company Limited (stock code: 631), Greentown Service Group Co. Ltd. (stock code: 2869), Jinchuan Group International Resources Co. Ltd (stock code: 2362) and Yankuang Energy Group Company Ltd. (stock code: 1171) respectively, the shares of each of which are listed on the Main Board of the Stock Exchange. Mr. Poon served as an independent non-executive director of Honghua Group Limited from June 2017 to December 2021, whose shares are listed on the Main Board of the Stock Exchange (stock code: 196), and an independent non-executive director of Titan Invo Technology Limited from September 2015 to July 2020, whose shares are listed on the Main Board of the Stock Exchange (stock code: 872). Mr. Poon also served as an independent non-executive director of Tonly Electronics Holdings Limited, whose shares were listed on the Main Board of the Stock Exchange before 8 March 2021. Mr. Poon is a Fellow member of CPA Australia Ltd., the Chartered Governance Institute in United Kingdom, The Hong Kong Chartered Governance Institute and a member of its Hong Kong and China Technical Consultation Panel respectively. Mr. Poon is also a Fellow member of Hong Kong Securities and Investment Institute. Mr. Poon obtained a master's degree in international accounting, a post-graduate diploma in laws, a bachelor's degree in laws and a bachelor's degree in business studies. Mr. Poon has been an independent non-executive Director since June 2011.

Mr. ZHU Jia ("Mr. Zhu"), aged 60, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee and the Environmental, Social and Governance Committee of the Company. Mr. Zhu is currently a partner of Bain Capital Private Equity (Asia), LLC ("Bain Capital"). Mr. Zhu has solid and extensive experience in a broad range of cross border mergers and acquisitions as well as international financing transactions involving PRC companies. Before joining Bain Capital in 2006, Mr. Zhu was the chief executive officer of the PRC business of Morgan Stanley Asia Limited. Mr. Zhu is currently an independent non-executive director of Greatview Aseptic Packaging Company Limited (stock code: 468), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Zhu is also a director of Chindata Group listed on Nasdaq. Mr. Zhu served as a non-executive director of SinoMedia Holding Limited (stock code: 623) from November 2006 to May 2013, GOME Electrical Appliances Holding Limited (currently known as GOME Retail) (stock code: 493) from August 2009 to January 2015 and Clear Media Limited (stock code: 100) from August 2011 to June 2020, the shares of each of which are listed on the Main Board of the Stock Exchange. Mr. Zhu holds a juris doctor degree from Cornell Law School in the United States, an MA degree from Nanjing University, and a BA degree from Zhengzhou University in China. Mr. Zhu is a trustee of Cornell University and Chairman of its China Advisory Board. Mr. Zhu has been a non-executive Director since 30 September 2009 and has been re-designated as an independent non-executive Director since 24 November 2016.

Mr. MA Lishan ("Mr. Ma"), aged 71, is an independent non-executive Director, a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Company. Mr. Ma graduated from Beijing Foreign Studies University in 1975. Mr. Ma has served various positions such as chairman and general manager in certain large-scale domestic and overseas joint ventures under COFCO (Group) Limited, such as GREATWALL, Fortune and etc. From January 1996, Mr. Ma served as executive director of China Foods Limited (中國食品有限公司) (stock code: 506). From May 1997 to June 2003, Mr. Ma served as executive director and general manager of China Foods Limited. In 2000, Mr. Ma has been appointed as the vice president of COFCO (Group) Limited. Mr. Ma was also the executive director of Elife Holdings Limited (易生活控股有限公司) (formerly known as Sino Resources Group Limited (神州資源集團有限公司)) from 7 June 2008 to 16 January 2009, whose shares are listed on the Main Board of Stock Exchange (stock code: 223). From September 2010 to August 2012, he was also the executive director, chairman and CEO of Aceso Life Science Group Limited (信銘生命科技集團有限公司) (formerly known as Hao Tian Development Group Limited (昊天發展集團有限公司)), whose shares are listed on the Main Board of the Stock Exchange (stock code: 474). From May 2008 to December 2021, Mr. Ma was an independent non-executive director of Silver Base Group Holdings Limited (銀基集團控股有限公司) whose shares are listed on the Main Board of the Stock Exchange (stock code: 886, in liquidation), and he has been re-assigned as a non-executive director since 30 December 2021. From March 2016 to present, Mr. Ma is an independent non-executive director of SRE Group Limited (上置集團有限公司) whose shares are listed on the Main Board of the Stock Exchange (stock code: 1207). From June 2016 to present, Mr. Ma is an independent non-executive director of DIT Group Limited (築友智造科技集團有限公司) (formerly known as China Minsheng DIT Group Limited (中民築友科技集團有限公司)) whose shares are listed on the Main Board of the Stock Exchange (stock code: 726). From August 2016 to present, Mr. Ma is an independent non-executive director of Huarong International Financial Holdings Limited (華融國際金融控股有限公司), whose shares are listed on the Main Board of the Stock Exchange (stock code: 993). Mr. Ma has been an independent non-executive Director since August 2009.

Mr. YUAN Zhigang ("Mr. Yuan"), aged 65, is an independent non-executive Director, a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Company. Mr. Yuan graduated from École des Hautes Études en Sciences Sociales (EHESS) in France in 1993 with a Doctorate degree in Economics. Mr. Yuan currently works as a professor at School of Economics of Fudan University. He has been long serving as an expert member of the decision-making advisory committees of Shanghai, Fujian, Guangxi and some other local governments. Mr. Yuan has in-depth study and a significant influence over hotspot macroeconomic research on issues covering macroeconomic operation, financial system reform, internationalization of Renminbi and real estate of China. Mr. Yuan currently serves as an external supervisor in Bank of Shanghai Co., Ltd. ("Bank of Shanghai"), whose shares are listed on the main board of the Shanghai Stock Exchange (stock code: 601229). From 2004 to 2015, Mr. Yuan served as the Dean of School of Economics of Fudan University; from May 2010 to April 2017, Mr. Yuan served as an independent director in Bank of Shanghai; from April 2011 to April 2017, Mr. Yuan served as an independent director in Ningbo Fuda Co., Ltd., whose shares are listed on the main board of the Shanghai Stock Exchange (stock code: 600724); from January 2012 to October 2018, Mr. Yuan served as an independent non-executive director in Bank of Communications Schroder Fund Management Co., Ltd.; from May 2014 to January 2021, Mr. Yuan served as an independent director in JIC Trust Co., Ltd.; and from June 2016 to January 2023, Mr. Yuan served as an independent director in Shanghai Pudong Development Bank Co., Ltd., whose shares are listed on the main board of the Shanghai Stock Exchange (stock code: 600000). Mr. Yuan has been an independent non-executive Director since 22 October 2020.

SENIOR MANAGEMENT

Mr. WANG Peng, aged 42, is the executive president of the Group and the president of the Southeast regional branch of the Group, being mainly responsible for the overall operation and management of Southeastern China region. Mr. Wang Peng joined the Group in 2004, and served as the legal manager of the Group from 2004 to 2008 and the general manager of Tianjin Sunac Business Management Company (天津融創商業管理公司) and Tianjin Sunac Property Management Co. Ltd. (天津融創物業管理有限公司) from 2009 to 2011. He also acted as the project general manager of Tianjin Sunac Zhidi in 2012. He has been the general manager of the Hangzhou Company of the Group since 2013. He has been the vice president of the Group from 2015 to 2016, and has been the executive president of the Group since 2016. Mr. Wang Peng graduated from Tiangong University (天津工業大學) in 2003 with a bachelor's degree in law.

Ms. MA Zhixia ("Ms. Ma"), aged 50, is the chief operation officer, the executive president and the general manager of the real estate operation centre of the Group, being responsible for the overall management of the business operations of the Group. Ms. Ma joined the Group in 2003, and acted as the general manager of Tianjin Sunac Zhidi from 2003 to 2005 and the vice president of the Group from 2005 to 2015. She has been the executive president and the chief operation officer of the Group since 2015. Prior to joining the Group, Ms. Ma joined Sunco China in 1998, and acted as the deputy general manager of Tianjin Sunco Construction Company Limited (天津順馳建設有限公司), a subsidiary of Sunco China, from 2000 to 2003. Ms. Ma graduated from Nankai University with a bachelor's degree in economics in 1995.

Ms. CAO Hongling ("Ms. Cao"), aged 48, is the executive president of the Group. She is an executive director and the chief executive officer of Sunac Services, being mainly responsible for the overall operation and management of Sunac Services. Ms. Cao possesses more than 20 years of experience in financial management. Since joining the Group in 2007, she has successively served as the general manager of the financial management centre, the general manager of the costing, tendering and procurement centre and the general manager of the financing management centre of the Group, and has also successively supervised the affairs of the information management department and internal audit department of the Group. She served as the chief financial officer of the Group from 2015 to 2019. Ms. Cao has served as a director of Sunac Services since January 2019, and was re-designated as an executive director and the chief executive officer of Sunac Services on 4 August 2020. Prior to joining the Group, Ms. Cao was a manager of the accounting department of Sunco Real Estate, a subsidiary of Sunco China since 2002 and was appointed as the manager of the financial management department of Sunco China in 2006. Ms. Cao graduated from the Tianjin University of Finance and Economics in 1998 with a bachelor's degree in accounting. Ms. Cao is a member of The Chinese Institute of Certified Public Accountants.

Mr. LU Peng ("Mr. Lu"), aged 47, is the executive president of the Group and the president of the Culture & Tourism Group, being mainly responsible for the overall operation and management of the Culture & Tourism Group and Bonski. Mr. Lu is also the non-executive director of Sunac Services. Mr. Lu joined the Group in 2003, during such period, he served successively as the deputy general manager of Sunac Zhidi, the general manager of Chongqing Olympic Garden Real Estate, the general manager of APEV Project (重慶亞太商谷項目), Horizon Capital Project in Tianjin (天津海河大觀項目) and TEDA Project in Tianjin (天津泰達項目) and the general manager of the product centre and the investment and development centre of the Group, etc. Mr. Lu was responsible for core business areas, such as building benchmark residential projects, establishing Sunac's product portfolio, investment and mergers and acquisitions, and expanding its presence in industrial development successively. Since 2018, Mr. Lu devoted himself to the development of the cultural tourism industry and led many large-scale cultural tourism complex projects since the establishment of the Culture & Tourism Group with responsibilities in the strategic planning work of the Culture & Tourism Group on ice and snow, theme entertainment, hotel and convention, etc. Mr. Lu graduated from the School of Materials of Tianjin University in 1999.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Yingjia, aged 52, is the executive president of the Group and the president of the Central China regional branch of the Group, being mainly responsible for the overall operation and management of Central China region. Mr. Wang Yingjia joined the Group since 2004. Since 2012, Mr. Wang Yingjia has served as a director and general manager of the development department of the Group. He has been the president of Central China regional branch since 2015. He has served successively as vice president and executive president of the Group since 2016. Mr. Wang Yingjia has accumulated years of experience in real estate industry in the PRC. Mr. Wang Yingjia graduated from Nankai University in 2004 with a master's degree in management.

Mr. GAO Xi ("Mr. Gao"), aged 42, is the chief financial officer, vice president, company secretary and general manager of the capital and financing centre of the Group, being mainly responsible for investor relations, financing, strategic investment, listing compliance and corporate governance related matters. Mr. Gao is also a non-executive director of Sunac Services. Mr. Gao joined the Group in December 2007. Since then, Mr. Gao has held different positions in the capital operations centre, financial management centre and financing management department of the Group. Mr. Gao had acted successively as the manager, director and general manager of the capital management department of the Group since 2011, has been the company secretary since 2015, has been the chief financial officer of the Group since 2019, and has been a non-executive director of Sunac Services since 4 August 2020. Mr. Gao graduated from Shanxi University of Finance and Economics (山西財經大學) in the PRC in July 2008 with a master's degree in quantitative economics.

Mr. ZHU Zuxing ("Mr. Zhu"), aged 50, is the vice president of the Group and the president of Northwestern China regional branch of the Group, being mainly responsible for the overall operation and management of Northwestern China region. Mr. Zhu joined the Group in 2003, and has served as the general manager of the research and development centre of the Group's North China regional branch from 2012 to 2015, the general manager of Xi'an Company of the Group's North China regional branch from 2015 to 2020 and the vice president of the North China regional branch of the Group from 2020 to 2022. From February 2022 to present, Mr. Zhu is the vice president of the Group and the president of Northwestern China region. Prior to joining the Group, Mr. Zhu has worked in a design institute for 8 years. Mr. Zhu has extensive experience in product design and project management. Mr. Zhu graduated from Hefei University of Technology with a bachelor's degree in constructional engineering in 1995.

Mr. SHI Yu ("Mr. Shi"), aged 46, is the senior vice president of the Group and the president of Yun Gui regional branch of the Group, being mainly responsible for the overall operation and management of Yun Gui region. Mr. Shi joined the Group in 2016 and was mainly responsible for the Group's digital technology, product development and research, quality management and customer relationship management. Mr. Shi has been the vice president and the senior vice president of the Group since October 2016 and June 2019 respectively. He has also been the president of Yun Gui regional branch since October 2022. Prior to joining the Group, Mr. Shi worked in the Vanke Group for more than 13 years, with extensive experience in project design and construction management. Mr. Shi graduated from Tianjin University in 2003 with a master's degree in power system and automation.

Mr. ZHENG Fu ("Mr. Zheng"), aged 46, is the vice president of the Group and the president of Global Sunac, being mainly responsible for the overall operation and management of Global Sunac. Mr. Zheng joined the Group in 2003, and has successively served as the general manager of the city company and the general manager of the investment and development centre of the Shanghai regional branch since 2012. He was the vice president of the Shanghai regional branch of the Group from 2018 to 2022. From February 2022 to February 2023, Mr. Zheng was the vice president of the Group and the president of Cheng Yu regional branch. From March 2023 to present, Mr. Zheng is the vice president of the Group and the president of Global Sunac. Prior to joining the Group, Mr. Zheng joined Sunco China as the general manager of its city company from 1998 to 2001. Mr. Zheng has extensive experience in project development and team management. Mr. Zheng graduated from Tianjin Open University (天津開放大學) (formerly known as Tianjin Radio and Television University (天津廣播電視大學)) with a bachelor's degree in finance and accounting in 1998.

Mr. YI Xubing ("Mr. Yi"), aged 45, is the vice president of the Group and the president of North China regional branch of the Group, being mainly responsible for the overall operation and management of North China region. Mr. Yi joined the Group in 2009, and has successively served as the development director of the Changping project, the manager of the research and development centre and the project manager of Beijing Company of the Group's Beijing regional branch from 2011 to 2016, the general manager of Shijiazhuang Company and an assistant to the president of the Group's Beijing regional branch from 2016 to 2022. From January 2023 to present, Mr. Yi is the vice president of the Group and the president of North China regional branch of the Group. Prior to joining the Group, Mr. Yi has worked at Sunco Real Estate, a subsidiary of Sunco China and he has accumulated about 20 years of ample experience in the real estate industry in the PRC over the years. Mr. Yi graduated from the Beijing Jiaotong University (previously known as Northern Jiaotong University) in 2001 with a bachelor's degree in engineering.

Mr. ZHANG Qiang ("Mr. Zhang"), aged 49, is the vice president of the Group and the president of Cheng Yu regional branch of the Group, being mainly responsible for the overall operation and management of Cheng Yu region. Mr. Zhang joined the Group in 2003, and has served as the vice president of Shanghai regional branch and the general manager of Suzhou city company from 2014 to 2023. From March 2023 to present, Mr Zhang serves as the vice president and the president of Cheng Yu regional branch of the Group. Prior to joining the Group, Mr. Zhang was in charge of marketing in Sunco China from 1999 to 2002. He has extensive experience in team and marketing management. Mr. Zhang graduated from the Department of Chemical Engineering of Tianjin University in 1997 with a bachelor's degree.

CHANGES IN INFORMATION OF DIRECTORS

Since 1 January 2023, Mr. Zhu Jia has promoted from the managing director to partner of Bain Capital.

Since 20 January 2023, Mr. Yuan Zhigang has ceased to be an independent director of Shanghai Pudong Development Bank Co., Ltd..

Since 13 April 2023, Mr. Chi Xun and Mr. Shang Yu have ceased to be the executive Directors.

Save as disclosed in this annual report, there is no change in Directors' information that is required to be disclosed in accordance with Rule 13.51(B)(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the publication of the annual report for the year ended 31 December 2021 by the Company.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealings in the securities of the Company. Following specific enquiries of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2022 in relation to their securities dealings, if any.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules as its own code on corporate governance and had, throughout the year ended 31 December 2022, complied with all applicable Code Provisions under the Corporate Governance Code.

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

During the year under review, the corporate governance functions stipulated in Code Provision A.2.1 of the Corporate Governance Code were performed by the Audit Committee of the Company, which included: (i) developing and reviewing the Company's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and (v) reviewing the Company's compliance with the code and disclosure in the Corporate Governance Report.

The Board has established a system to ensure that it could obtain independent opinion, including sufficient resources being provided to the Directors for performing their duties and allowing to obtain independent professional advice as necessary for performing duties. The related expenses are borne by the Company.

TRAININGS OF THE DIRECTORS

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

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

For the year ended 31 December 2022, trainings received by each Director are summarized as follows:

Name of Director	Reading materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements	Attending conference(s) relevant to the business of the Group/Listing Rules and Takeovers Code/ Directors' duties
Mr. Sun Hongbin *(Chairman)*	√	√
Mr. Wang Mengde *(Chief Executive Officer)*	√	√
Mr. Jing Hong	√	√
Mr. Tian Qiang	√	√
Mr. Huang Shuping	√	√
Mr. Sun Kevin Zheyi	√	√
Mr. Chi Xun *(resigned on 13 April 2023)*	√	√
Mr. Shang Yu *(resigned on 13 April 2023)*	√	√
Mr. Poon Chiu Kwok	√	√
Mr. Zhu Jia	√	√
Mr. Ma Lishan	√	√
Mr. Yuan Zhigang	√	√

THE BOARD

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

BOARD COMPOSITION

EXECUTIVE DIRECTORS

Mr. Sun Hongbin *(Chairman)*
Mr. Wang Mengde *(Chief Executive Officer)*
Mr. Jing Hong
Mr. Tian Qiang
Mr. Huang Shuping
Mr. Sun Kevin Zheyi
Mr. Chi Xun *(resigned on 13 April 2023)*
Mr. Shang Yu *(resigned on 13 April 2023)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The Directors' respective biographical information is set out on pages 18 to 23 of this annual report. The Board members have extensive experience in corporate finance and management both in the Mainland China and Hong Kong, which enables the Group to conduct good corporate governance and meet standards, thereby bringing long-term benefits to the shareholders of the Company. Mr. Sun Kevin Zheyi is the son of Mr. Sun Hongbin who is the Chairman of the Board and an executive Director. Save for the above, there is no relationship (including financial, business, family or other material relationship) among any other members of the Board.

During the year ended 31 December 2022, the Board had complied with Rule 3.10 and Rule 3.10A of the Listing Rules relating to the appointment of (i) at least three independent non-executive Directors; (ii) independent non-executive Directors representing one-third of the Board; and (iii) at least one independent non-executive Director possessing appropriate qualification, or accounting or related financial management expertise. Mr. Poon Chiu Kwok, an independent non-executive Director, possesses accounting and related financial management expertise. The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

BOARD MEETINGS AND ANNUAL GENERAL MEETING

During the year ended 31 December 2022, the Board convened ten regular and irregular meetings to discuss corporate strategies, business plans, progress of results preparation, offshore debt restructuring scheme and progress, and other significant issues of the Group. The Company also convened an annual general meeting regarding the financial statements for the year ended 31 December 2021. Details of the attendance at the Board meetings and the annual general meeting convened are set out as follows:

	Attendance/Number of meetings required to be attended	
Name of Director	**Annual General Meeting**	**Board Meeting**
Executive Directors		
Mr. Sun Hongbin *(Chairman)*	1/1[1]	4/10
Mr. Wang Mengde *(Chief Executive Officer)*	1/1	10/10
Mr. Jing Hong	1/1[1]	4/10
Mr. Tian Qiang	1/1[1]	4/10
Mr. Huang Shuping	1/1[1]	4/10
Mr. Sun Kevin Zheyi	1/1[1]	4/10
Mr. Chi Xun *(resigned on 13 April 2023)*	1/1[1]	4/10
Mr. Shang Yu *(resigned on 13 April 2023)*	1/1[1]	4/10
Independent Non-executive Directors		
Mr. Poon Chiu Kwok	1/1[1]	10/10
Mr. Zhu Jia	1/1[1]	10/10
Mr. Ma Lishan	1/1[1]	10/10
Mr. Yuan Zhigang	1/1[1]	10/10

Note 1: Attendance at the annual general meeting by phone.

BOARD COMMITTEES

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

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review the completeness of the policies and procedures on internal control and the effectiveness of the risk management and internal control systems of the Company, and to review the financial statements of the Group. The Audit Committee also performs the corporate governance function as stipulated in Code Provision A.2.1 of the Corporate Governance Code. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn).

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

During the year ended 31 December 2022, the Audit Committee convened six meetings in total, and the individual attendance of each member during the year is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Poon Chiu Kwok *(Chairman)*	6/6
Mr. Zhu Jia	6/6
Mr. Ma Lishan	6/6
Mr. Yuan Zhigang	6/6

The Audit Committee has reviewed the remuneration of the Company's auditor for the year ended 31 December 2022, and has recommended to the Board the re-appointment of BDO Limited as the auditor of the Company for the year ended 31 December 2023, subject to approval by the shareholders of the Company at the forthcoming annual general meeting, which is expected to be held on or before 30 June 2023.

The work performed by the Audit Committee during 2022 mainly included the following:

(i) reviewed the annual consolidated financial statements of the Group for the year ended 31 December 2021;

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

(iii) reviewed the 2022 cash flow and monitored the Group's overall financial condition;

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

(v) reviewed and monitored the effectiveness of the internal audit of the Group;

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

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

(viii) performed the corporate governance functions as stipulated in Code Provision A.2.1 of the Corporate Governance Code.

NOMINATION COMMITTEE

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

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

The Nomination Committee held a meeting during the year ended 31 December 2022, and the individual attendance of each member during the year is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Sun Hongbin *(Chairman)*	1/1
Mr. Poon Chiu Kwok	1/1
Mr. Ma Lishan	1/1
Mr. Yuan Zhigang	1/1

The work performed by the Nomination Committee during 2022 mainly included the following:

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

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

(iii) reviewed the nomination policy of the Company and made recommendations to the Board on the appointment and re-appointment of Directors; and

(iv) reviewed and assessed the implementation of the Board Diversity Policy during 2022.

NOMINATION POLICY

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

Selection Criteria

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

(i) reputation for integrity;

(ii) accomplishment, experience and reputation in the real estate industry, property management service industry, cultural tourism industry and culture industry and other related industries;

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

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

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

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

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

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

Nomination Procedure

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

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

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

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

BOARD DIVERSITY POLICY

The Nomination Committee reviewed and recommended to the Board the adoption of a policy concerning diversity of the Board ("Board Diversity Policy") and the Board, on the Board meeting held on 25 August 2015, adopted such policy to assess the Board composition. In reviewing the composition of the Board, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity. Based on the Nomination Committee's review for the year ended 31 December 2022, the Nomination Committee considered that these measurable objectives have been satisfactorily implemented and that there was sufficient diversity in the Board for the Company's corporate governance and business development needs.

Currently, all Board members are male. In order to achieve gender diversity at Board level, the Board will appoint at least one female Board member no later than 31 December 2024.

The Board will review the implementation and effectiveness of the Board Diversity Policy on an annual basis in accordance with the code provision B.1.3 of the Corporate Governance Code.

DIVERSITY OF EMPLOYEES

The Group is committed to the principle of fair and equal employment opportunities regardless of citizenship, nationality, race, gender, religious beliefs and cultural background, and does not impose any restrictive requirements on gender, ethnicity, nationality or region.

As at 31 December 2022, the proportion of employees, including senior management, of the Group in terms of gender is set out below:

Gender	Number of employees	Percentage of total employees
Male	26,475	58.6%
Female	18,723	41.4%

The Group encourages gender diversity in its workplace. To achieve diversity at the staff level, the Group has adopted appropriate recruitment and selection measures to consider a diverse pool of candidates. The Group has also established talent management and training programmes, and provided career development guidance and promotion opportunities, to develop a broad and diverse and experienced workforce.

REMUNERATION COMMITTEE

The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration policy and structure of the Directors and senior management. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn).

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

The Remuneration Committee held a meeting during the year ended 31 December 2022, and the individual attendance of each member during the year is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Zhu Jia *(Chairman)*	1/1
Mr. Sun Hongbin	1/1
Mr. Poon Chiu Kwok	1/1
Mr. Ma Lishan	1/1
Mr. Yuan Zhigang	1/1

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

The major work performed by the Remuneration Committee in 2022 mainly included (among others) reviewing and making recommendation to the Board regarding the remuneration package and structure for the Directors and senior management for the year ended 31 December 2022, the remuneration policy in 2023, and the terms of service contracts for the Directors and the senior management.

DIRECTORS' REMUNERATION POLICY

The Company has established a Directors' Remuneration Policy to determine the remuneration packages of Directors to ensure an appropriate remuneration level to attract and retain experienced and high calibre personnel to oversee the business and development of the Group.

Directors' remuneration is reviewed at least once a year and is determined with reference to the skills and knowledge of the Directors, their job responsibilities and involvement in the Group's affairs, the performance of the Company, their performance and prevailing market conditions. Remuneration includes directors' fees, salaries, discretionary bonuses, share option expenses, share award expenses, employer's contribution to retirement benefit scheme and other benefits.

ESG COMMITTEE

The primary duties of the ESG Committee are to support and assist the Board in the management of environmental, social and governance matters. The terms of reference of the ESG Committee were adopted by the Board on 28 December 2020. Please refer to the "2022 Environmental, Social and Governance Report" issued by the Company on 27 April 2023.

The ESG Committee currently comprises one executive Director, namely Mr. Wang Mengde, and four independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Zhu Jia, Mr. Ma Lishan and Mr. Yuan Zhigang. Mr. Wang Mengde acts as the chairman of the ESG Committee.

The ESG Committee held a meeting during the year ended 31 December 2022, and the individual attendance of each member during the year is set out as follows:

Name of Member	Attendance/ Number of meetings required to be attended
Mr. Wang Mengde *(Chairman)*	1/1
Mr. Poon Chiu Kwok	1/1
Mr. Zhu Jia	1/1
Mr. Ma Lishan	1/1
Mr. Yuan Zhigang	1/1

ANNUAL REMUNERATION PAYABLE TO THE MEMBERS OF SENIOR MANAGEMENT

The annual remuneration[1] of the members of the senior management by band for the year ended 31 December 2022 is as follows:

Remuneration Bands (RMB)	Number of Individuals
500,000-1,000,000	7
1,000,001-3,000,000	3
3,000,001-4,500,000	–
4,500,001-8,000,000	–
8,000,001-13,000,000	1

Note 1: The annual remuneration referred to in this section includes salary, discretionary bonuses, employer's contribution to retirement benefit scheme and other benefits.

AUDITOR'S REMUNERATION

During the year ended 31 December 2022, the remunerations paid or payable to the auditor of the Group, BDO Limited, in respect of its audit services and non-audit services were RMB17.84 million and RMB0.16 million, respectively.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Group for the year ended 31 December 2022 which give a true and fair view of the state of affairs of the Group and of the operating results and cash flow for the year. The Directors consider that the financial statements have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates, reasonable information and prudent judgment of the Board and the management, and the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

The statements of the auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group are set out in the section headed "Independent Auditor's Report" on pages 71 to 73 of this annual report.

GOING CONCERN AND MITIGATION MEASURES

As a result of the matters described in the section headed "Basis for disclaimer of opinion – Multiple Uncertainties Relating to Going Concern" in the "Independent Auditor's Report" on pages 71 to 72 of this annual report, the Company's independent auditor, BDO Limited (the "Auditor"), did not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2022.

The Directors have carefully considered the Group's expected cash flow projections for the next 18 months from 31 December 2022 and have given due consideration to the matters that give rise to material doubt as to its ability to continue as a going concern, and accordingly, have proactively come up with debt solutions to alleviate the liquidity pressure, details of which are set out in note 2.1(iii) to the consolidated financial statements as contained in this annual report. In the Directors' opinion, in view of such plans and measures, the Group will be able to adequately fund its operations and meet its financial obligations as and when they fall due within the next 18 months from 31 December 2022. Accordingly, the Directors consider that the preparation of the consolidated financial statements as at 31 December 2022 on a going concern basis is appropriate.

The Board has discussed the going concern issue with the Group's management and is sincerely satisfied that with the orderly implementation of the plans and measures regarding debt restructuring resolution, it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Audit Committee has discussed with the Board and the Group's management regarding the going concern issue, and with the orderly implementation of the plans and measures regarding debt restructuring resolution, agreed with the position taken by the Group's management and the Board regarding the accounting treatment adopted by the Company.

The Audit Committee also discussed and understood the concerns of the Auditor that uncertainties exist as to whether the Group's management will be able to achieve its plans and measures. There is no disagreement by the Board, the Group's management nor the Audit Committee with the position taken by the Auditor regarding the going concern issue.

Further details on the material uncertainties relating to the Group's going concern and their mitigation measures are set out in note 2.1(iii) to the consolidated financial statements of the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

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

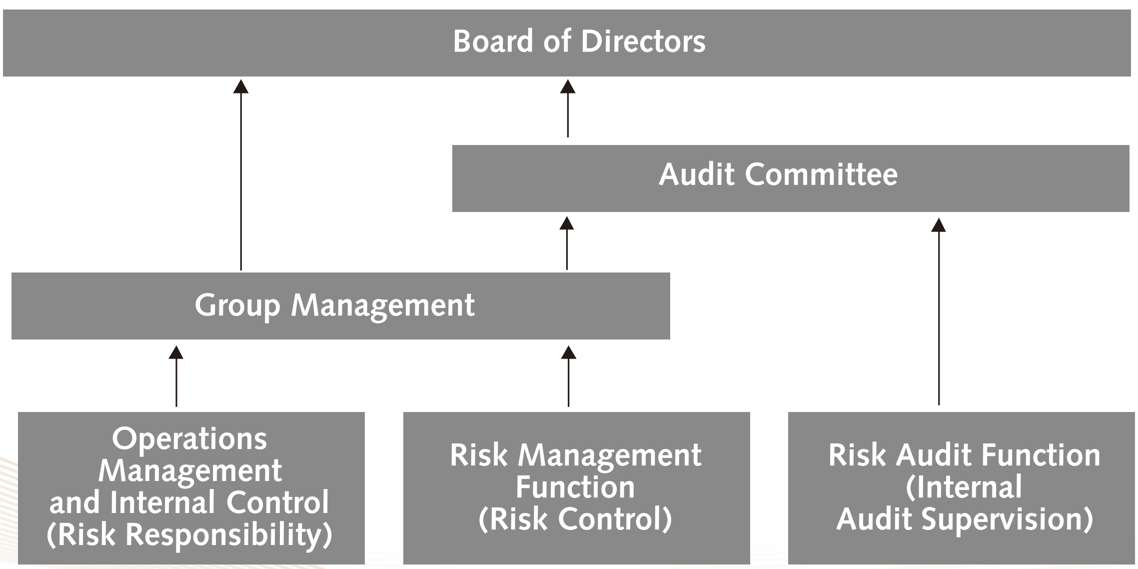
RISK MANAGEMENT AND INTERNAL CONTROL RESPONSIBILITY

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

RISK MANAGEMENT STRUCTURE OF THE COMPANY

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

The risk management structure of the Company is as follows:



Since June 2022, the Company has abolished the audit departments originally stationed in various units (excluding Sunac Services), and the audit and supervision work of its subordinate units (excluding Sunac Services) has been directly managed by the Group Audit and Supervision Department, further improving the independence and management efficiency of audit and supervision work.

RISK MANAGEMENT PROCEDURE

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

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

RISK MANAGEMENT AND INTERNAL CONTROL REVIEW

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

The annual review in respect of the year ended 31 December 2022 has considered, among others (i) whether the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions were adequate; (ii) the scope and quality of the management's ongoing monitoring of risks, the internal control systems and the work of its internal audit function; (iii) whether the risk management and internal control systems, including the extent and frequency of monitoring results to the Board of Directors or the Audit Committee (as the case may be) were sound and effective; and (iv) whether the Group's rules and major business processes could meet the requirements on operations and management and the needs for the rapid development of the Company. The Board also conducted a comprehensive evaluation on the timeliness, effectiveness and normativity of the procedures for handling and releasing inside information of the Company, as well as the effectiveness of the Company's processes for financial reporting and Listing Rule compliance. The results of the annual review were basically satisfactory.

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

CORPORATE GOVERNANCE REPORT

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

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

INFORMATION DISCLOSURE

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

COMMUNICATION WITH SHAREHOLDERS

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

With reference to the aforesaid, the AGM in relation to approve the annual financial report for the year ended 31 December 2021 was chaired by Mr. Wang Mengde (an executive Director, the chief executive officer of the Group and the chairman of the ESG Committee of the Company) and attended by, among others, Mr. Sun Hongbin (the Group's founder, the chairman of the Board, an executive Director, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company), other executive Directors, other independent non-executive Directors, Mr. Gao Xi (the chief financial officer, vice president, the company secretary and general manager of the capital and financing centre of the Group), and representatives of the external auditor of the Company by phone.

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

The Company has reviewed the implementation and effectiveness of the communication measures with shareholders, and considered that they are effective.

SHAREHOLDERS' RIGHT

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

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

PROCEDURES FOR PUTTING FORWARD RESOLUTIONS AT GENERAL MEETINGS

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

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

COMPANY SECRETARY

As at the date of this report, Mr. Gao Xi is the chief financial officer, vice president, the company secretary and general manager of the capital and financing centre of the Group. In compliance with Rule 3.29 of the Listing Rules, Mr. Gao Xi has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2022.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2022.

INVESTOR RELATIONS REPORT

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

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

In 2022, the Company's offline communication with investors was limited to a certain extent due to the impact of the COVID-19 pandemic. However, the Company was still able to maintain close communication with investors through online telephone and video conferencing. In the future, the Company's investor relations team will dedicate itself to improving a highly-efficient communication mechanism between the Company and the capital market, and keeping long-term and effective communications with more investors, which will enable the capital market to have deeper understanding of the Company, and enable the Company to understand the expectations of the capital market towards the operations of the Company in a timely manner so as to create long-term value for shareholders.

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Group is principally engaged in property development, cultural tourism city construction and operation and property management services in the PRC. An analysis of the Group's revenue and operating results for the year by principal activities is set out in note 6 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive income of the Group on page 76.

LAND BANK

Details of the Group's land bank are set out in the section headed "Business Highlights" of this annual report.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

There was no material cooperation and disposals of subsidiaries, joint ventures and associates undertaken by the Group during the year ended 31 December 2022.

CONTRACTUAL ARRANGEMENTS

INTRODUCTION

For the financial year ended 31 December 2022 and as at 31 December 2022, details of the target shares held by the Group through the contractual arrangements (the "Contractual Arrangements") entered into by 融創房地產集團有限公司 (Sunac Real Estate Group Co., Ltd.) ("Sunac Real Estate"), a wholly-owned subsidiary of the Company, were as follows:

1. The 42.81% equity interests (the "Target Shares I") in 樂視影業(北京)有限公司 (Le Vision Pictures (Beijing) Co. Ltd.) ("Le Vision Pictures", or the "Target Company I");

2. The 78.85% equity interests (the "Target Shares II") in 北京夢之城文化有限公司 (Beijing Dream Castle Culture Co., Ltd.) ("Dream Castle", or the "Target Company II");

3. The 72% equity interests (the "Target Shares III") in 上海倍視文化傳媒有限公司 (Shanghai Beishi Culture and Media Co., Ltd.) ("Shanghai Beishi" or the "Target Company III");

4. The 35% equity interests (the "Target Shares IV") in 上海萌揚文化有限公司 (Shanghai Mengyang Culture Co., Ltd) ("Shanghai Mengyang" or the "Target Company IV");

5. The 28.95% equity interests (the "Target Shares V") in 上海荳創影視文化傳媒有限公司 (Shanghai Douchuang Film and Television Culture and Media Co., Ltd.) ("Shanghai Douchuang" or the "Target Company V") (The above-mentioned shareholding ratio had decreased from 55% to 28.95% on 24 June 2022);

6. The 60% equity interests (the "Target Shares VI") in 融創科幻影業(成都)有限公司 (Sunac Science Fiction Pictures (Chengdu) Co., Ltd.) ("Sunac Pictures", or the "Target Company VI");

7. The 100% equity interests (the "Target Shares VII") in 北京臻視未來傳媒有限公司 (Beijing Zhenshi Future Media Co, Ltd.) ("Zhenshi Future" or the "Target Company VII"); and

8. The 100% equity interests (the "Target Shares VIII", and together with the Target Shares I to Target Shares VII, the "Target Shares")) in 融創未來影視文化傳媒(北京)有限公司 (Sunac Future Films and Televisions Media (Beijing) Co, Ltd.) ("Sunac Films and Televisions" or the "Target Company VIII", and together with the Target Company I to Target Company VII, the "Target Companies").

TARGET HOLDING COMPANIES AND TIANJIN YINGRUI

For the financial year ended 31 December 2022 and as at 31 December 2022, the Target Shares were held by the following companies (the "Target Holding Companies") directly:

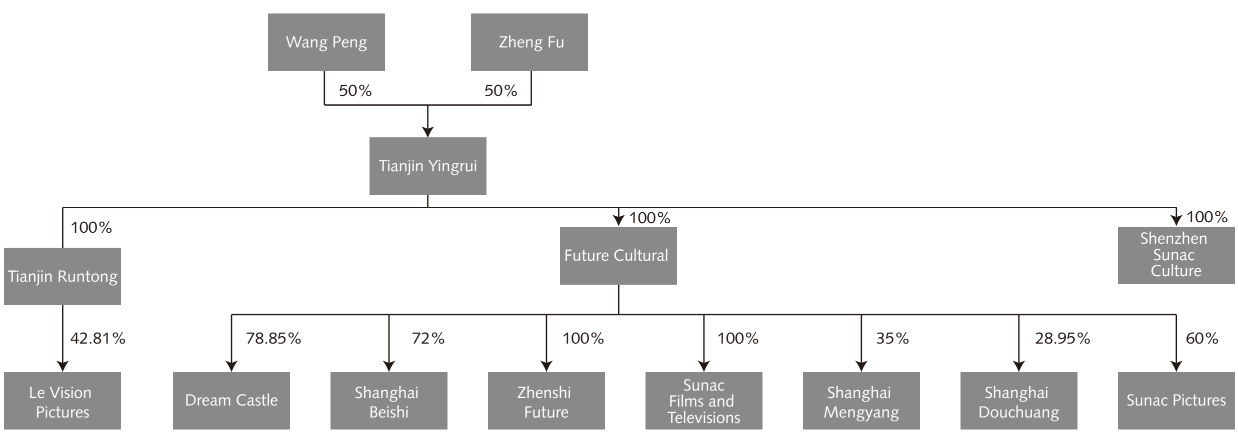
1. 融創未來文化娛樂(北京)有限公司 (Sunac Future Cultural Entertainment (Beijing) Co., Ltd.) ("Future Cultural"), a limited liability company established in China;

2. 深圳融創文化集團有限公司 (Shenzhen Sunac Culture Group Co., Ltd.) ("Shenzhen Sunac Culture"), a limited liability company established in China; and

3. 天津潤通企業管理有限公司(Tianjin Runtong Enterprise Management Co., Ltd.) ("Tianjin Runtong"), a limited liability company established in China.

The Target Holding Companies above are wholly-owned subsidiaries of 天津盈瑞匯鑫企業管理有限公司 (Tianjin Yingrui Huixin Corporate Management Co., Ltd.) ("Tianjin Yingrui"), a company established in the PRC with limited liability, which is owned as to 50% and 50% by Mr. Wang Peng ("Mr. Wang") and Mr. Zheng Fu ("Mr. Zheng", together with Mr. Wang, the "Registered Shareholders"), the senior management of the Company, respectively.

As at 31 December 2022, the key shareholding structure of the Contractual Arrangements was as follows:



According to the applicable laws and regulations of the PRC, there are restrictions on foreign investment in certain businesses in the existing business and the future business of Le Vision Pictures, Dream Castle, Shanghai Beishi, Shanghai Mengyang, Shanghai Douchuang, Sunac Pictures, Zhenshi Future and Sunac Films and Televisions. For those areas where foreign investment is prohibited according to the "Foreign Investment Guidance Catalogue" (《外商投資指導目錄》), foreign investors or their foreign-invested enterprises established in the PRC shall not invest. As such, the Group made investments through the Contractual Arrangements entered in to by Sunac Real Estate, including:

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

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

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

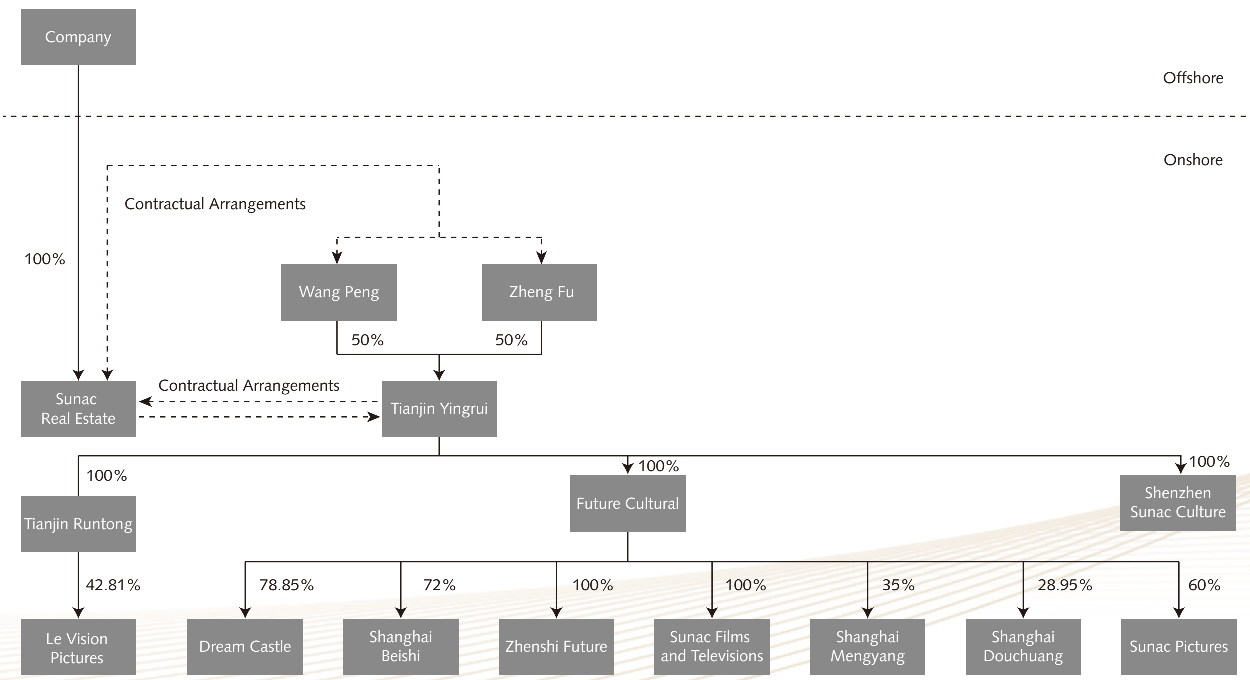
(iv) the loan agreements (the "Loan Agreements") with each of the Registered Shareholders as borrowers;

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

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

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

The following simplified diagram illustrates the flow of economic benefits in the Target Shares to Sunac Real Estate under the Contractual Arrangements as at the latest practicable date:



(i) Exclusive Technology Consulting and Services Agreement

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

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

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

(ii) Entrustment Agreements

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

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

(iii) Exclusive Option Agreements

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

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

(iv) Loan Agreements

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

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

(v) Equity Pledge Agreements

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

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

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

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

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

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

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

BUSINESS ACTIVITIES OF TIANJIN YINGRUI AND THE TARGET HOLDING COMPANIES AND THEIR SIGNIFICANCE TO THE GROUP

Tianjin Yingrui and the Target Holding Companies are the contracting entities (the "Contracting Entities") established in the PRC for the purpose of the Contractual Arrangements and are owned as to 50% by Mr. Wang and 50% by Mr. Zheng. As at 31 December 2022 and up to the latest practicable date prior to the printing of this report, the Contracting Entities were principally engaged in holding equity interests in the Target Companies. Except that Le Vision Pictures, Dream Castle, Shanghai Beishi, Zhenshi Future, Sunac Films and Televisions and Sunac Pictures are indirect subsidiaries of the Company, the investment in Shanghai Mengyang and Shanghai Douchuang[1] are accounted for using the equity method and the results of operation and assets and liabilities of Shanghai Mengyang and Shanghai Douchuang are not consolidated into the consolidated financial statements of the Group. Meanwhile, the Contracting Entities are accounted for as subsidiaries of the Company and their results of operation and assets and liabilities are consolidated in the consolidated financial statements of the Group.

The table below sets out the revenue and loss for the year of the Contracting Entities for the year ended 31 December 2022 and the total assets and total liabilities of the Contracting Entities as at 31 December 2022:

	For the year ended 31 December 2022 RMB million	Approximate percentage of contribution to the Group %
Revenue	468	0.5
Loss for the year	527	1.8

	As at 31 December 2022 RMB million	Approximate percentage of contribution to the Group %
Total assets	2,704	0.2
Total liabilities	4,554	0.5

Note 1: The investment of the Company in Shanghai Douchuang is accounted for using the equity method since 24 June 2022.

RISKS RELATING TO THE INVESTMENTS AND MITIGATION ACTIONS TAKEN BY THE COMPANY

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

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

In respect of Le Vision Pictures, Dream Castle, Shanghai Beishi, Shanghai Mengyang, Shanghai Douchuang, Sunac Pictures, Zhenshi Future and Sunac Films and Televisions, among the current principal businesses operated by them, the film distribution, television broadcast program production and operation business, film production, and engagement in internet culture activities belong to prohibited categories of the industries for foreign investments in the "Foreign Investment Guidance Catalogue" (《外商投資指導目錄》).

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

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

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

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

(i) requiring the nullification of the Contractual Arrangements;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MITIGATION ACTIONS TAKEN BY THE COMPANY

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 7 to the consolidated financial statements.

BORROWINGS

Details of borrowings of the Group during the year ended 31 December 2022 are set out in note 24 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2022 are set out in note 22 to the consolidated financial statements.

FINANCIAL SUMMARY

A financial summary of the Group for the year ended 31 December 2022 is set out on page 4 of this annual report.

REPORT OF THE DIRECTORS

DIVIDEND POLICY AND FINAL DIVIDEND

DIVIDEND POLICY

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

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

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

(iii) statutory, regulatory and contractual restrictions;

(iv) interests of the shareholders; and

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

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

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, revenue attributable to the largest customer of the Group amounted to approximately 0.35% of the total revenue in the year and the five largest customers of the Group accounted for 1.10% of the Group's total revenue in the year.

For the year ended 31 December 2022, purchases attributable to the largest supplier of the Group amounted to approximately 19.22% of the total purchases in the year and the five largest suppliers of the Group accounted for 39.34% of the Group's total purchases in the year.

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

EQUITY LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme, the 2011 Share Option Scheme and 2014 Share Option Scheme as set out under the section headed "Share Option Schemes" of this Report of the Directors, for the year ended 31 December 2022, the Company did not enter into any equity linked agreements.

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES DURING THE YEAR

On 12 January 2022, the Company, Sunac International Investment Holdings Ltd (the "Vendor") and Morgan Stanley & Co. International plc (the "Placing Agent") entered into the Placing and Subscription Agreement, pursuant to which the Placing Agent agreed to place, on a fully underwritten basis, 452 million Shares at a price of HK$10 per Share on behalf of the Vendor, the Vendor conditionally agreed to subscribe for 452 million Shares at the placing price of HK$10 per Share (the "Subscription"). The gross proceeds from the Subscription were HK$4.520 billion (equivalent to approximately US$580 million) and the net proceeds therefrom were HK$4.484 billion (equivalent to approximately US$575 million). Out of the net proceeds from the Subscription, the Company has used in accordance with its plan of (1) approximately 50% for general corporate purposes; and (2) approximately 50% for repayment of loans. Details of the placing of existing Shares and the subscription for new Shares are set out in the announcement of the Company dated 13 January 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in the section headed "Share Award Scheme" of this Report of the Directors and the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022. Details of movements during the year ended 31 December 2022 in the share capital of the Company are set out in note 20 to the consolidated financial statements of the Group.

THE WINDING-UP PETITION AND ITS LATEST PROGRESS

On 8 September 2022, the Company received a winding-up petition against the Company (the "Petition") filed by Chen Huaijun at the High Court of the Hong Kong Special Administrative Region (the "High Court") in relation to the non-repayment by the Company of the senior notes held by him in a principal amount of US$22 million and accrued interests. At the hearing of the High Court on 16 November 2022, the High Court ordered the hearing of the Petition to be adjourned to 14 June 2023. Since the receipt of the Petition, the Company has been actively pursuing legal measures to resolutely oppose the Petition, and taking all necessary actions to protect its legal rights. The Company does not believe the Petition will have a meaningful impact on the restructuring plan or timetable.

REPORT OF THE DIRECTORS

SUBSEQUENT EVENTS

LASTED PROGRESS OF THE OFFSHORE DEBT RESTRUCTURING

The Company has been working closely with its legal and financial advisors to formulate a viable offshore debt restructuring plan aimed at addressing current liquidity pressure of the Company, enhancing the credit profile of the Group and protecting the interests of all stakeholders. Over the past few months, the Company and an ad-hoc group of offshore creditors of the Company (the "AHG"), together with their respective advisors, have been engaged in constructive dialogue towards a consensual restructuring for the Company's offshore indebtedness (the "Restructuring").

On 28 March 2023, the Company and the AHG entered into the restructuring support agreement (the "RSA") in relation to the terms of the Restructuring. The contemplated Restructuring is intended to (i) provide the Company with a long-term, sustainable capital structure; (ii) allow adequate financial flexibility and sufficient runway to stabilize the business; and (iii) protect the rights and interests, and maximize value, for all stakeholders. The Restructuring is expected to be implemented through one or more schemes of arrangement. The Company expects to commence the process of implementing the Restructuring on terms set forth in the RSA as soon as possible. Further information on the RSA and the terms of the Restructuring are set out in the announcement of the Company dated 28 March 2023.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2022 and up to the date of this report are set out below:

EXECUTIVE DIRECTORS

Mr. SUN Hongbin *(Chairman)*
Mr. WANG Mengde *(Chief Executive Officer)*
Mr. JING Hong
Mr. TIAN Qiang
Mr. HUANG Shuping
Mr. SUN Kevin Zheyi
Mr. CHI Xun *(resigned on 13 April 2023)*
Mr. SHANG Yu *(resigned on 13 April 2023)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. POON Chiu Kwok
Mr. ZHU Jia
Mr. MA Lishan
Mr. YUAN Zhigang

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

In accordance with articles 84(1) and 84(2) of the articles of association of the Company, the Company will arrange for not less than 1/3 of its Directors to retire by rotation at the AGM. The Nomination Committee of the Company will review and recommend the re-election of retiring Directors by rotation with reference to the Nomination Policy and the Board Diversity Policy set out in the "Corporate Governance Report" in this annual report.

PARTICULARS OF DIRECTORS' SERVICE CONTRACTS

EXECUTIVE DIRECTORS

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

Each of the executive Directors is entitled to a salary and bonus payment, allowance and benefits-in-kind, at the discretion of the Board, and social welfare benefits provided under the relevant PRC laws and regulations. The aggregate amount of annual salary of the eight executive Directors who served during the year ended 31 December 2022 is RMB44.839 million.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group included three directors of the Company (2021: four) for the year ended 31 December 2022, whose emoluments are detailed in note 46 to the consolidated financial statements of the Group. The emoluments of the remaining two highest paid individuals (2021: one) are as follows:

	Year ended 31 December 2022 RMB'000
Salary	**9,715**
Discretionary bonuses	**—**
Share option expenses	**—**
Share award expenses	**7,846**
Employer's contribution to retirement benefit scheme	**165**
Other benefits	**242**

None of the Directors waived his emoluments or has agreed to waive his emoluments for the year ended 31 December 2022.

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2022, none of the Directors was considered to be interested in any businesses apart from the Group's businesses which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

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

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

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

The Covenantors further undertake:

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

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

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

The independent non-executive Directors have reviewed, for the year ended 31 December 2022, the compliance by the Covenantors with their non-competition undertakings and, in particular, the right of first refusal in relation to the Business Opportunity as provided under the Deed. In this connection, the Covenantors have provided all necessary data, including without limitation, details of any proposed investment constituting the Business Opportunity, to the independent non-executive Directors for their review.

As at the date of this report, Mr. Sun Hongbin no longer holds any interest in Chongqing Asia Pacific Enterprise Valley Property Management Co., Ltd..

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

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2022, certain Directors and their close family members, and companies controlled by certain Directors and/or their close family members entered into transactions with the Group which are disclosed in note 42 (Related party transactions) to the consolidated financial statements of the Group. None of these related party transactions constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules that needs to be disclosed or a connected transaction of the Company which is not fully exempted under Rule 14A.73 of the Listing Rules.

SHARE OPTION SCHEMES

The Company has adopted three share option schemes as follows:

(i) The Company adopted the Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") on 9 September 2010 and had granted in aggregate 51,080,000 share options to directors and employees under the Pre-IPO Share Option Scheme before the completion of the global offering of the Company, representing approximately 1.67% of the total issued shares of the Company immediately following the completion of the capitalization issue and the global offering. No share option could be offered or granted under the Pre-IPO Share Option Scheme upon the completion of the global offering of the Company. As at 31 December 2022, no share option remained outstanding and exercisable under the Pre-IPO Share Option Scheme;

(ii) The Company adopted a Post-IPO share option scheme (the "2011 Share Option Scheme") on 29 April 2011 and proposed certain amendments to the 2011 Share Option Scheme, which were approved and adopted on 17 March 2014. The 2011 Share Option Scheme had a term of six years from its adoption date, i.e. 29 April 2011 and expired on 28 April 2017. The Company had granted in aggregate 99,900,000 share options to directors and employees during the period, representing approximately 3.33% of the total issued shares as at the adoption date of the 2011 Share Option Scheme. As at 31 December 2022, no share option remained outstanding and exercisable under the 2011 Share Option Scheme; and

(iii) The Company adopted a new share option scheme (the "2014 Share Option Scheme") on 19 May 2014, which had a term of five years from its adoption date, i.e. 19 May 2014 and expired on 18 May 2019. The Company had granted in aggregate approximately 166.37 million share options to directors and employees, representing approximately 5% of the total issued shares as at the adoption date of the 2014 Share Option Scheme. As at 31 December 2022, no share options remained outstanding and exercisable under the 2014 Share Option Scheme.

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.

THE 2014 SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2022, the details and changes of the 2014 Share Options Scheme were as follows:

Date of grant	Vesting date	Percentage of vesting	Expiry date	Exercise price per share (HK$)	Closing price before the date of grant (HK$)	Number of grant	Accumulated exercised number from the date of grant to 31 December 2022	Accumulated cancelled number from the date of grant to 31 December 2022	Accumulated lapsed number from the date of grant to 31 December 2022	Outstanding number as at 31 December 2022	Number exercised during the year ended 31 December 2022	Weighted average closing price before the exercise date during the year ended 31 December 2022 (HK$)
2014/6/5	2014/6/5 2015/6/5 2016/6/5	30% 30% 40%	2019/6/4	4.07	3.96	33,267,000	31,544,600	1,363,400	359,000	–	–	–
2015/7/9	2015/7/9 2016/7/9 2017/7/9	30% 30% 40%	2020/7/8	7.27	6.34	33,267,000	31,452,200	900,280	914,520	–	–	–
2016/6/20	2016/6/20 2017/6/20 2018/6/20	30% 30% 40%	2021/6/19	4.62	4.56	39,920,000	39,178,000	590,000	152,000	–	–	–
2017/12/22	2017/12/22 2018/12/22 2019/12/22	30% 30% 40%	2022/12/21	30.25	30.25	59,920,246	16,533,282	1,595,000	41,791,964	–	–	–
		Total				**166,374,246**	**118,708,082**	**4,448,680**	**43,217,484**	**–**	**–**	

During the year ended 31 December 2022, movements in the share options granted to Directors and employees under the 2014 Share Option Scheme were as follows:

Name of grantee	Granted number on 5 June 2014	Granted number on 9 July 2015	Granted number on 20 June 2016	Granted number on 22 December 2017	Granted number in aggregate	Outstanding number as at 1 January 2022	Exercised number during the year ended 31 December 2022	Cancelled number during the year ended 31 December 2022	Lapsed number during the year ended 31 December 2022	Outstanding number as at 31 December 2022
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	**2,000,000**	**-**	**-**	**2,000,000**	**-**
Mr. Tian Qiang	1,100,000	1,200,000	1,800,000	2,600,000	6,700,000	**2,600,000**	**-**	**-**	**2,600,000**	**-**
Mr. Huang Shuping	1,100,000	1,100,000	1,800,000	1,830,082	5,830,082	**1,830,082**	**-**	**-**	**1,830,082**	**-**
Mr. Chi Xun[1]	1,100,000	1,200,000	2,000,000	2,800,000	7,100,000	**2,800,000**	**-**	**-**	**2,800,000**	**-**
Mr. Shang Yu[1]	1,100,000	1,200,000	1,500,000	2,500,000	6,300,000	**2,500,000**	**-**	**-**	**2,500,000**	**-**
Senior management and employees	25,267,000	26,067,000	28,820,000	44,590,164	124,744,164	**25,808,882**	**-**	**-**	**25,808,882**	**-**
Total	33,267,000	33,267,000	39,920,000	59,920,246	166,374,246	**40,338,964**	**-**	**-**	**40,338,964**	**-**

Note:

1. Such Director has resigned on 13 April 2023.

During the year ended 31 December 2022, the number of new shares that may be issued in respect of options granted under all share option schemes of the Company was zero. Accordingly, the number of new shares that may be issued in respect of options granted under all share option schemes of the Company during the year ended 31 December 2022 divided by the the weighted average number of the Shares in issue for this year is also zero.

SHARE AWARD SCHEME

The Board has resolved to adopt a share award scheme (the "Share Award Scheme") on 8 May 2018 (the "Adoption Date"), in order to:

(i) provide incentives for the employees of the Group to continuously make greater contributions for the Company's long-term growth in the future; and

(i) attract and retain talented employees who may be beneficial to the growth and development of the Group.

The Board may, from time to time, select employees to join the Share Award Scheme and determine the number of awards to be granted in accordance with the rules of the Share Award Scheme.

According to the Share Award Scheme, the Company will entrust the trustee to purchase the Company's Shares in the open market based on the overall remuneration incentive plan. The trustee will hold such Shares on behalf of the relevant selected employees on trust, until such Shares are vested with the relevant selected employees in accordance with the rules of the Share Award Scheme.

Unless early terminated by the Board, the Share Award Scheme shall be effective for ten years from the Adoption Date. As at the date of this report of the remaining term of the Share Award Scheme was approximately five years.

The aggregated maximum number of Shares that the trustee may purchase must not exceed 5% of the total Shares in issue of the Company on the Adoption Date, which is 220,113,960 Shares.

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 at the total consideration of approximately HK$2.57 billion pursuant to the rules of the Share Award Scheme and the terms of the trust deed. Since 30 June 2019 and for the year ended 31 December 2022, the trustee of the Share Award Scheme did not purchase any Shares.

Therefore, as at 31 December 2022, the trustee might further purchase 125,460,960 Shares on the open market for the purpose of the Share Award Scheme, representing approximately 2.30% of the Shares in issue as at the date of this report.

There is no provision on the minimum vesting period in the Share Award Scheme. Subject to the fulfilment of all the vesting conditions as designated by the Board at the time of grant by a selected employee who is, therefore, entitled to the awarded Shares, the trustee shall transfer the vested Shares to the selected employee at nil consideration.

From the Adoption Date to 31 December 2022, there have been 57,505,000 share awards initially granted to selected employees (not yet excluding share awards granted but lapsed due to the resignation of selected employees) under the Share Award Scheme on a cumulative basis, and there was no granted share award in 2022 (16,690,000 share awards[1] granted in early 2021).

The number of awards available for grant under the Share Award Scheme at the beginning and the end of the year ended 31 December 2022 were 164,124,960 and 164,795,460 respectively, representing approximately 3.01% and 3.02% respectively of the Shares in issue as at the date of this report.

Note 1: Due to the resignation of selected employees, 320,000 share awards among 16,690,000 share awards initially granted in early 2021 were lapsed. Therefore the number of share awards actually granted was 16,370,000.

Details of the awards granted or to be granted under the Share Award Scheme for the year ended 31 December 2022 were as follows.

Name of grantees	Number of awards granted as at 1 April 2019	Number of awards granted as at 1 April 2020	Number of awards granted as at 1 April 2021	Total number of awards granted[1]	**Number of awards unvested as at 1 January 2022**	**Number of awards granted during the year ended 31 December 2022**	**Number of awards vested during the year ended 31 December 2022**	**Number of awards cancelled during the year ended 31 December 2022**	**Number of awards lapsed during the year ended 31 December 2022**	**Number of awards unvested as at 31 December 2022**
Directors										
Mr. Sun Hongbin	-	-	-	-	-	-	-	-	-	-
Mr. Wang Mengde	1,000,000	800,000	900,000	2,700,000	**1,860,000**	-	-	-	-	**1,860,000**
Mr. Jing Hong	1,000,000	800,000	650,000	2,450,000	**1,610,000**	-	-	-	-	**1,610,000**
Mr. Tian Qiang	900,000	800,000	650,000	2,350,000	**1,570,000**	-	-	-	-	**1,570,000**
Mr. Huang Shuping	500,000	500,000	400,000	1,400,000	**950,000**	-	-	-	-	**950,000**
Mr. Sun Kevin Zheyi	300,000	270,000	300,000	870,000	**609,000**	-	-	-	-	**609,000**
Mr. Chi Xun[2]	900,000	800,000	650,000	2,350,000	**1,570,000**	-	-	-	-	**1,570,000**
Mr. Shang Yu[2]	900,000	1,000,000	900,000	2,800,000	**1,960,000**	-	-	-	-	**1,960,000**
Five highest paid individuals[3]	4,300,000	3,950,000	3,350,000	11,600,000	**7,835,000**	-	-	-	-	**7,835,000**
Other senior management and employees[4]	14,040,000	13,455,000	11,340,000	38,835,000	**25,086,500**	-	-	-	**670,500**	**24,416,000**
All employees of the Group	21,040,000	19,775,000	16,690,000	57,505,000	**37,660,500**	-	-	-	**670,500**	**36,990,000**

Notes:

1. All granted share awards would be vested in three years, with 30%, 30% and 40% to be vested on the day before the first, the second and the third anniversary of the granting date of the Company's share awards respectively. For 37,033,000 share awards unvested ("Unvested Award Shares") and to be vested on or after 30 March 2022, because of the Group's 2021 performance falling short of expectations and the substantial changes encountering in the industry, the Board of the Company resolved to extend the vesting of all Unvested Award Shares. In the future, the Board will make discretional decision on the conditions of revesting according to the Group's operation results and/or market condition.

2. Such Director resigned with effect from 13 April 2023.

3. The five highest paid individuals in 2022, including Mr. Wang Mengde, Mr. Tian Qiang, Mr. Shang Yu and two members of the senior management.

4. The senior management and employees of the Group other than the Directors and the five highest paid individuals.

Pursuant to the terms of the Share Award Scheme of the Company, the Company will not issue any new Shares in respect of the awards granted under the Share Award Scheme. Therefore, the number of new Shares that may be issued in respect of awards granted under all share award schemes of the Company during the year ended 31 December 2022 divided by the weighted average number of Shares in issue for this year is not applicable.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2022, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules, are set out below:

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

Name of Director	Nature of Interest	Number of Ordinary Shares	Approximate percentage of interest in the Company[2]
Mr. Sun Hongbin	Interest in controlled corporations[1]	2,091,329,884	38.38%
	Beneficial owner	19,930,000	0.37%
Mr. Wang Mengde	Beneficial owner	17,177,000	0.32%
Mr. Jing Hong	Beneficial owner	11,546,000	0.21%
	Interest of spouse	609,000	0.01%
Mr. Tian Qiang	Beneficial owner	6,982,000	0.13%
Mr. Huang Shuping	Beneficial owner	5,400,000	0.10%
Mr. Sun Kevin Zheyi	Beneficial owner	261,000	0.005%
Mr. Chi Xun[3]	Beneficial owner	8,228,396	0.15%
Mr. Shang Yu[3]	Beneficial owner	6,190,000	0.11%

Notes:

1. These 2,091,329,884 Shares were held as to 2,042,623,884 Shares by Sunac International Investment Holdings Ltd ("Sunac International") and 48,706,000 Shares by 天津標的企業管理有限公司 (for identification only, Tianjin Biaodi Enterprise Management 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.

2. Calculated on the basis of 5,448,883,911 Shares in issue as at 31 December 2022.

3. Such Director has resigned on 13 April 2023.

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

Name of Director	Number of unvested Shares awarded under the Share Award Scheme	Approximate percentage of interest in the Company[1]
Mr. Wang Mengde	1,860,000	0.03%
Mr. Jing Hong	1,610,000	0.03%
Mr. Tian Qiang	1,570,000	0.03%
Mr. Huang Shuping	950,000	0.02%
Mr. Sun Kevin Zheyi	609,000	0.01%
Mr. Chi Xun[2]	1,570,000	0.03%
Mr. Shang Yu[2]	1,960,000	0.04%

Notes:

1. Calculated on the basis of 5,448,883,911 Shares in issue as at 31 December 2022.

2. Such Director has resigned on 13 April 2023.

(iii) INTERESTS IN SHARES AND THE UNDERLYING 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	Number of unvested Shares awarded under the Sunac Services Share Award Scheme	Total	Approximate percentage of interest in the Associated Corporation[2]
Mr. Sun Hongbin	Interest in controlled corporations[1]	2,048,714,356	-	2,048,714,356	67.02%
	Beneficial owner	916,472	550,000	1,466,472	0.05%
Mr. Wang Mengde	Beneficial owner	1,707,734	450,000	2,157,734	0.07%
Mr. Jing Hong	Beneficial owner	598,551	275,000	873,551	0.03%
	Interest of spouse	1,019,594	-	1,019,594	0.03%
Mr. Tian Qiang	Beneficial owner	1,650,321	200,000	1,850,321	0.06%
Mr. Huang Shuping	Beneficial owner	1,664,092	200,000	1,864,092	0.06%
Mr. Sun Kevin Zheyi	Beneficial owner	52,895	50,000	102,895	0.003%
Mr. Chi Xun[3]	Beneficial owner	1,833,989	350,000	2,183,989	0.07%
Mr. Shang Yu[3]	Beneficial owner	1,882,592	450,000	2,332,592	0.08%

Notes:

1. These 2,048,714,356 shares of Sunac Services were held as to:

    (i) 1,540,000,000 shares of Sunac Services by Sunac Services Investment;

    (ii) 441,425,750 shares of Sunac Services by Sunac Shine (PTC) Limited ("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, wholly owned by Sunac China, has adopted a share award scheme in respect of shares of Sunac Services and acts as a trustee of the scheme on 11 June 2021. 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 2,048,714,356 shares of Sunac Services through Sunac China, Sunac International and Tianjin Biaodi.

2. Calculated on the basis of 3,056,844,000 shares in issue of Sunac Services as at 31 December 2022.

3. Such Director has resigned on 13 April 2023.

Save as disclosed in this annual report, as at 31 December 2022, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations recorded in the register required to be kept by the Company under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTEREST OF SUBSTANTIAL SHAREHOLDERS (LONG POSITION)

To the knowledge of the Company, as at 31 December 2022, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest/Capacity	Number of Shares	Approximate percentage of interest in the Company[3]
Sunac International	Beneficial owner[1]	2,042,623,884	37.49%
	Holder of equity derivative[2]	2,179,000	0.04%
South Dakota Trust Company LLC	Trustee[1]	2,042,623,884	37.49%
	Holder of equity derivative[2]	2,179,000	0.04%

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. South Dakota Trust Company LLC was deemed to be interested in all those 2,042,623,884 Shares by virtue of the SFO.

2. The Company signed a total return swap agreement with a financial institution in December 2020. As at 31 December 2022, the financial institution has purchased a total of 2,179,000 Shares. According to the total return swap agreement, the 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 5,448,883,911 Shares in issue as at 31 December 2022.

Save as disclosed in this annual report, as at 31 December 2022, 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 by the Company under section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

As stated in the 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"), in relation to a term loan facility (the "2019 Facility") up to US$400 million (or its equivalent). 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 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.

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 Facilities") up to US$350 million (or its equivalent). The term of the 2021 Facilities is 36 months from the date of the 2021 Facility Agreement. The proceeds from the 2021 Facilities 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 of the Company, following the instruction given by the majority 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, as at 31 December 2022, there is no other matter which is discloseable pursuant to any requirements under Rule 13.21 of the Listing Rules.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE OF THE COMPANY

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

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development, description of possible business risks and uncertainties that the Group may be facing are provided in the "Chairman's Statement" on pages 5 to 6 of this annual report. Also, an analysis of the key financial performance indicators, and the interest rate risk and foreign exchange risk of the Group are elaborated in the "Management Discussion and Analysis" on pages 7 to 14 of this annual report, and the financial risk management objectives and policies of the Group can be found in note 3 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2022 are provided in note 44 to the consolidated financial statements. The five-year Financial Summary of the Group is provided on page 4. Discussions about the Group's environmental policies and performance, compliance with relevant laws and regulations which have a significant impact on the Group, as well as relationships with employees, customers, suppliers and key stakeholders are set out in the paragraphs headed "Environmental Protection", "Compliance with Laws and Regulations", "Relationship with Stakeholders" below and the "Investor Relations Report" on page 40 of this annual report, as well as the "2022 Environmental, Social and Governance Report" issued by the Company on 27 April 2023.

ENVIRONMENTAL PROTECTION

The Company has long considered environmental protection as one of its key priorities. The Company has carried out its business in strict compliance with national and local environmental laws and regulations, used its resources prudently, employed reusable and eco-friendly materials and tried its best to reduce the generation of wastes to fulfil the commitment to protect the environment. With reference to the Stock Exchange's Environmental, Social and Governance Reporting Guide as well as the GRI Guidelines (the international standard formulated by the Global Reporting Initiative), the Group has also updated its internal control system and developed a series of management systems and policies such as the Environmental Policies of Sunac to strengthen the management and control of the Group over environmental protection.

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

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

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

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 45,198 employees. For the year ended 31 December 2022, the staff cost of the Group was approximately RMB9.08 billion (2021: RMB12.65 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 for its Hong Kong staff. The Group also makes contributions to social security or other retirement schemes for its overseas employees in accordance with local regulations. As at 31 December 2022, no forfeited contributions were available to reduce the contribution payable by the Group in the future years.

REPORT OF THE DIRECTORS

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 58 to 61 of this annual report. Furthermore, the Company adopted the Share Award Scheme on 8 May 2018 and awarded Shares were vested to selected employees in accordance with the rules of the Share Award Scheme and the terms of the trust deed, details of which are set out on pages 61 to 63 of this annual 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 for the year ended 31 December 2022.

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

PERMITTED INDEMNITY PROVISIONS

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

AUDITOR

On 28 June 2022, PricewaterhouseCoopers resigned as auditor of the Company. With effect from 8 July 2022, BDO Limited has been appointed as the new auditor of the Company.

The consolidated financial statements for the year ended 31 December 2022 have been audited by BDO Limited. A resolution for the re-appointment of BDO Limited as the Company's auditor will be proposed at the forthcoming AGM of the Company.

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

Hong Kong, 31 March 2023

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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

Disclaimer of opinion

We were engaged to audit the consolidated financial statements of Sunac China Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 74 to 205, which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulated effects on the consolidated financial statements as described in the "Basis for Disclaimer of Opinion" section of our report. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion

MULTIPLE UNCERTAINTIES RELATING TO GOING CONCERN

As disclosed in note 2.1(iii) to the consolidated financial statements, the Group incurred a net loss of approximately RMB29.89 billion for the year end 31 December 2022 and, as at 31 December 2022, the Group had net current liabilities of approximately RMB96.07 billion. The Group's current and non-current borrowings amounted to approximately RMB253.48 billion and RMB44.94 billion as at 31 December 2022 respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB37.54 billion. As at 31 December 2022, the Group had not repaid borrowings of RMB80.89 billion in aggregate according to their scheduled repayment dates, and as a result, non-current borrowings of approximately RMB85.50 billion in aggregate might be demanded for early repayment. Up to the date of this report, the Group had not repaid borrowings in principal amount of approximately RMB100.52 billion in aggregate according to their scheduled repayment dates and as a result, non-current borrowings in principal amount of approximately RMB83.55 billion in aggregate might be demanded for early repayment. In addition, the Group was involved in various litigation and arbitration cases for various reasons as disclosed in note 36(B) to the consolidated financial statements. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Nevertheless, the consolidated financial statements have been prepared on a going concern basis. The Company has been undertaking a number of plans and measures to improve the Group's liquidity and financial position, and have developed debt solutions which are set out in note 2.1(iii) to the consolidated financial statements. The validity of going concern assumption on which the consolidated financial statements have been prepared depends upon the successful implementation of these plans and measures, which are subject to multiple uncertainties, including (i) the successful completion of Proposed Offshore Debt Restructuring Plan (defined in note 2.1(iii) to the consolidated financial statements); and (ii) the successful negotiation with lenders on the extension of borrowings or the deferral of the repayment of the Group's borrowings.

As a result of the above-mentioned multiple uncertainties, the potential interaction of these uncertainties, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 2.1(iii) to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

We disclaimed our opinion on the consolidated financial statements for the year ended 31 December 2021 relating to the going concern basis of preparing the consolidated financial statements. The balances as at 31 December 2021 and the amounts for the year then ended are presented as corresponding figures in the consolidated financial statements for the year ended 31 December 2022.

Directors' responsibilities for the consolidated financial statements

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee assists the directors in discharging their responsibility in this regard.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with the terms of our 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.

However, due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the "Basis for Disclaimer of Opinion" section of our report, it is not possible for us to form an audit opinion on these consolidated financial statements.

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

BDO Limited
Certified Public Accountants

Amy Yau Shuk Yuen
Practising Certificate Number: P06095

Hong Kong, 31 March 2023

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**80,423,788**	87,221,505
Investment properties	8	**27,048,652**	30,619,994
Right-of-use assets	9	**14,935,066**	16,811,547
Intangible assets	10	**4,095,373**	4,704,255
Deferred tax assets	12	**33,401,631**	27,092,067
Investments accounted for using the equity method	11	**75,702,996**	79,555,170
Financial assets at fair value through profit or loss	13	**13,006,130**	13,546,259
Other receivables	16	**61,171**	104,904
Prepayments	17	**2,283,415**	3,498,580
Derivative financial instruments	25	**—**	79,049
		250,958,222	263,233,330
Current assets			
Properties under development	14	**587,120,002**	619,172,767
Completed properties held for sale	15	**53,915,786**	60,583,750
Inventories		**990,898**	835,020
Trade and other receivables	16	**59,441,113**	67,477,719
Contract costs	6	**6,298,764**	6,439,589
Amounts due from related companies	42(D)	**63,422,584**	59,703,461
Prepayments	17	**15,877,428**	16,335,014
Prepaid income tax		**13,491,155**	12,556,005
Financial assets at fair value through profit or loss	13	**1,109,845**	1,015,444
Restricted cash	18	**25,940,546**	54,858,788
Cash and cash equivalents	19	**11,601,128**	14,344,001
		839,209,249	913,321,558
Total assets		**1,090,167,471**	1,176,554,888
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	**466,030**	429,113
Other reserves	22	**30,354,373**	25,977,044
Retained earnings		**27,648,059**	56,063,172
		58,468,462	82,469,329
Non-controlling interests		**27,934,375**	42,204,917
Total equity		**86,402,837**	124,674,246

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	24	**44,943,017**	86,557,898
Derivative financial instruments	25	**—**	182,008
Lease liabilities	9	**516,050**	535,311
Deferred tax liabilities	12	**22,959,345**	26,563,862
Other payables	23	**67,950**	129,906
		68,486,362	113,968,985
Current liabilities			
Trade and other payables	23	**256,967,051**	269,323,553
Contract liabilities	6	**318,845,924**	341,867,335
Amounts due to related companies	42(D)	**42,876,511**	37,648,739
Current tax liabilities		**61,789,903**	53,454,925
Borrowings	24	**253,476,200**	235,147,248
Lease liabilities	9	**130,608**	197,836
Derivative financial instruments	25	**—**	36,254
Provisions	26	**1,192,075**	235,767
		935,278,272	937,911,657
Total liabilities		**1,003,764,634**	1,051,880,642
Total equity and liabilities		**1,090,167,471**	1,176,554,888

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

The financial statements on pages 74 to 205 were approved by the Board of Directors on 31 March 2023 and were signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	6	**96,751,764**	198,386,734
Cost of sales	27	**(97,570,939)**	(200,179,597)
Gross loss		**(819,175)**	(1,792,863)
Other income and gains	29	**5,787,747**	6,174,020
Selling and marketing costs	27	**(5,790,188)**	(8,766,324)
Administrative expenses	27	**(6,982,670)**	(8,428,019)
Other expenses and losses	30	**(11,758,191)**	(26,394,608)
Net impairment losses on financial and contract assets	27	**(2,470,295)**	(6,890,928)
Operating loss		**(22,032,772)**	(46,098,722)
Finance income	31	**781,485**	3,196,332
Finance expenses	31	**(12,784,216)**	(2,100,002)
Finance (expenses)/income – net	31	**(12,002,731)**	1,096,330
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	11	**2,731,900**	1,328,811
Loss before income tax		**(31,303,603)**	(43,673,581)
Income tax credits	32	**1,411,624**	1,673,623
Loss and total comprehensive loss for the year		**(29,891,979)**	(41,999,958)
Total comprehensive loss attributable to:			
– Owners of the Company		**(27,669,007)**	(38,264,659)
– Non-controlling interests		**(2,222,972)**	(3,735,299)
		(29,891,979)	(41,999,958)
Loss per share attributable to owners of the Company (expressed in RMB per share):	33		
– Basic		**(5.16)**	(8.27)
– Diluted		**(5.16)**	(8.27)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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 loss		—	—	(38,264,659)	(38,264,659)	(3,735,299)	(41,999,958)
Transactions with owners, recognised directly in equity							
Non-controlling interests arising on business combination		—	(182,500)	—	(182,500)	40,058	(142,442)
Capital contributions from non-controlling interests		—	—	—	—	6,121,247	6,121,247
Acquisition of assets and liabilities through acquisition of subsidiaries		—	(1,122,501)	—	(1,122,501)	871,793	(250,708)
Disposal of subsidiaries		—	—	—	—	(13,431)	(13,431)
Transactions with non-controlling interests		—	(368,496)	—	(368,496)	(12,925,723)	(13,294,219)
Repurchase and cancellation of shares	20,22	(1,313)	(252,271)	—	(253,584)	—	(253,584)
Dividends to non-controlling interests		—	—	—	—	(356,705)	(356,705)
Capital contributions from immediate controlling shareholder		—	39,331	—	39,331	—	39,331
Employees share option schemes:							
– Proceeds from shares issued	20,22	983	50,935	—	51,918	—	51,918
Share award scheme:							
– Value of employee services	22	—	499,203	—	499,203	—	499,203
Proceeds from placing of new shares	20,22	28,505	4,108,863	—	4,137,368	—	4,137,368
Statutory reserves		—	2,189,985	(2,189,985)	—	—	—
Dividends relating to 2020	43	—	(7,011,089)	(683,168)	(7,694,257)	—	(7,694,257)
		28,175	(2,048,540)	(2,873,153)	(4,893,518)	(6,262,761)	(11,156,279)
Balance at 31 December 2021		429,113	25,977,044	56,063,172	82,469,329	42,204,917	124,674,246

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022		429,113	25,977,044	56,063,172	82,469,329	42,204,917	124,674,246
Total comprehensive loss		—	—	(27,669,007)	(27,669,007)	(2,222,972)	(29,891,979)
Transactions with owners, recognised directly in equity							
Capital contributions from non-controlling interests		—	—	—	—	7,016	7,016
Disposal of subsidiaries	41(B)	—	—	—	—	(6,081,038)	(6,081,038)
Transactions with non-controlling interests	39	—	(291,164)	—	(291,164)	(4,189,173)	(4,480,337)
Dividends to non-controlling interests		—	—	—	—	(1,784,375)	(1,784,375)
Capital contributions from immediate controlling shareholder		—	123,542	—	123,542	—	123,542
Share award scheme:							
– Value of employee services	22	—	173,586	—	173,586	—	173,586
Proceeds from placing of new shares	20,22	36,917	3,625,259	—	3,662,176	—	3,662,176
Statutory reserves	22	—	746,106	(746,106)	—	—	—
		36,917	4,377,329	(746,106)	3,668,140	(12,047,570)	(8,379,430)
Balance at 31 December 2022		466,030	30,354,373	27,648,059	58,468,462	27,934,375	86,402,837

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	34	**21,678,365**	(26,097,731)
Income tax paid		**(940,418)**	(13,952,874)
Net cash generated from/(used in) operating activities		**20,737,947**	(40,050,605)
Cash flows from investing activities			
Net cash outflow on business combinations		**—**	(736,526)
Net cash inflow on disposal of subsidiaries	41	**649,560**	1,055
Proceeds from disposal of and capital decreasing of joint ventures and associates		**1,554,460**	1,004,542
Consideration paid for acquisition of equity transactions		**(572,307)**	(6,914,133)
Cash advances received for potential equity transactions		**446,580**	859,818
Investments in joint ventures and associates		**(672,623)**	(9,877,917)
Dividend received from joint ventures and associates		**258,555**	175,290
Loans granted to joint ventures and associates		**(2,381,989)**	(22,447,723)
Repayments of loans received from joint ventures and associates		**8,609,799**	8,531,344
Proceeds from disposals of property, plant and equipment, land use rights and investment properties		**512,713**	442,430
Payments for acquisitions of financial assets at fair value through profit or loss		**(2,988,062)**	(5,772,323)
Purchases of property, plant and equipment, land use rights, intangible assets and investment properties		**(3,759,417)**	(11,154,975)
Proceed from redemption of financial assets at fair value through profit or loss		**3,286,682**	11,450,869
Interests received		**605,708**	1,404,258
Others		**15,789**	168,087
Net cash generated from/(used in) investing activities		**5,565,448**	(32,865,904)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**3,662,176**	4,189,286
Proceeds paid for repurchase of shares		**—**	(253,584)
Proceeds from borrowings		**27,099,164**	200,190,240
Repayments of borrowings		**(55,219,301)**	(203,463,803)
Proceeds paid for derivative financial instruments		**(24,111)**	(354,456)
Dividends paid to Company's shareholders		**—**	(7,694,257)
Dividends or deemed distribution paid to non-controlling interests		**(657,095)**	(5,081,119)
Loans from non-controlling interests and equity investment partners		**2,867,728**	34,237,889
Repayments of loans to non-controlling interests and equity investment partners		**(4,154,236)**	(5,822,822)
Payments for transactions with non-controlling interests		**(124,240)**	(6,543,173)
Deposit received/(paid) for bank borrowings		**12,390,490**	(601,866)
Contribution from non-controlling interests		**7,016**	6,600,705
Principal elements of lease payments		**(152,617)**	(180,236)
Interest paid		**(14,806,704)**	(29,737,649)
Loans from immediate controlling shareholder and key management		**—**	3,062,386
Net cash used in financing activities		**(29,111,730)**	(11,452,459)
Net decrease in cash and cash equivalents		**(2,808,335)**	(84,368,968)
Cash and cash equivalents at beginning of year		**14,344,001**	98,710,644
Effects of exchange difference		**65,462**	2,325
Cash and cash equivalents at end of year	19	**11,601,128**	14,344,001

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

1 General information

Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the businesses of property development and investment, cultural 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").

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

2 Summary of significant accounting policies

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

2.1 BASIS OF PREPARATION

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

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

(iii) Going concern basis

The Group incurred a net loss of approximately RMB29.89 billion for the year ended 31 December 2022 and, as at 31 December 2022, the Group had net current liabilities of approximately RMB96.07 billion.

As at 31 December 2022, the Group's current and non-current borrowings amounted to approximately RMB253.48 billion and RMB44.94 billion respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB37.54 billion. As at 31 December 2022, the Group had not repaid borrowings of approximately RMB80.89 billion in aggregate according to their scheduled repayment dates, and as a result, non-current borrowings of approximately RMB85.50 billion in aggregate might be demanded for early repayment. Up to the date of approval of these consolidated financial statements, the Group had not repaid borrowings in principal amount of approximately RMB100.52 billion in aggregate according to their scheduled repayment dates and as a result, non-current borrowings in principal amount of approximately RMB83.55 billion in aggregate might be demanded for early repayment. In addition, the Group was involved in various litigation and arbitration cases for various reasons.

2 Summary of significant accounting policies *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(iii) Going concern basis *(Continued)*

The above conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

In light of the above, the Directors have carefully considered the Group's expected cash flow projections for the next 18 months from 31 December 2022 and have given due consideration to the matters that give rise to material doubt as to its ability to continue as a going concern, and accordingly, have proactively come up with debt solutions to alleviate the liquidity pressure. The Group has continued to implement the following plans and measures:

- Sunac Real Estate Co., Ltd. ("Sunac Real Estate"), a wholly-owned subsidiary of the Company, had issued 5 corporate bonds and 4 non-publicly issued corporate bonds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. On 30 December 2022, a modified repayment arrangement was made in respect of the principal and related interests of RMB14.12 billion in aggregate, where the repayment period has been extended 3 to 4 years with the interest rates remaining unchanged. The modified arrangement was approved by the bondholders' meeting. Therefore, the Company's domestic open market bond restructuring plan has been successfully completed;

- The Group has been actively negotiating with other onshore lenders on the extension of borrowings, and up to the date of approval of these financial statements, extension of loans of approximately RMB18.17 billion in aggregate principal amount has been agreed. Due to the diverse lender base and changing market environment, it takes time to finalise the extension plans with individual lenders case-by-case. Having considered the successful extension of loans during the year 2022, the Group's credit history and longstanding relationships with the relevant lenders, the Directors believe that the Group will be able to complete the signing of the relevant extension agreements for the remaining borrowings progressively;

- The Group has been actively seeking new financing or additional capital inflows through various channels, including but not limited to new financing from asset management companies or financial institutions, special borrowings and supporting borrowings for guaranteed home delivery, business cooperation with business partners, and assets disposals. Up to the date of approval of these financial statements, the Group has achieved certain business cooperation, and has obtained new financing or additional capital for certain projects through the above channels. The Group will also continue to seek new financing or additional capital;

- The Group has been actively communicating with creditors to resolve the pending lawsuits. Up to the date of approval of these financial statements, the Group has completed the settlement arrangements with certain creditors. The Group is positive that it can continue to reach an amicable solution to the litigations which have not yet reached a definite outcome at the current stage;

2 Summary of significant accounting policies *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(iii) Going concern basis *(Continued)*

- The Group has further flattened the organizational structure to reduce the management levels, enhance management efficiency and effectively control costs and expenses; and

- In response to the local Government's call to ensure delivery, the Group will continue to focus on the completion and delivery of property projects to ensure the stability and sustainable operation of the Group's business.

At the same time, the Group will continue to follow up on the offshore debt restructuring that has not yet been completed. As of the date of approval of these financial statements, the progress is as follows:

- The Company has been working closely with its legal and financial advisors to formulate a viable restructuring plan aimed at addressing current liquidity constraints, enhancing the credit profile of the Group and protecting the interests of all stakeholders. Over the past few months, the Company and an ad-hoc group of offshore creditors of the Company (the "AHG"), together with their respective advisors, have been engaged in constructive dialogue towards a consensual restructuring of the Company's offshore indebtedness (the "Restructuring");

- On 28 March 2023, the Company and the AHG entered into the restructuring support agreement (the "RSA") in relation to the terms of the Restructuring. The contemplated Restructuring is intended to (i) provide the Company with a long-term, sustainable capital structure; (ii) allow adequate financial flexibility and sufficient runway to stabilize the business; and (iii) protect the rights and interests, and maximize value, for all stakeholders. The Restructuring is expected to be implemented through one or more schemes of arrangement. The Company expects to commence the process of implementing the Restructuring on terms set forth in the RSA as soon as possible;

- The restructuring plan includes: (1) de-leveraging plan, where creditors will exchange US$1.0 billion in aggregate of their existing debt claims into US$1.0 billion of convertible bonds with a nine-year maturity (which are convertible into shares of the Company during the first 12 months after the restructuring effective date, following which the convertible bonds shall no longer have any conversion rights and will be redeemed at its maturity date); creditors may voluntarily elect to exchange their existing debt claims into zero-coupon, five-year mandatory convertible bonds of the Company, subject to an aggregate cap of US$1.75 billion (which may be increased by the Company); and creditors may voluntarily elect to exchange their existing debt claims into existing shares of Sunac Services Holdings Limited ("Sunac Services Shares"), subject to an aggregate cap of approximately 14.7% of the total issued Sunac Services Shares as of the date of approval of these financial statements; (2) creditors exchanging their remaining existing debt claims into up to eight series of new US$ denominated senior notes (the "New Notes"). The New Notes will mature between two to up to nine years from the earlier of restructuring effective date or 30 September 2023; (3) providing part of the net income from disposal of assets as an additional source of funds for repaying the New Notes; while intending to provide consent fees to the creditors who support the restructuring plan before the relevant deadline ("Proposed Offshore Debt Restructuring Plan");

2 Summary of significant accounting policies *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(iii) Going concern basis *(Continued)*

- Together with the financial adviser, the Group has always maintained active communication with offshore creditors, and strived to obtain support from a sufficient number of relevant creditors to join and sign the restructuring support agreement as soon as possible, so as to complete the relevant legal procedures for implementing the Proposed Offshore Debt Restructuring Plan as soon as possible. The Directors are positive in obtaining the support of relevant creditors and completing the Proposed Offshore Debt Restructuring Plan.

The Directors have reviewed the cash flow projections of the Group prepared by the management covering a period of at least 18 months from 31 December 2022. In their opinion, in view of the above plans and measures, the Group will be able to adequately fund its operations and meet its financial obligations as and when they fall due within the next 18 months from 31 December 2022. Accordingly, the Directors consider that the preparation of the consolidated financial statements as at 31 December 2022 on a going concern basis is appropriate.

The management has formulated a number of plans and taken a number of measures, but the Group's ability to continue as a going concern still depends on (i) whether it can successfully complete the Proposed Offshore Debt Restructuring Plan and (ii) whether it can successfully negotiate with the remaining lenders on the extension or deferral of the repayment of the Group's borrowings.

If the Group is unable to complete the Proposed Offshore Debt Restructuring Plan and unable to continue as a going concern, adjustments must be made to reduce the carrying amount of the Group's assets to recoverable amounts, to provide for any future liabilities that may arise, and to reclassify non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2 Summary of significant accounting policies *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(iv) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

- *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to* HKAS 16;
- *Onerous Contracts – Cost of Fulfilling a Contract – Amendments to* HKAS 37;
- *Annual Improvements to HKFRS Standards 2018-2020*;
- *Reference to the Conceptual Framework – Amendments to* HKFRS 3; and
- *Amendments to AG 5 Merger Accounting for Common Control Combinations*.

These amendments and improvements 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.

2 Summary of significant accounting policies *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(v) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

	Effective for the financial year beginning on or after
Insurance contracts – HKFRS 17	1 January 2023
Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates – Amendments to HKAS 8	1 January 2023
Deferred tax related to assets and liabilities arising from a single transaction – Amendments to HKAS 12	1 January 2023
Classification of liabilities as current or non-current – Amendments to HKAS 1	1 January 2024
Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (2020)	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to HKFRS 16	1 January 2024
Sale or contribution of assets between an investor and its associate or joint ventures – Amendments to HKFRS 10 *and* HKAS 28	To be determined

2 Summary of significant accounting policies *(Continued)*

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

(i) Subsidiaries

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

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

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

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

(ii) Associates

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

(iii) Joint arrangements

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

2 Summary of significant accounting policies *(Continued)*

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

(iv) Equity method

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

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

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

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

(v) Changes in ownership interests

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

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

2 Summary of significant accounting policies *(Continued)*

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

(v) Changes in ownership interests *(Continued)*

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

2.3 BUSINESS COMBINATIONS

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

2 Summary of significant accounting policies *(Continued)*

2.3 BUSINESS COMBINATIONS *(Continued)*

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

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

2.4 SEPARATE FINANCIAL STATEMENTS

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

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

2.5 SEGMENT REPORTING

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

2.6 FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

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

2 Summary of significant accounting policies *(Continued)*

2.6 FOREIGN CURRENCY TRANSLATION *(Continued)*

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.7 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Buildings and equipment	5–40 years
Vehicles	3–10 years
Furniture and office equipment	3–10 years
Leasehold improvements	Shorter of 5 years or the lease periods

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

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

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

2.8 INVESTMENT PROPERTIES

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.8 INVESTMENT PROPERTIES *(Continued)*

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

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

2.9 INTANGIBLE ASSETS

(i) Goodwill

Goodwill is measured as described in note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(ii) Trademark and brand

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

Brand acquired in a business combination is recognised at fair value at the acquisition date. Brand has a finite useful life and is subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of 5 to 20 years.

(iii) Software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 3 to 10 years on a straight-line basis.

(iv) Customer relationships

Separately acquired customer relationships are shown at historical cost. Customer relationships acquired in a business combination are initially recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives, which is 5 to 8 years.

2 Summary of significant accounting policies *(Continued)*

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) Classification

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

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

- those to be measured at amortised cost.

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

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

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

(ii) Recognition and derecognition

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

2 Summary of significant accounting policies *(Continued)*

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(Continued)*

(iii) Measurement

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

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

Debt instruments

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

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS *(Continued)*

(iii) Measurement *(Continued)*

Equity instruments

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

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

(iv) Impairment

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

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

2.12 OFFSETTING FINANCIAL INSTRUMENTS

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

2.13 FINANCIAL GUARANTEE CONTRACTS

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

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

2 Summary of significant accounting policies *(Continued)*

2.13 FINANCIAL GUARANTEE CONTRACTS *(Continued)*

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

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

2.14 DERIVATIVES AND HEDGING ACTIVITIES

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

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

2.15 PROPERTIES UNDER DEVELOPMENT ("PUDS")

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

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

2.16 COMPLETED PROPERTIES HELD FOR SALE ("CPHFS")

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

Cost comprises development costs attributable to the unsold properties.

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

2 Summary of significant accounting policies *(Continued)*

2.17 INVENTORIES

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

2.18 TRADE RECEIVABLES

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 16 for further information about the Group's accounting for trade receivables and note 2.11 for a description of the Group's impairment policies.

2.19 CASH AND CASH EQUIVALENTS

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

2.20 SHARE CAPITAL AND SHARES HELD FOR EMPLOYEE SHARE SCHEME

Ordinary shares are classified as equity.

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

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

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

2.21 PERPETUAL CAPITAL INSTRUMENTS

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

2 Summary of significant accounting policies *(Continued)*

2.22 TRADE AND OTHER PAYABLES

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

2.23 BORROWINGS

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

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

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

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

2.24 BORROWING COSTS

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

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

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

2 Summary of significant accounting policies *(Continued)*

2.24 BORROWING COSTS *(Continued)*

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

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

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

2.25 CURRENT AND DEFERRED INCOME TAX

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

Current income tax

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

Deferred income tax

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

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

2 Summary of significant accounting policies *(Continued)*

2.25 CURRENT AND DEFERRED INCOME TAX *(Continued)*

Deferred income tax *(Continued)*

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

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

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

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

2.26 EMPLOYEE BENEFITS

(i) Short-term obligations

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

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

(ii) Retirement benefits

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

2 Summary of significant accounting policies *(Continued)*

2.26 EMPLOYEE BENEFITS *(Continued)*

(ii) Retirement benefits *(Continued)*

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

(iii) Termination benefits

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

2.27 SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Company's share option schemes and an employee share award scheme. Information relating to these schemes is set out in note 21.

(i) Employee options

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

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

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

2.27 SHARE-BASED PAYMENTS *(Continued)*

(i) Employee options *(Continued)*

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

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

(ii) Share-based payment transactions among Group entities

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

(iii) Employee share award scheme

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

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

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

2.28 PROVISIONS

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

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

2 Summary of significant accounting policies *(Continued)*

2.28 PROVISIONS *(Continued)*

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

2.29 REVENUE RECOGNITION

(i) Sales of properties

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

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

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

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

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

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

The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in consolidated profit or loss is recognised as contract liabilities. The contract liability is recognised as revenue when the Group satisfies its performance obligations. For contract where the period between the payment by the customer and the transfer of the promised property exceeds one year, the promised amount of consideration is adjusted for the effects of a significant financing component.

2 Summary of significant accounting policies *(Continued)*

2.29 REVENUE RECOGNITION *(Continued)*

(i) Sales of properties *(Continued)*

Sales commissions and other costs directly attributable to obtaining a contract, if recoverable, are capitalised as contract costs.

(ii) Property management service income

Property management service income is recognised in the accounting period in which the services are rendered. For property management services, the Group bills a fixed amount for services provided and recognises as revenue in the amount to which the Group has a right to bill and that corresponds directly with the value of performance completed on a monthly basis. The property management services are normally billable immediate upon the delivery of the services.

(iii) Rental income

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

(iv) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the services are rendered.

(v) Theme parks operations

Revenues from advance theme park ticket sales are recognised when the tickets are used. Revenues from annual or monthly pass sales are recognised ratably over the period for which the pass is available for use.

(vi) Fitting and decoration services

Revenues from fitting and decoration services are recognised in the accounting period in which the services are rendered.

(vii) Film and TV series production and distribution

Income from the distribution of own produced films are recognised when the production is completed, the films have been released and distributed to the cinema circuit or TV broadcast networks and the amounts can be measured reliably, which are generally when the cinema circuit or TV broadcast networks confirm to the entities its share of box office receipts and profit entitlement.

2 Summary of significant accounting policies *(Continued)*

2.29 REVENUE RECOGNITION *(Continued)*

(viii) Film special effects services

Revenue from film special effects services contracts is recognised over time, using an input method to measure progress towards complete satisfaction of the service.

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

2.30 EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.31 DIVIDEND INCOME

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in consolidated profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2 Summary of significant accounting policies *(Continued)*

2.32 LEASES

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 Summary of significant accounting policies *(Continued)*

2.32 LEASES *(Continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Land use rights were reclassified as right-of-use assets since the initial adoption of HKFRS 16 on 1 January 2019. All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights. Land use rights which are held for development for sale are inventories and measured at lower of cost and net realisable value. Land use rights which are held for self-use are stated at cost and amortised over the use terms using straight-line method with fixed period of 40 years.

2 Summary of significant accounting policies *(Continued)*

2.32 LEASES *(Continued)*

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in consolidated profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 8). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.33 DIVIDEND DISTRIBUTION

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.34 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of PP&E are presented in consolidated balance sheet by deducting the grants in arriving at the carrying amount of the assets and are recognised in consolidated profit or loss over the expected lives of the related assets as reduced depreciation expenses.

2.35 INTEREST INCOME

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the consolidated statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's risk management is predominantly controlled by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3.1 FINANCIAL RISK FACTORS

(A) Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. The foreign currency balances as at 31 December 2022 were primarily related to bank deposits, financial assets at FVPL, amounts due to related parties, other payables and borrowings denominated in United States dollar ("USD") and Hong Kong dollar ("HKD").

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(A) Market risk *(Continued)*

(i) Foreign exchange risk *(Continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Assets		
USD	**468,250**	629,966
HKD	**210,457**	449,736
	678,707	1,079,702
Liabilities		
USD	**79,684,032**	72,439,947
HKD	**1,616,088**	1,434,039
	81,300,120	73,873,986

The aggregate net foreign exchange losses/(gains) recognised in consolidated profit or loss were:

	2022 RMB'000	2021 RMB'000
Exchange losses/(gains) on foreign currency borrowing included in finance expenses	**6,847,848**	(1,679,229)
Total net foreign exchange losses/(gains) recognised in loss before income tax for the year	**6,847,848**	(1,679,229)

As at 31 December 2022, if RMB had strengthened/weakened by 5% against the HK dollar with all other variables held constant, the post-tax loss for the year would have been lower/higher by RMB67 million (2021: RMB47 million).

As at 31 December 2022, if RMB had strengthened/weakened by 5% against the US dollar with all other variables held constant, the post-tax loss for the year would have been lower/higher by RMB3.77 billion (2021: RMB3.42 billion).

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(A) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings, lease liabilities and interest-bearing amounts due from related companies. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk which is partially offset by cash held at variable rates. Borrowings and amounts due from related companies with fixed rates expose the Group to fair value interest-rate risk. In 2022, the Group's borrowings were denominated in RMB, USD and HKD (2021: RMB, USD and HKD).

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

	Floating rates				Fixed rates				Total
RMB' million	Less than 1 year	1 to 5 years	Over 5 years	Sub-total	Less than 1 year	1 to 5 years	Over 5 years	Sub-total	
At 31 December 2022									
Amount due from related companies	**—**	**—**	**—**	**—**	**16,486**	**—**	**—**	**16,486**	**16,486**
Borrowings	**56,765**	**4,127**	**—**	**60,892**	**196,711**	**37,225**	**3,591**	**237,527**	**298,419**
Lease liabilities	**—**	**—**	**—**	**—**	**131**	**332**	**184**	**647**	**647**
At 31 December 2021									
Amount due from related companies	—	—	—	—	22,009	—	—	22,009	22,009
Borrowings	45,223	18,435	3,313	66,971	189,924	59,477	5,333	254,734	321,705
Lease liabilities	—	—	—	—	198	350	185	733	733

As at 31 December 2022, if the interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax loss for the year would have been higher/lower by RMB105.16 million (2021: RMB30.47 million) and the capitalised interest for the year would have been higher/lower by RMB479.67 million (2021: RMB506.61 million) respectively.

The Group's management team centrally authorises all loans entered into by operating entities and sets a benchmark interest rate within which the entity management teams can negotiate loans with their local lenders prior to obtaining central approval from the Group management. The interest rate benchmark is reassessed annually by the Group management team.

The Group also analyses its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(A) Market risk *(Continued)*

(iii) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet as financial assets at FVPL (note 13). The Group monitors the pricing change of these equity securities during each reporting period to manage the price risk.

Certain equity investments of the Group are related to equity securities traded in the Stock Exchange. As at 31 December 2022, if the price of securities has increased/decreased by 5% with all other variables held constant, the post-tax loss for the year would have been RMB0.84 million lower/higher (2021: RMB0.84 million).

(B) Credit risk

(i) Risk management

The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and buyers. The maximum extent of the Group's credit exposure in relation to financial assets is represented by the aggregate balance of cash and cash equivalents, restricted cash, contract assets, trade and other receivable, amounts due from related companies, financial assets at FVPL and derivative financial instruments included in the consolidated balance sheets and financial guarantees provided to related companies and guarantees on mortgage facilities.

Cash transactions are limited to high-credit-quality banks. The Group has policies in place to ensure that sales of properties are made to customers with an appropriate financial strength and appropriate percentage of down payment. Credit is granted to customers with sufficient financial strength. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

Certain customers of the Group have arranged bank financing for their purchases of the properties. The Group typically provides guarantees to secure obligations of such customers for repayments, normally up to the time when the customers obtain the legal certificates of the property ownership. Detailed disclosure of these guarantees is made in note 36(A).

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(B) Credit risk *(Continued)*

(ii) Impairment of financial assets

The Group mainly had four types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of properties or rendering of services in the ordinary course of business
- contract assets relating to property development and sales contracts
- other receivables (excluding loans to third parties)
- loans to related and third parties

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

Contract assets and trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contract assets and trade receivables.

To measure the expected credit losses, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the ageing analysis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 or 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(B) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for contract assets and trade receivables:

31 December 2022	**Current RMB'000**	**More than 90 days RMB'000**	**More than 180 days RMB'000**	**More than 1 years RMB'000**	**Total RMB'000**
Expected loss rate	**3.78%**	**5.29%**	**7.60%**	**15.72%**	**8.18%**
Gross carrying amount	**1,954,481**	**333,652**	**405,619**	**1,299,041**	**3,992,793**
Loss allowance	**73,958**	**17,665**	**30,839**	**204,180**	**326,642**

31 December 2021	Current RMB'000	More than 90 days RMB'000	More than 180 days RMB'000	More than 1 years RMB'000	Total RMB'000
Expected loss rate	3.70%	1.77%	3.34%	16.04%	6.86%
Gross carrying amount	1,866,228	168,035	422,643	898,363	3,355,269
Loss allowance	69,007	2,979	14,108	144,053	230,147

Other receivables (excluding loans to third parties)

Other receivables (excluding loans to third parties) such as guarantee and deposit are considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for financial instruments when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. In calculating the expected credit loss rates, the Group considers historical loss rates for other receivables (excluding loans to third parties), and adjusts for forward looking macroeconomic data. On that basis, the loss allowance for other receivables (excluding loans to third parties) was RMB399 million (2021: RMB357 million) as at 31 December 2022.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(B) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Loans to related and third parties

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

– internal credit rating

– external credit rating (as far as available)

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– actual or expected significant changes in the operating results of the borrower

– significant increases in credit risk on other financial instruments of the same borrower

– significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in consolidated profit or loss.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(B) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

The Group uses four categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 90 days past due	Lifetime expected losses
Write-off	There is no reasonable expectation of recovery	Asset is written off

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(B) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 31 December 2022, the Group provides for credit losses against loans to related parties and third parties as follows:

Company internal credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Carrying amount (net of impairment provision) RMB'000	Basis for calculation of interest revenue
Performing	18.36%	12 month expected losses	47,767,468	38,999,107	Gross carrying amount
Non-performing	82.24%	Lifetime expected losses	378,596	67,250	Amortised cost carrying amount (net of credit allowance)

No significant changes to estimation techniques or assumptions were made during the reporting period.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(B) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

The loss allowance for trade and other receivables and amounts due from related parties as at 31 December reconciles to the opening loss allowance as follows:

	Trade and other receivables		**Amounts due from related parties**	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Opening loss allowance as at 1 January	**5,124,037**	553,520	**2,461,747**	38,519
Increase in loss allowance recognised in consolidated profit or loss during the year	**96,495**	4,712,416	**2,380,030**	2,423,228
Reversal of previous written off	**—**	253,959	**—**	—
Receivables written off during the year as uncollectible	**(208,265)**	(140,299)	**—**	—
Unused amount reversed	**(48,807)**	(255,559)	**—**	—
Closing loss allowance at 31 December	**4,963,460**	5,124,037	**4,841,777**	2,461,747

Trade and other receivables and amounts due from related parties are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in consolidated profit or loss.

Impairment losses on contract assets, trade and other receivables and amounts due from related parties are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(B) Credit risk *(Continued)*

(ii) Impairment of financial assets *(Continued)*

During the year, the following impairment losses or reversal were recognised in consolidated profit or loss in relation to impaired financial assets:

	2022 **RMB'000**	2021 RMB'000
Impairment losses		
Movement in loss allowance for trade and other receivables and amounts due from related parties	**2,427,718**	6,880,085
Expected credit losses on financial guarantee	**42,577**	10,843
Net impairment losses on financial and contract assets	**2,470,295**	6,890,928

Of the above impairment losses, RMB96.50 million (2021: RMB126.34 million) relate to receivables arising from contracts with customers.

Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (2022: RMB1.91 billion; 2021: RMB1.86 billion).

Financial guarantees

The loss allowance for financial guarantee contracts was determined based on the same policy as loans to related and third parties. For guarantees in respect of mortgage facilities for certain purchasers of the Group's property units, if a buyer defaults, the Group is able to retain the buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by more than the buyer's deposits received, the Group may not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated.

On that basis, the loss allowance for financial guarantees increased from RMB66.55 million as at 31 December 2021 to RMB109.13 million as at 31 December 2022.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(C) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal consolidated balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures, accelerating sales with more flexible pricing and issuing senior notes. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate. The Directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

Due to the dynamic nature of the underlying businesses, the Group's central treasury department maintains flexibility in funding by its ability to move cash and cash equivalents between different entities through related parties borrowing arrangements.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities and the earliest date the Group can be required to pay for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(C) Liquidity risk *(Continued)*

The amounts disclosed in the table are the undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

In RMB' million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2022					
Borrowings and interest payments	**276,377**	**25,266**	**28,817**	**6,945**	**337,405**
Trade and other payables (note 23)	**247,620**	**40**	**25**	**3**	**247,688**
Amounts due to related companies (note 42(D))	**42,877**	**—**	**—**	**—**	**42,877**
Financial guarantee contracts (note 36(A))	**119,283**	**12,747**	**1,550**	**35**	**133,615**
Lease liabilities	**155**	**150**	**287**	**327**	**919**
At 31 December 2021					
Borrowings and interest payments	248,898	60,050	25,386	11,672	346,006
Trade and other payables (note 23)	261,601	63	49	18	261,731
Amounts due to related companies (note 42(D))	37,649	—	—	—	37,649
Derivative financial instruments (note 25)	36	182	—	—	218
Financial guarantee contracts (note 36(A))	183,710	15,229	12,788	—	211,727
Lease liabilities	213	137	315	372	1,037

Note:

– The interest payments on borrowings are calculated based on borrowings held as at 31 December 2022 and 2021 without taking into account of future borrowings. Floating-rate interest is estimated using the current interest rate at 31 December 2022 and 2021 respectively.

– Trade and other payables in this analysis do not include the taxes payables and payroll and welfare payables.

3 Financial risk management (continued)

3.2 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) and lease liabilities less cash and cash equivalents (including restricted cash). Total capital is calculated by adding total equity and net debt.

The gearing ratios of the Group as at 31 December 2022 and 2021 were as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Total borrowings (note 24)	**298,419,217**	321,705,146
Lease liabilities (note 9)	**646,658**	733,147
Less: Restricted cash (note 18)	**(25,940,546)**	(54,858,788)
Cash and cash equivalents (note 19)	**(11,601,128)**	(14,344,001)
Net debt	**261,524,201**	253,235,504
Total capital	**347,927,038**	377,909,750
Gearing ratio	**75.17%**	67.01%

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- the liabilities/assets ratio of individual subsidiary must be not more than 70% to 90%, and

- the equity/assets ratio of individual subsidiary must be not less than 25% to 30%.

4 Fair value estimation

(A) FINANCIAL ASSETS AND LIABILITIES

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements

At 31 December 2022	Notes	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets					
Financial assets at FVPL	13	**20,023**	**8,908**	**14,087,044**	**14,115,975**

Recurring fair value measurements

At 31 December 2021	Notes	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets					
Financial assets at FVPL	13	20,023	45,097	14,496,583	14,561,703
Derivative financial instruments	25	—	79,049	—	79,049
Financial liabilities					
Derivative financial instruments	25	—	218,262	—	218,262

4 Fair value estimation *(Continued)*

(A) FINANCIAL ASSETS AND LIABILITIES *(Continued)*

(i) Fair value hierarchy *(Continued)*

During the year ended 31 December 2022, there were no transfers between levels 1, 2 and 3 for recurring fair value measurements during this period.

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

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

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

4 Fair value estimation *(Continued)*

(A) FINANCIAL ASSETS AND LIABILITIES *(Continued)*

(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, equity allocation model, option pricing method and discounted cash flow model 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, collar option contracts and total return swap 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, collar option contracts, total return swap and interest rate swap derivative contracts entered into with certain commercial banks and option embedded in the corporate bond contracts.

As at 31 December 2022 and 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 were determined by using various applicable valuation techniques, including market approach etc.

4 Fair value estimation *(Continued)*

(A) FINANCIAL ASSETS AND LIABILITIES *(Continued)*

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

The following table presents the changes in level 3 items for the years ended 31 December 2022 and 31 December 2021:

	Financial assets at FVPL		
	Equity investment RMB'000	Debt instruments RMB'000	Total RMB'000
Opening balance 1 January 2021	**26,401,108**	**2,626,703**	**29,027,811**
Acquisitions	1,690,766	2,706,135	4,396,901
Acquisition of subsidiary	—	26,210	26,210
Disposals	(274,808)	(3,344,169)	(3,618,977)
Transfer to level 1 (note)	(16,144,282)	—	(16,144,282)
Gains/(losses) recognised in profit or loss	968,577	(159,657)	808,920
Closing balance 31 December 2021	**12,641,361**	**1,855,222**	**14,496,583**
Acquisitions	—	2,975,633	2,975,633
Disposals	(821,777)	(2,948,907)	(3,770,684)
Gains recognised in in profit or loss	359,715	25,797	385,512
Closing balance 31 December 2022	**12,179,299**	**1,907,745**	**14,087,044**

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

2022	**948,188**	**(166,452)**	**781,736**
2021	518,096	(172,932)	345,164

Note:

During the year ended 31 December 2021, certain equity investment was transferred from level 3 of fair value hierarchy to level 1 as the common shares of a listed company held by the Group became unrestricted listed securities.

4 Fair value estimation *(Continued)*

(A) FINANCIAL ASSETS AND LIABILITIES *(Continued)*

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

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

Description	Fair value at 31 December 2022 RMB'000	Fair value at 31 December 2021 RMB'000	Valuation method	Significant unobservable inputs	Range of significant unobservable inputs 2022	Range of significant unobservable inputs 2021
Unlisted equity securities and forward contracts embedded in acquisition contract	**12,179,299**	12,641,361	Market approach, equity allocation model, option pricing method and discounted cash flow model	Discount of lack of marketability	**10%-30%**	10%-30%
				Expected volatility rate	**49.13%-85.80%**	41.85%-50.06%
				Discount rate	**13%**	13%
Other financial instruments	**1,907,745**	1,855,222	Discounted cash flow model	Discount rate	**3.65%-4.30%**	3.80%-4.65%

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.

4 Fair value estimation *(Continued)*

(A) FINANCIAL ASSETS AND LIABILITIES *(Continued)*

(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 consolidated balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments at 31 December 2022:

	Carrying amount RMB'000	Fair value RMB'000
Non-current borrowings:		
– Senior notes (note 24)	**53,531,981**	**11,975,618**
– Corporate bonds (note 24)	**10,896,803**	**4,156,977**
– Private domestic corporate bonds (note 24)	**4,163,462**	**1,768,802**

(B) NON-FINANCIAL ASSETS AND LIABILITIES

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 4(A).

At 31 December 2022		**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Investment properties	(Note 8)	**—**	**—**	**27,048,652**	**27,048,652**

At 31 December 2021		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investment properties	(Note 8)	—	—	30,619,994	30,619,994

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

During the year ended 31 December 2022, there were no reclassifications of non-financial assets and non-financial liabilities and no transfers between different levels for recurring fair value measurements.

4 Fair value estimation *(Continued)*

(B) NON-FINANCIAL ASSETS AND LIABILITIES *(Continued)*

(ii) Valuation techniques used to determine level 3 fair values

At the end of each reporting period, the management of the Group update their assessment of the fair value of the investment properties, taking into account the most recent independent valuations. The management determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the management determine the fair value based on below valuation techniques:

- Income capitalisation method – capitalised income derived from the existing tenancies and the reversionary potential with unobservable inputs mainly including capitalisation rates and market rental prices;

- Residual method – used in valuing investment properties under development by establishing the market value on the premise that the properties will be developed and completed in accordance with its latest development plan. The residual valuation of valued properties can be expressed as the market value deducts the estimated costs to complete and developers' profit to reflect the total value of the partially completed development.

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

See note 8 for further information about the changes in level 3 items relating to investments properties for the years ended 31 December 2022 and 2021.

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.

4 Fair value estimation *(Continued)*

(B) NON-FINANCIAL ASSETS AND LIABILITIES *(Continued)*

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

	Fair value at				Range of significant unobservable inputs	
Description	**31 December 2022 RMB'000**	31 December 2021 RMB'000	Valuation method	Significant unobservable inputs	2022	2021
Office buildings and commercial properties	**1,658,173**	1,332,290	Income capitalisation method	Prevailing market rents; Capitalisation rates	RMB115-RMB232 per unit per month capitalisation rates: 4%-6.25%	RMB78-RMB221 per unit per month capitalisation rates: 4%-6.25%
Shopping malls	**24,823,000**	28,720,225	Income capitalisation method	Prevailing market rents; Capitalisation rates	RMB52-RMB245 per unit per month capitalisation rates: 4%-7%	RMB45-RMB635 per unit per month capitalisation rates: 4.5%-7%
Construction in progress	**567,479**	567,479	Residual method; Income capitalisation method	Prevailing market rents; Capitalisation rates; Developer's profit rate	RMB95 per unit per month capitalisation rates: 4.5%-6% Developer's profit rate: 10%	RMB69-RMB115 per unit per month capitalisation rates: 4.5%-6% Developer's profit rate: 15%

4 Fair value estimation *(Continued)*

(B) NON-FINANCIAL ASSETS AND LIABILITIES *(Continued)*

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

Relationships of unobservable inputs to fair value are as follows:

- The higher market rental price, the higher fair value;
- The higher rate of capitalisation rate, the lower fair value;
- The higher developer's profit rate, the lower fair value.

(iv) Valuation processes

As at 31 December 2022, 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.

The major level 3 inputs used by the Group are derived and evaluated as follows:

Office buildings, shopping malls and commercial properties – market rental prices and capitalisation rates are estimated by independent valuer or management based on comparable transactions and industry data;

Construction in progress – developer's profit rate is estimated based on market conditions as at 31 December 2022. The estimated costs to completion are consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions.

5 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(A) PRC CORPORATE INCOME TAXES AND DEFERRED TAXATION

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income tax and withholding tax on undistributed earnings of PRC subsidiaries. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters (including the effect of change in the dividend policies of PRC subsidiaries) is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(B) PRC LAND APPRECIATION TAX ("LAT")

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to its understanding of the interpretation of tax rules by various tax authorities. The final tax outcome could be different from the amounts that were initially recorded, and these differences will affect the income taxes and deferred income tax provisions in the years in which such taxes have been finalised with local tax authorities.

(C) ESTIMATED NET REALISABLE VALUE OF PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

The Group assesses the carrying amounts of properties under development and completed properties held for sale based on the net realisable value of these properties, taking into account variable selling expenses and costs to completion based on past experience and estimated selling price based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

5 Critical accounting estimates and judgements *(Continued)*

(D) FAIR VALUE OF INVESTMENT PROPERTIES

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer. Significant judgement and assumptions are required in assessing the fair value of the investment properties. Details of the judgement and assumptions have been disclosed in note 4(B).

(E) IMPAIRMENT OF INVESTMENT

The Group tests assets for impairment whenever investments suffer any impairment in accordance to the accounting policies. Investments are reviewed for impairment, whenever events or changes in circumstances that may cause the carrying amounts to the investments to exceed their recoverable amounts. The recoverable amount of an investment is determined as the higher of cash generating unit (CGU)'s fair value less cost to sell and its value-in-use which require the use of assumptions. The estimation of fair value less cost of disposal was made mainly from public market information. The estimated future cash flows used in the value in use assessments are based on assumptions, such as selling price, sales volume, gross margin and discount rates. The assessment requires the use of judgement and estimates.

(F) EXPECTED CREDIT LOSS OF FINANCIAL ASSETS

The expected credit loss for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 3.1(B).

(G) REVENUE RECOGNITION

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 2.29. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local laws, the local regulators' views and obtained legal advice, when necessary, and a significant judgement is required.

5 Critical accounting estimates and judgements *(Continued)*

(G) REVENUE RECOGNITION *(Continued)*

As disclosed in note 36(A), the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are mortgaged to banks by the purchasers. In order to obtain mortgage loans, the purchasers need to settle certain percentage of the total contract amount in accordance with related PRC regulations upon delivery of the properties. The Directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on past experiences, there were no significant defaults of mortgage facilities by the purchasers resulting in the calling of the bank guarantees provided. Accordingly, the Directors believe that control of the properties have been transferred to the purchasers.

(H) ESTIMATION OF GOODWILL IMPAIRMENT

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial estimate of management covering a reasonably forecast period.

Cash flows beyond the forecasting period are extrapolated using the estimated growth rates stated in note 10. These growth rates are consistent with management's expectations of market development specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in note 10.

(I) ESTIMATION OF THE FAIR VALUE OF CERTAIN FINANCIAL ASSETS AT FVTPL

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see note 4(A).

(J) ESTIMATED NET RECOVERABLE VALUE OF PP&E AND LAND USE RIGHTS

At the end of each reporting period, the Group assesses the impairment indicator of its PP&E and land use rights and estimates the recoverable amounts of the assets when any such indication exists. The recoverable amount of an asset is determined as the higher of fair value less cost to sell and its value-in-use which require the use of assumptions. The estimation of fair value less cost of disposal is made mainly from public market information. The estimated future cash flows used in the value-in-use assessments are based on assumptions, such as selling price, sales volume, gross margin and discount rates. The assessment requires the use of judgement and estimates. Details of impairment charge and key assumptions are disclosed in note 7.

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 of the Company assess the performance of the Group organised as follows:

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

Other segments mainly include fitting and decoration services, film and culture investment and office building rentals. 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, finance expenses and income tax expenses, which is defined as segment results. The segment results exclude the fair value and disposal 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 over 90% of the Group's non-current assets are located in the PRC. No geographical information is therefore presented.

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

6 Segment information *(Continued)*

The segment results are as follows:

	Year ended 31 December 2022				
	Property development RMB'000	Cultural tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	82,841,791	4,765,158	7,126,161	5,483,505	100,216,615
Recognised at a point in time	53,456,932	1,868,907	395,000	569,705	56,290,544
Recognised over time	29,384,859	2,896,251	6,731,161	4,913,800	43,926,071
Inter-segment revenue	—	—	(862,818)	(2,602,033)	(3,464,851)
Revenue from external customers	82,841,791	4,765,158	6,263,343	2,881,472	96,751,764
Segment gross (loss)/profit	(2,102,069)	1,585,957	1,635,050	440,429	1,559,367
Net impairment losses on financial and contract assets	(2,228,184)	—	(116,578)	(125,533)	(2,470,295)
Net fair value (losses)/gains on investment properties	—	(362,000)	1,027	(222,226)	(583,199)
Interest income	2,797,283	—	32,059	—	2,829,342
Finance income	697,807	—	83,678	—	781,485
Share of post-tax profits/(losses) of associates and joint ventures accounted for using the equity method, net	2,698,799	(2,135)	11,447	23,789	2,731,900
Segment results	(13,427,304)	(1,399,764)	883,436	(1,554,589)	(15,498,221)
Other information					
Capital expenditure	399,729	1,689,220	132,950	94,587	2,316,486

	As at 31 December 2022				
	Property development RMB'000	Cultural tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment assets	865,988,001	107,922,725	13,179,246	42,068,738	1,029,158,710
Investments accounted for using the equity method	74,960,868	22,000	60,291	659,837	75,702,996
Total segment liabilities	868,995,221	25,352,677	4,289,008	20,378,480	919,015,386

6 Segment information *(Continued)*

	Year ended 31 December 2021				
	Property development RMB'000	Cultural tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	178,877,717	5,722,730	7,903,674	26,118,939	218,623,060
Recognised at a point in time	136,959,914	2,421,624	721,891	1,026,071	141,129,500
Recognised over time	41,917,803	3,301,106	7,181,783	25,092,868	77,493,560
Inter-segment revenue	—	—	(2,263,970)	(17,972,356)	(20,236,326)
Revenue from external customers	178,877,717	5,722,730	5,639,704	8,146,583	198,386,734
Segment gross (loss)/profit	(5,349,898)	2,467,254	1,767,708	2,171,839	1,056,903
Net impairment losses on financial and contract assets	(6,709,590)	—	(54,652)	(126,686)	(6,890,928)
Net fair value gains/(losses) on investment properties	—	681,431	—	(6,000)	675,431
Interest income	3,689,396	—	10,082	—	3,699,478
Finance income	3,051,620	—	144,712	—	3,196,332
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	1,196,440	26,313	10,501	95,557	1,328,811
Segment results	(20,857,452)	(10,800,457)	1,238,259	1,662,440	(28,757,210)
Other information					
Capital expenditure	2,624,460	11,429,203	128,081	629,325	14,811,069

	As at 31 December 2021				
	Property development RMB'000	Cultural tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment assets	937,633,192	114,325,193	10,394,377	59,913,302	1,122,266,064
Investments accounted for using the equity method	78,780,367	88,275	77,601	608,927	79,555,170
Total segment liabilities	903,054,954	27,612,092	4,180,710	36,795,837	971,643,593

6 Segment information *(Continued)*

Reportable segment results are reconciled to total loss as follows:

	2022 RMB'000	2021 RMB'000
Total segment results	**(15,498,221)**	(28,757,210)
Depreciation and amortisation	**(3,189,150)**	(3,781,902)
Finance expenses	**(12,784,216)**	(2,100,002)
Other income and gains	**354,870**	—
Other expenses and losses	**(186,886)**	(9,034,467)
Income tax credits	**1,411,624**	1,673,623
Loss for the year	**(29,891,979)**	(41,999,958)

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Total segment assets	**1,029,158,710**	1,122,266,064
Deferred tax assets	**33,401,631**	27,092,067
Other assets	**27,607,130**	27,196,757
Total assets	**1,090,167,471**	1,176,554,888
Total segment liabilities	**919,015,386**	971,643,593
Deferred tax liabilities	**22,959,345**	26,563,862
Other liabilities	**61,789,903**	53,673,187
Total liabilities	**1,003,764,634**	1,051,880,642

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:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Contract liabilities	**318,845,924**	341,867,335

The Group had no material contract assets as at 31 December 2022 and 2021.

(i) Significant changes in contract liabilities

As at 31 December 2022, the contract liabilities mainly included the payments received from sales of properties which were usually received in advance of the performance under the contracts. The decrease in contract liabilities was mainly due to revenue from sales of properties recognised in profit or loss when the properties were delivered to customers during the year.

(ii) Revenue recognised in relation to contract liabilities

Revenue totalled approximately RMB81.67 billion was recognised in current reporting period that was included in the contract liability balance at the beginning of the year.

(iii) Unsatisfied sales contracts

As of 31 December 2022, management expected that the contract amounts allocated to unsatisfied performance obligations of RMB209.11 billion would be recognised as revenue during the reporting period of 2023 and the contract amounts of RMB126.51 billion would be recognised as revenue in or after the reporting period of 2024.

(iv) Assets recognised from costs to obtain a contract

	31 December 2022 RMB'000	31 December 2021 RMB'000
Contract costs	**6,298,764**	6,439,589

In addition to the contract balances disclosed above, the Group has also recognised the sales commissions directly attributable to obtaining a contract as contract costs in the consolidated balance sheet. These assets will be amortised as selling expenses in line with relevant revenue recognition. Sales commissions totalled RMB1.41 billion was recognised as contract costs during the year and RMB1.55 billion has been amortised in current reporting period. Management expects that the majority of the contract costs will be recognised during the next reporting period.

7 Property, plant and equipment

	Note	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 1 January 2021							
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
Year ended 31 December 2021							
At 1 January 2021		70,059,544	207,194	468,235	458,353	14,547,716	85,741,042
Additions		335,805	24,649	154,938	170,919	12,121,007	12,807,318
Transfers		14,687,631	—	—	—	(14,687,631)	—
Acquisition of subsidiaries		668	103	679	122	—	1,572
Disposal of subsidiaries		—	—	(642)	(3,996)	—	(4,638)
Disposals		(1,108,322)	(5,165)	(31,886)	(39,572)	—	(1,184,945)
Depreciation charges		(2,638,182)	(32,931)	(142,688)	(111,837)	—	(2,925,638)
Impairment charges	(III)	(7,213,206)	—	—	—	—	(7,213,206)
At 31 December 2021		74,123,938	193,850	448,636	473,989	11,981,092	87,221,505
At 31 December 2021							
Cost		87,206,292	289,219	857,930	772,194	11,981,092	101,106,727
Accumulated depreciation and impairment		(13,082,354)	(95,369)	(409,294)	(298,205)	—	(13,885,222)
Net book amount		74,123,938	193,850	448,636	473,989	11,981,092	87,221,505
Year ended 31 December 2022							
At 1 January 2022		**74,123,938**	**193,850**	**448,636**	**473,989**	**11,981,092**	**87,221,505**
Additions		**52,126**	**5,528**	**29,309**	**65,696**	**1,997,523**	**2,150,182**
Transfers		**1,079,180**	**—**	**—**	**—**	**(1,079,180)**	**—**
Transfers to CPHFS		**(174,473)**	**—**	**—**	**—**	**—**	**(174,473)**
Transfers to investments properties	8	**(1,440)**	**—**	**—**	**—**	**—**	**(1,440)**
Disposal of subsidiaries	41(B)	**(4,765,359)**	**(2,347)**	**(5,383)**	**(2,275)**	**(407,488)**	**(5,182,852)**
Disposals		**(1,232,890)**	**(8,481)**	**(9,347)**	**(4,916)**	**(542)**	**(1,256,176)**
Depreciation charges		**(2,050,944)**	**(34,025)**	**(99,558)**	**(148,431)**	**—**	**(2,332,958)**
At 31 December 2022		**67,030,138**	**154,525**	**363,657**	**384,063**	**12,491,405**	**80,423,788**
At 31 December 2022							
Cost		**81,731,949**	**246,349**	**848,457**	**822,199**	**12,491,405**	**96,140,359**
Accumulated depreciation and impairment		**(14,701,811)**	**(91,824)**	**(484,800)**	**(438,136)**	**—**	**(15,716,571)**
Net book amount		**67,030,138**	**154,525**	**363,657**	**384,063**	**12,491,405**	**80,423,788**

7 Property, plant and equipment *(Continued)*

Depreciation expense of RMB1,853 million, RMB414 million and RMB66 million (2021: RMB2,394 million, RMB464 million and RMB68 million) has been charged to "cost of sales", "administrative expenses" and "selling and marketing costs" respectively.

(I) NON-CURRENT ASSETS PLEDGED AS SECURITY

Refer to note 37 for information on non-current assets pledged as security by the Group.

(II) CONTRACTUAL OBLIGATIONS

Refer to note 35(A) for disclosure of contractual obligations to purchase, construct or develop buildings.

(III) IMPAIRMENT OF PP&E AND LAND USE RIGHTS

As at 31 December 2022, the management of the Group identified impairment indicators of CGUs in the cultural tourism city construction and operation segment and carried out an impairment review on the CGUs' non-current assets, mainly PP&E and land use rights (note 9). The recoverable amounts of those CGUs, to which these assets were belonged, were determined as the higher of fair value less cost to sell and its value-in-use.

The valuation models used to estimate the fair values of relevant assets were with reference to recent prices of similar assets of similar conditions when such prices could be reliably obtained, where applicable. The fair values upon which recoverable amounts of these assets were based were within level 3 of fair value hierarchy. Key assumptions used include transaction price per room (ranging from RMB352 per room to RMB5,491 per room) and land price per square meter (ranging from RMB405 per square meter to RMB1,233 per square meter). For individual CGUs with impairment indicators, the value-in-use calculation used cash flow projections based on financial forecasts approved by management covering ten years. No impairment losses were recognised in "Other expenses and losses" for the year ended 31 December 2022.

The key assumptions used in value-in-use calculation during the ten-year forecast period are as follows:

Assumption	**CGUs in cultural tourism city construction and operation segment**
2022	
Revenue growth rate	**4.4%-52.1%**
(Loss)/profit rate over the stable period	**(78.8%)-38.2%**
Pre-tax discount rate	**10.2%-11.1%**

7 Property, plant and equipment *(Continued)*

(III) IMPAIRMENT OF PP&E AND LAND USE RIGHTS *(Continued)*

The management determined the budgeted revenue growth rate and profit rate based on past performance and its expectation for market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGUs. Cash flows beyond the forecast period are extrapolated using growth rate of 3%, which does not exceed the long-term average growth rate for the business in which the CGU operates.

As at 31 December 2022, the recoverable amounts of the impaired CGUs were totalled RMB14.04 billion.

8 Investment properties

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

	Note	**2022** **RMB'000**	2021 RMB'000
At 1 January		**30,619,994**	28,933,847
Additions		**25,417**	505,799
Acquisition of subsidiaries		**—**	47,920
Transfers from CPHFS		**—**	520,226
Transfers from PP&E	7	**1,440**	—
Fair value changes	29,30	**(583,199)**	675,431
Disposals		**(3,015,000)**	(63,229)
At 31 December		**27,048,652**	30,619,994

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

Refer to note 4(B) for the valuation techniques and significant inputs used in fair value measurements of investment properties.

8 Investment properties *(Continued)*

(I) AMOUNTS RECOGNISED IN CONSOLIDATED PROFIT OR LOSS FOR INVESTMENT PROPERTIES

	2022 **RMB'000**	2021 RMB'000
Rental income	**1,136,918**	1,144,823
Direct operating expenses from property that generated rental income	**(720,903)**	(733,818)
Fair value changes recognised in other (losses)/gains	**(583,199)**	675,431

(II) NON-CURRENT ASSETS PLEDGED AS SECURITY

Refer to note 37 for information on non-current assets pledged as security by the Group.

(III) CONTRACTUAL OBLIGATIONS

Refer to note 35(A) for disclosure of contractual obligations to purchase, construct or develop investment properties.

(IV) LEASING ARRANGEMENTS

The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no significant variable lease payments that depend on an index or rate.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

	2022 **RMB'000**	2021 RMB'000
Within 1 year	**804,753**	990,083
Later than 1 year but no later than 5 years	**1,477,597**	1,960,896
Later than 5 years	**1,065,318**	1,253,685
	3,347,668	4,204,664

9 Leases

This note provides information for leases where the Group is a lessee.

(I) AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET

The consolidated balance sheet shows the following amounts relating to leases:

	Land use rights RMB'000	Properties RMB'000	Vehicles RMB'000	Total right-of-use assets RMB'000
At 1 January 2022				
Cost	17,438,176	1,185,451	33,129	18,656,756
Accumulated amortisation	(1,240,374)	(588,992)	(15,843)	(1,845,209)
Net book amount	16,197,802	596,459	17,286	16,811,547
Year ended 31 December 2022				
1 January 2022	16,197,802	596,459	17,286	16,811,547
Addition	22,472	73,828	7,436	103,736
Transfer to CPHFS	(13,387)	—	—	(13,387)
Disposals of subsidiaries (note 41(B))	(1,221,484)	—	—	(1,221,484)
Disposals	(110,090)	(33,962)	—	(144,052)
Depreciation charge	(401,283)	(193,216)	(6,795)	(601,294)
31 December 2022	14,474,030	443,109	17,927	14,935,066
At 31 December 2022				
Cost	16,023,798	1,171,898	40,110	17,235,806
Accumulated amortisation	(1,549,768)	(728,789)	(22,183)	(2,300,740)
Net book amount	14,474,030	443,109	17,927	14,935,066

9 Leases *(Continued)*

(I) AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

	31 December 2022 RMB'000	31 December 2021 RMB'000
Lease liabilities		
Current	**130,608**	197,836
Non-current	**516,050**	535,311
Total lease liabilities	**646,658**	733,147

Depreciation expense of RMB437 million and RMB164 million (2021: RMB400 million and RMB264 million) was charged to "cost of sales" and "administrative expenses" respectively.

(II) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets		
Land use rights	**401,283**	425,483
Properties	**193,216**	232,277
Vehicles	**6,795**	5,930
Total depreciation charge of right-of-use assets	**601,294**	663,690
Interest expense (included in finance cost)	**56,936**	66,701
Expense relating to short-term leases (included in cost of sales and administrative expenses)	**81,693**	79,948
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**4,128**	1,656

The total cash outflow for leases in 2022 amounted to RMB295 million (2021: RMB329 million).

(III) THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group obtained land use rights from the mainland China government with fixed period of 40 years. Beside this, the Group leases various offices and vehicles. Rental contracts are typically made for fixed periods of 1 to 15 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

10 Intangible assets

	Note	Goodwill (A) RMB'000	Customer relationships and others RMB'000	Total RMB'000
At 1 January 2021				
Cost		7,972,369	2,478,864	10,451,233
Accumulated amortisation and impairment		(652,030)	(664,365)	(1,316,395)
Net book amount		7,320,339	1,814,499	9,134,838
Year ended 31 December 2021				
Opening net book amount		7,320,339	1,814,499	9,134,838
Additions		—	113,555	113,555
Acquisition of subsidiaries		667,320	166,005	833,325
Amortisation charges		—	(192,574)	(192,574)
Impairment charges		(4,591,043)	(593,846)	(5,184,889)
Closing net book amount		3,396,616	1,307,639	4,704,255
At 31 December 2021				
Cost		8,639,689	2,758,424	11,398,113
Accumulated amortisation and impairment		(5,243,073)	(1,450,785)	(6,693,858)
Net book amount		3,396,616	1,307,639	4,704,255
Year ended 31 December 2022				
Opening net book amount		**3,396,616**	**1,307,639**	**4,704,255**
Additions		**—**	**118,415**	**118,415**
Disposals of subsidiaries	41(B)	**—**	**(232)**	**(232)**
Amortisation charges		**—**	**(254,898)**	**(254,898)**
Impairment charges	(A)	**(472,167)**	**—**	**(472,167)**
Closing net book amount		**2,924,449**	**1,170,924**	**4,095,373**
At 31 December 2022				
Cost		**8,639,689**	**2,876,607**	**11,516,296**
Accumulated amortisation and impairment		**(5,715,240)**	**(1,705,683)**	**(7,420,923)**
Net book amount		**2,924,449**	**1,170,924**	**4,095,373**

Amortisation expense of RMB89 million, RMB160 million and RMB6 million (2021: RMB56 million, RMB125 million and RMB12 million) was charged to "cost of sales", "administrative expenses" and "selling and marketing costs" respectively.

10 Intangible assets *(Continued)*

(A) IMPAIRMENT TESTS FOR GOODWILL

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

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Property management (i)	**1,721,146**	1,721,146
Property development (ii)	**396,857**	396,857
All other segments (iii)	**806,446**	1,278,613
	2,924,449	3,396,616

(i) The goodwill of property management mainly included the goodwill generated from acquisition of Zhejiang New Century Property Management Co., Ltd. (the "NCPM") and its subsidiaries (collectively, the "NCPM Group") and Zhangtai Services Group Co., Ltd. (the "Zhangtai Services"). Management regards NCPM Group and Zhangtai Services as two separate groups of CGUs and reviews the business performance and monitors the goodwill on individual CGU basis.

(ii) The goodwill allocated in property development segment generated from business combination of certain property development projects. Each property development project is identified as a CGU. Management reviews the business performance and monitors the goodwill on individual CGU basis.

(iii) The goodwill of all other segments mainly included the goodwill generated from acquisition of Le Vision Pictures (Beijing) Co. Ltd. (the "Le Pictures"), Base Media Technology Group Ltd., Shanghai Base Culture Media Co., Ltd. and Beijing Dream Castle Culture Co., Ltd. Management reviews the business performance and monitors the goodwill on individual CGU basis.

(iv) The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

Assumption	**NCPM Group**	**Le Pictures**
2022		
Revenue growth rate	**9.3%-13.6%**	**5.0%-227.9%**
Profit/(loss) margin	**7.5%-7.8%**	**(5.4%)-30.2%**
Terminal growth rate	**2.0%**	**2.0%**
Pre-tax discount rate	**19.5%**	**20.2%**

10 Intangible assets *(Continued)*

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

Management has determined the values assigned to each of the above key assumptions as follows:

Forecast period	Forecast period is determined based on the business model and current developing stage of individual CGUs. For NCPM Group, the forecast period is five years after the reporting period. For Le Pictures, the forecast period is eight years after the reporting period.
Revenue growth rate	Annual growth rate of revenue during the forecast period was based on past performance and management's expectations of market development.
Profit margin	Profit margin was estimated based on past performance and management's expectations for the future.
Terminal growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are consistent with management's forecasts and industry information
Pre-tax discount rates	Reflect specific risks relating to the relevant segments and the industry in which they operate.

Except for the goodwill allocated to NCPM Group and Le Pictures, 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 the remaining 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 16.4%-21.6% as at 31 December 2022.

The impairment provision arose in the Le Pictures as a result of deterioration in expected profitability in the changing market environment during the second half year of 2022. The recoverable amount amounted to RMB742.12 million as at 31 December 2022 which were lower than the carrying amounts of the CGU and leading to impairment charge of RMB472.17 million on goodwill for the year ended 31 December 2022.

If the profit margin used in value-in-use calculation for Le Pictures had been 5% lower than management's estimates as of 31 December 2022, the recoverable amount would be decreased by RMB82.22 million. If the expected pre-tax discount rate had been 5% higher than management estimates as of 31 December 2022, the recoverable amount calculated would be decreased by RMB92.57 million.

10 Intangible assets *(Continued)*

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

If the expected annual revenue growth rate used in value-in-use calculation for NCPM Group had been 5% lower than management estimates as of 31 December 2022, the recoverable amount would be less than the carrying amount by RMB165.48 million. If the expected pre-tax discount rate had been 5% higher than management estimates as of 31 December 2022, the recoverable amount calculated would be less than the carrying amount by RMB21.84 million.

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

11 Investments accounted for using the equity method

The amounts recognised in the consolidated balance sheet are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Joint ventures	**58,327,840**	61,603,834
Associates	**17,375,156**	17,951,336
	75,702,996	79,555,170

The share of profits/(losses) from investments accounted for using the equity method recognised in the comprehensive income were as follows:

	2022 RMB'000	2021 RMB'000
Share of profits of joint ventures, net	**2,768,521**	701,489
Share of (losses)/profits of associates, net	**(36,621)**	627,322
	2,731,900	1,328,811

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

11.1 INVESTMENTS IN JOINT VENTURES

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**61,603,834**	64,478,669
Increasing:		
– New investments in joint ventures	**1,044,791**	12,089,792
– Subsidiaries becoming joint ventures	**414,125**	—
Decreasing:		
– Disposal and capital reduction of joint ventures	**(3,636,419)**	(4,562,702)
– Impact on assets acquisition transactions	**(1,871,038)**	(8,078,683)
Share of profits of joint ventures, net	**2,768,521**	701,489
Dividends from joint ventures	**(1,995,974)**	(3,024,731)
At end of year	**58,327,840**	61,603,834

Note:

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

(i) The following table lists the principal joint ventures of the Group as at 31 December 2022:

Name of joint ventures	Registered capital (RMB' million)	% of ownership interest 31 December 2022	31 December 2021	Principal activities
Hangzhou Xinda Aoti Real Estate Co., Ltd.	1,000	**50%**	50%	Real estate development
Yunnan Shili Sunac Cultural Tourism Co., Ltd.	100	**60%**	60%	Real estate development
Sichuan Huanrong Zhongjun Cultural Tourism Co., Ltd.	300	**51%**	51%	Real estate development
Chengdu Dirun Property Development Co., Ltd.	400	**51%**	51%	Real estate development
Guizhou Hongde Real Estate Co., Ltd.	500	**55%**	55%	Real estate development

The Group's control over decisions about the relevant activities requires unanimous consent with other equity investment partners in the joint ventures in accordance with the joint ventures' articles of associations.

The entities listed above have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

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

11.1 INVESTMENTS IN JOINT VENTURES *(Continued)*

(ii) Commitments in respect of joint ventures

	31 December 2022 RMB'000	31 December 2021 RMB'000
Commitments – joint ventures		
Commitment to provide funding for joint venture's capital commitments	**8,444,702**	9,819,292

(iii) Summarised financial information of material joint venture

Set out below is the summarised financial information for the material joint venture.

	Joint venture – A	
	31 December 2022 RMB'000	31 December 2021 RMB'000
Summarised balance sheet		
Current assets		
Cash and cash equivalents	**774,491**	12,769
Other current assets	**7,632,452**	16,506,496
Total current assets	**8,406,943**	16,519,265
Non-current assets	**11,955**	849
Current liabilities		
Financial liabilities (excluding trade payables)	**1,750,000**	200,000
Other current liabilities	**4,143,467**	12,368,366
Total current liabilities	**5,893,467**	12,568,366
Non-current liabilities		
Financial liabilities (excluding trade payables)	**—**	1,750,000
Other non-current liabilities	**—**	96,208
Total non-current liabilities	**—**	1,846,208
Net assets	**2,525,431**	2,105,540

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

11.1 INVESTMENTS IN JOINT VENTURES *(Continued)*

(iii) Summarised financial information of material joint venture *(Continued)*

	Joint venture – A	
	2022	2021
	RMB'000	RMB'000
Reconciliation to carrying amounts:		
Opening net assets 1 January	**2,105,540**	1,815,922
Profit for the year	**1,469,891**	289,618
Dividends declared	**(1,050,000)**	—
Closing net assets	**2,525,431**	2,105,540
Group's share in %	**50%**	50%
Carrying amount	**1,262,716**	1,052,770
Revenue	**11,268,404**	2,249,075
Income tax expense	**(1,037,242)**	(176,844)
Profit for the year	**1,469,891**	289,618
Dividends from joint venture	**525,000**	—

The information above reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture, and not the Company's share of those amounts.

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

11.1 INVESTMENTS IN JOINT VENTURES *(Continued)*

(iv) Aggregate information of joint ventures that are not individually material:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Aggregate carrying amount of the Group's interests in these joint ventures	**57,065,124**	60,551,064

	2022 RMB'000	2021 RMB'000
The Group's share of post-tax profits, net	**2,033,575**	556,680
The Group's share of total comprehensive income	**2,033,575**	556,680

11.2 INVESTMENTS IN ASSOCIATES

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**17,951,336**	22,064,466
Increasing:		
– New investments in associates	**899,499**	3,257,088
– Subsidiaries becoming associates	**1,664,758**	—
Decreasing:		
– Disposal and capital reduction of associates	**(2,009,238)**	(1,293,866)
– Impact on asset acquisition transactions	**—**	(5,308,259)
Share of (losses)/profits of associates, net	**(36,621)**	627,322
Dividends from associates	**(1,094,578)**	(1,395,415)
At end of year	**17,375,156**	17,951,336

Note:

(a) As at 31 December 2022, all associates of the Group are incorporated in the PRC and are non-listed companies.

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

11.2 INVESTMENTS IN ASSOCIATES *(Continued)*

(i) As at 31 December 2022, the Group had interests in the following principal associates:

Name of associates	Registered capital (RMB million)	% of ownership interest 31 December 2022	31 December 2021	Principal activities
Wuhan Rong City Creation Investment Development Co., Ltd.	10	**50%**	50%	Real estate development
Tianjin Lvcheng Quanyuncun Construction Development Co., Ltd.	2,500	**39%**	39%	Real estate development
Beijing Chuangmao Hengying Business Management Co., Ltd.	1,400	**49%**	49%	Real estate development
Wuhan Xincheng International Expo Center Co., Ltd.	500	**30%**	30%	Real estate development
Tianjin Poly Sunac Investment Co., Ltd.	2,000	**49%**	49%	Real estate development

The entities listed above have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

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

11.2 INVESTMENTS IN ASSOCIATES *(Continued)*

(ii) Summarised financial information of material associate

Set out below is the summarised financial information for the material associate.

	Associate – A	
	31 December 2022 RMB'000	31 December 2021 RMB'000
Summarised assets and liabilities		
Current assets	**10,191,154**	9,947,716
Non-current assets	**70,510**	37,959
Current liabilities	**5,445,081**	4,837,623
Non-current liabilities	**467,500**	701,250
Equity attributable to equity holders of the associate	**4,349,083**	4,446,802

	Associate – A	
	2022 RMB'000	2021 RMB'000
Summarised profit or loss and other comprehensive income		
Revenue	**5,046**	34,659
Net losses attributable to equity holders of the associate	**(97,719)**	(95,431)
Total comprehensive losses attributable to equity holders of the associate	**(97,719)**	(95,431)

The information above reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate, and not the Company's share of those amounts.

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

11.2 INVESTMENTS IN ASSOCIATES *(Continued)*

(iii) Reconciliation of summarised financial information

Reconciliation of the above financial information presented to the carrying amount of the Group's interests in the associate:

	Associate – A	
	31 December 2022 RMB'000	31 December 2021 RMB'000
Equity attributable to equity holders of the associate	**4,349,083**	4,446,802
The Group's equity interest share	**50%**	50%
Interest in the associate	**2,174,542**	2,223,401
Carrying amount	**2,174,542**	2,223,401

Aggregate information of associates that are not individually material:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Aggregate carrying amount of the Group's interests in these associates	**15,200,614**	15,727,935

	2022 RMB'000	2021 RMB'000
The Group's share of post-tax profits, net	**12,239**	675,038
The Group's share of total comprehensive income	**12,239**	675,038

12 Deferred income tax

(I) DEFERRED TAX ASSETS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Deferred tax assets (hereafter "DTA")	**39,686,920**	31,509,018
– to be recovered within 12 months	**3,917,402**	4,106,870
– to be recovered after more than 12 months	**35,769,518**	27,402,148
Set-off of DTL pursuant to set-off provisions	**(6,285,289)**	(4,416,951)
Net DTA	**33,401,631**	27,092,067

The movement on DTA during the year, without taking into consideration of offsetting of balance within the same tax jurisdiction, is as follows:

Movements	Unpaid LAT RMB'000	Deductible tax loss RMB'000	Impairment provision RMB'000	Accruals expenses for tax purpose RMB'000	Fair value change RMB'000	Total RMB'000
At 1 January 2021	6,238,161	9,051,654	1,216,533	292,602	651,651	17,450,601
Credited/(charged) to consolidated profit or loss	448,020	3,503,356	8,130,523	165,471	(108,022)	12,139,348
Acquisition of assets and liabilities through acquisition of subsidiaries	5,304	1,927,046	8,749	—	—	1,941,099
Disposal of subsidiaries	—	(22,030)	—	—	—	(22,030)
At 31 December 2021	6,691,485	14,460,026	9,355,805	458,073	543,629	31,509,018
At 1 January 2022	**6,691,485**	**14,460,026**	**9,355,805**	**458,073**	**543,629**	**31,509,018**
Credited/(charged) to consolidated profit or loss	**858,662**	**6,715,295**	**505,328**	**(24,500)**	**138,565**	**8,193,350**
Acquisition of assets and liabilities through acquisition of subsidiaries	**8,381**	**157,065**	**—**	**—**	**—**	**165,446**
Disposal of subsidiaries (note 41(B))	**—**	**(180,894)**	**—**	**—**	**—**	**(180,894)**
At 31 December 2022	**7,558,528**	**21,151,492**	**9,861,133**	**433,573**	**682,194**	**39,686,920**

12 Deferred income tax *(Continued)*

(II) DEFERRED TAX LIABILITIES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Deferred tax liabilities (hereafter "DTL")	**29,244,634**	30,980,813
– to be settled within 12 months	**8,140,325**	5,217,122
– to be settled after more than 12 months	**21,104,309**	25,763,691
Set-off of DTA pursuant to set-off provisions	**(6,285,289)**	(4,416,951)
Net DTL	**22,959,345**	26,563,862

The movement on DTL during the year, without taking into consideration of offsetting of balance within the same tax jurisdiction, is as follows:

	Deferred LAT	Deferred corporate income tax						
Movements	Fair value surplus at acquisitions RMB'000	Fair value surplus at acquisitions RMB'000	Fair value change RMB'000	Prepaid LAT RMB'000	Dividend tax for PRC entities' distributable profits RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	17,571,033	13,815,992	2,970,581	1,640,924	2,133,637	960,087	39,092,254
(Credited)/charged to consolidated profit or loss	—	(2,921,057)	(2,075,734)	422,732	(497,846)	649,810	(4,422,095)
Transfer to tax payable	(3,958,974)	—	—	—	—	—	(3,958,974)
Acquisition of subsidiaries	—	27,132	—	—	—	—	27,132
Acquisition of assets and liabilities through acquisition of subsidiaries	—	—	—	242,496	—	—	242,496
At 31 December 2021	13,612,059	10,922,067	894,847	2,306,152	1,635,791	1,609,897	30,980,813
At 1 January 2022	**13,612,059**	**10,922,067**	**894,847**	**2,306,152**	**1,635,791**	**1,609,897**	**30,980,813**
(Credited)/charged to consolidated profit or loss	**—**	**(318,983)**	**(151,145)**	**199,683**	**(348,638)**	**(35,206)**	**(654,289)**
Transfer to tax payable	**(1,238,259)**	**—**	**—**	**—**	**—**	**—**	**(1,238,259)**
Acquisition of assets and liabilities through acquisition of subsidiaries	**—**	**120,045**	**—**	**39,300**	**—**	**—**	**159,345**
Disposal of subsidiaries (note 41(B))	**—**	**—**	**—**	**(2,976)**	**—**	**—**	**(2,976)**
At 31 December 2022	**12,373,800**	**10,723,129**	**743,702**	**2,542,159**	**1,287,153**	**1,574,691**	**29,244,634**

13 Financial assets at fair value through profit or loss

	31 December 2022 RMB'000	31 December 2021 RMB'000
Listed equity securities	**20,023**	20,023
Unlisted equity securities	**12,188,207**	12,686,458
Debentures	**1,907,745**	1,855,222
	14,115,975	14,561,703

For information about the methods and assumptions used in determining the fair value of financial assets at FVPL, refer to note 4(A) to the consolidated financial statements.

(A) AMOUNTS RECOGNISED IN CONSOLIDATED PROFIT OR LOSS

During the year, the following gains/(losses) were recognised in consolidated profit or loss:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Fair value gains/(losses) on financial assets at FVPL	**354,870**	(133,349)
Losses from disposal of financial assets at FVPL (notes 30)	**(108,903)**	(8,613,479)
Dividends from financial assets at FVPL	**15,789**	235,416

14 Properties under development

	31 December 2022 RMB'000	31 December 2021 RMB'000
Comprising:		
Land use rights costs	**370,777,630**	418,227,686
Construction costs and capitalised expenditures	**151,046,618**	140,409,588
Capitalised finance costs	**93,920,188**	82,658,916
	615,744,436	641,296,190
Less: provision for loss on net realisable values	**(28,624,434)**	(22,123,423)
	587,120,002	619,172,767
Including: To be completed within 12 months	**202,609,432**	213,651,294
To be completed after 12 months	**384,510,570**	405,521,473
	587,120,002	619,172,767

14 Properties under development *(Continued)*

The properties under development are all located in the PRC.

Costs to fulfil contracts carried forward from prior year of RMB44.28 billion was recognised as cost of good sales in the current reporting period.

At 31 December 2022, properties under development included the costs to fulfil contracts amounting to RMB185.86 billion.

Write-downs of properties under development amounted to RMB8.02 billion for the year ended 31 December 2022. The amounts were charged to cost of sales in the consolidated statement of comprehensive income.

Refer to note 37 for information on current assets pledged as security by the Group.

15 Completed properties held for sale

	31 December 2022 RMB'000	31 December 2021 RMB'000
Completed properties held for sale	**65,705,202**	72,032,449
Less: Provision for loss on net realisable value	**(11,789,416)**	(11,448,699)
	53,915,786	60,583,750

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

Costs to fulfil contracts carried forward from prior year of RMB11.79 billion was recognised as cost of good sales in the current reporting period.

At 31 December 2022, completed properties held for sale included the costs to fulfil contracts amounting to RMB21.51 billion.

Write-downs of completed properties held for sale amounted to RMB3.88 billion. The amounts were charged to cost of sales in the consolidated statement of comprehensive income.

Refer to note 37 for information on current assets pledged as security by the Group.

16 Trade and other receivables

	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current –		
Lease receivables	**59,171**	54,904
Other receivables (iii)	**2,000**	2,000
Amounts due from construction customers	**—**	48,000
	61,171	104,904
Current –		
Trade receivables from contracts with customers (i)	**3,992,793**	3,355,269
Amounts due from non-controlling interests and their related parties (ii)	**29,729,420**	33,957,944
Notes receivables	**48,532**	64,163
Deposits receivables	**7,372,925**	9,944,787
Other receivables (iii)	**23,260,903**	25,279,593
	64,404,573	72,601,756
Less: loss allowance (v)	**(4,963,460)**	(5,124,037)
	59,441,113	67,477,719

As at 31 December 2022 and 2021, the carrying amounts of the Group's trade and other receivables were all denominated in RMB.

Notes:

(i) 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:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 90 days	**1,954,481**	1,866,228
91-180 days	**333,652**	168,035
181-365 days	**405,619**	422,643
Over 365 days	**1,299,041**	898,363
	3,992,793	3,355,269

(ii) The amounts due from non-controlling interests and their related parties were unsecured, interest free and had no fixed repayment terms.

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

16 Trade and other receivables *(Continued)*

Notes: *(Continued)*

(iv) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amounts approximated to their fair values. For the non-current receivables, the variance between the fair values and their carrying amounts were immaterial.

(v) Impairment and risk exposure

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 31 December 2022, a provision of RMB326.64 million (2021: RMB230.15 million) was made against the gross amounts of trade receivables (note 3.1(B)).

Other receivables

Other receivables (excluding loans to third parties) are all considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Note 3.1(B) provides for details about the calculation of the allowance.

Information about the Group's exposure to credit risk, foreign currency risk and interest rate risk is set out in note 3.1.

17 Prepayments

	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current –		
Prepayments for equity transactions	**2,227,644**	3,466,015
Prepayments for purchases of PP&E	**55,771**	32,565
	2,283,415	3,498,580
Current –		
Prepayments for land use rights acquisitions	**6,622,671**	7,331,929
Prepaid value added taxes and other taxes	**6,153,693**	6,045,159
Prepayments for construction costs	**1,437,815**	1,371,507
Others	**1,663,249**	1,586,419
	15,877,428	16,335,014

18 Restricted cash

	31 December 2022 RMB'000	31 December 2021 RMB'000
Restricted cash from property pre-sale proceeds (i)	**16,813,330**	31,960,747
Restricted cash from special borrowings for guaranteed home delivery (ii)	**4,727,620**	—
Guarantee deposits as reserve for bank loans	**2,165,188**	18,453,924
Guarantee deposits for bank acceptance notes	**103,726**	1,640,443
Guarantee deposits for mortgage	**313,219**	737,476
Others	**1,817,463**	2,066,198
	25,940,546	54,858,788

Notes:

(i) In certain subsidiaries of the Group, 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. The deposits can be used for payments of constructions costs and other due debts of related property projects upon the approval of the relevant authorities.

(ii) Certain subsidiaries of the Group have obtained special borrowings approved by local governments to support the completion and delivery of properties, which proceeds are restricted for the settlements of relevant costs for the completion of property development projects.

19 Cash and cash equivalents

	31 December 2022 RMB'000	31 December 2021 RMB'000
Cash on hand and demand deposit:		
Denominated in RMB	**11,569,662**	14,172,558
Denominated in USD	**16,780**	81,731
Denominated in HKD	**13,751**	87,518
Denominated in SGD	**935**	—
Denominated in JPY	**—**	1,898
Denominated in KRW	**—**	296
	11,601,128	14,344,001

The conversion of RMB denominated balances into foreign currencies, and the remittance of foreign currencies-denominated bank balances and cash out of the PRC are subject to restrictive foreign exchange control rules and regulations.

The Group earns interest on cash at bank, at floating bank deposit rates and there was no bank overdraft in the Group.

20 Share capital

	Number of ordinary shares (thousand)	Shares capital HK$'000	Equivalent to RMB'000
Authorised:			
At 1 January 2021, 31 December 2021 and 2022, 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
Proceeds from placing of new shares	335,000	33,500	28,505
Shares issued upon exercise of employees' share options ((ii), note 21)	12,098	1,210	983
Repurchase and cancellation of shares	(13,400)	(1,340)	(1,313)
As at 31 December 2021	4,996,884	499,690	429,113
Proceeds from placing of new shares (i)	452,000	45,200	36,917
As at 31 December 2022	**5,448,884**	**544,890**	**466,030**

Note:

(i) On 12 January 2022, the Company entered into a placing and subscription agreement to issue 452,000,000 placing shares at a price of HK$10.00 per share. The net proceeds from this placement after deducting related fees were approximately HK$4.48 billion (equivalent to approximately RMB3.66 billion).

(ii) The Company adopted a Post-IPO Share Option Scheme (the "2011 Share Option Scheme") (note 21(A)(i)) on 29 April 2011 and a new Share Option Scheme (the "2014 Share Option Scheme") (note 21(A)(ii)) on 19 May 2014 respectively.

21 Share-based payments

(A) SHARE OPTION SCHEME

(i) 2011 Share Option Scheme

The 2011 Share Option Scheme was approved and adopted by all shareholders of the Company on the annual general meeting held on 29 April 2011 (the "2011 Share Option Scheme Adoption Date"). As at 31 December 2014, all the share options have been granted within the 2011 Share Option Scheme. The options are not conditional on the employees' performance target before an option can be exercised. The 2011 share options, once vested, shall be exercisable within a period of six years from the 2011 Share Option Scheme Adoption Date or the most recent anniversary of the 2011 Share Option Scheme Adoption Date.

(ii) 2014 Share Option Scheme

The 2014 Share Option Scheme was approved and adopted by the shareholders of the Company on the annual general meeting held on 19 May 2014 (the "2014 Share Option Scheme Adoption Date"). The maximum number of shares in respect of which options ("2014 Options") may be granted should not exceed 166,374,246 shares, representing 5% of the total number of shares in issue as at the 2014 Share Option Scheme Adoption Date. The options are to be granted during a grant period of three years from the 2014 Share Option Scheme Adoption Date. Such options will vest in accordance with the following schedule: 30% upon the grant, an additional 30% upon the first anniversary of the 2014 Share Option Scheme Adoption Date and additional 40% upon the second anniversary. The options are not conditional on the employees' performance target before an option can be exercised. The subscription price for each grant should be at least the higher of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the grant dates, (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date, and (c) the nominal value of the shares of the Company. The 2014 share options, once vested, shall be exercisable within a period of five years from the 2014 Share Option Scheme Adoption Date or the most recent anniversary of the 2014 Share Option Scheme Adoption Date.

No expense was recognised in the consolidated profit or loss for share options granted to directors and employees for the year ended 31 December 2022 (2021: Nil).

The Group has no legal or constructive obligation to repurchase or settle all above mentioned options in cash.

21 Share-based payments *(Continued)*

(A) SHARE OPTION SCHEME *(Continued)*

(ii) 2014 Share Option Scheme *(Continued)*

Movement in the share options and their related weighted-average exercise prices are as follows:

	2022		2021	
	Average price in HK$ per share	**Options (thousand)**	Average price in HK$ per share	Options (thousand)
At beginning of year	**30.25**	**40,339**	24.68	53,191
Granted	**—**	**—**	—	—
Exercised*	**—**	**—**	5.90	(12,098)
Expired	**30.25**	**(40,339)**	30.25	(754)
Abandoned	**—**	**—**	—	—
At end of year	**—**	**—**	30.25	40,339

* No option was exercised during the year ended 31 December 2022.

As at 31 December 2022, no share of the 2014 Share Option Scheme was exercisable (31 December 2021: 40,339 thousand shares of the 2014 Share Option Scheme were exercisable).

(B) SHARE AWARD SCHEME

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

21 Share-based payments *(Continued)*

(B) SHARE AWARD SCHEME *(Continued)*

The following table presents the movement in shares that held by the trustee for the purpose of issuing shares under Share Award Scheme. Shares issued to employees are recognised on a first-in-first-out basis.

Details	Number of shares (thousand)	HK$'000	Equivalent to RMB'000
Opening balance at 1 January 2021	88,404	2,295,695	2,016,794
Employee share scheme issue	(12,080)	(311,049)	(274,747)
Balance at 31 December 2021 and 2022	76,324	1,984,646	1,742,047

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.

The following table shows the shares granted and outstanding at the beginning and end of the reporting period:

	Number of awarded shares (thousand)	
	2022	2021
As at 1 January	**18,933**	22,032
Vested during the year	**—**	(18,716)
Forfeited during the year	**(671)**	(1,073)
Granted during the year	**—**	16,690
As at 31 December	**18,262**	18,933

For certain share awards unvested and to be vested on or after 31 March 2022, the Board of the Company resolved to extend the vesting of these unvested award shares during the year ended 31 December 2022, the financial impact of which was not material to the Group for the year.

The total expense recognised in the consolidated profit or loss for the Share Award Scheme granted to employees for the year ended 31 December 2022 was RMB133.00 million.

21 Share-based payments *(Continued)*

(C) SHARE AWARD SCHEME OF A SUBSIDIARY

On 11 June 2021, the sole director of Sunac Shine (PTC) Limited ("Sunac Shine"), a wholly owned subsidiary of the Group, resolved to adopt a share award scheme ("Sunac Services Share Award Scheme") in order to recognise the contributions to Sunac Services Holdings Limited ("Sunac Services"), a listed subsidiary of the Group, by certain eligible employees and to give incentives to retain them for the continuing development of the Group. As the date of 11 June 2021, Sunac Shine holds 462,000,000 shares on trust for Sunac Services Share Award Scheme, representing 14.89% of the issued shares of Sunac Services.

Pursuant to the rules relating to the Sunac Services Share Award Scheme, the Company appointed Sunac Shine as the trustee of the trust and Sunac Shine will hold such shares on behalf of the relevant selected employees on trust, until such shares are vested and transferred onto the relevant selected employees in accordance with the scheme rules.

For the year ended 31 December 2022, 7,984,000 shares in connection with Sunac Services Share Award Scheme have been granted to the eligible employees of the Group for no cash consideration. The total expense recognised in the profit or loss for Sunac Services Share Award Scheme granted to employees for the year ended 31 December 2022 was RMB40.58 million.

22 Reserves

	Note	Share premium RMB'000	Share option reserve RMB'000	Other RMB'000	Total RMB'000
Year ended 31 December 2021					
At 1 January 2021		6,960,154	1,909,578	19,155,852	28,025,584
Acquisition of subsidiaries on business combination		—	—	(182,500)	(182,500)
Acquisition of assets and liabilities through acquisition of subsidiaries		—	—	(1,122,501)	(1,122,501)
Transaction with non-controlling interests		—	—	(368,496)	(368,496)
Repurchase and cancellation of shares		(252,271)	—	—	(252,271)
Capital contributions from controlling shareholder		—	—	39,331	39,331
Employees share option schemes:					
– Proceeds from shares issued		50,935	—	—	50,935
Share award scheme					
– Value of employee services	28	—	499,203	—	499,203
Proceeds from placing of new shares		4,108,863	—	—	4,108,863
Statutory reserves	(i)	—	—	2,189,985	2,189,985
Dividends relating to 2020	43	(7,011,089)	—	—	(7,011,089)
At 31 December 2021		3,856,592	2,408,781	19,711,671	25,977,044
Year ended 31 December 2022					
At 1 January 2022		**3,856,592**	**2,408,781**	**19,711,671**	**25,977,044**
Transaction with non-controlling interests	39	**—**	**—**	**(291,164)**	**(291,164)**
Capital contributions from controlling shareholder		**—**	**—**	**123,542**	**123,542**
Share award scheme					
– Value of employee services	28	**—**	**173,586**	**—**	**173,586**
Proceeds from placing of new shares	20(i)	**3,625,259**	**—**	**—**	**3,625,259**
Statutory reserves	(i)	**—**	**—**	**746,106**	**746,106**
At 31 December 2022		**7,481,851**	**2,582,367**	**20,290,155**	**30,354,373**

22 Reserves *(Continued)*

(I) STATUTORY RESERVES

In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of the PRC companies now comprising the Group, 10% of its net profit as shown in the accounts prepared under PRC accounting regulations is required to be appropriated to statutory reserve, until the reserve reaches 50% of the registered capital. Appropriation of statutory reserve must be made before distribution of dividends to equity holders. This reserve shall only be used to make up losses; to expand the entities' production operation; or to increase the capital of the entities. Upon approval by a resolution of equity holders, the entities may convert this reserve into share capital, provided that the unconverted remaining amount of reserve is not less than 25% of the registered capital.

The PRC entities of the Group directly owned by the Group's entities outside the PRC are required, in accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the Articles of Association of these companies, to make appropriations from net profit to the reserve fund and staff and workers' bonus and welfare fund, after offsetting accumulated losses from prior years, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above funds is solely determined by the board of directors of the PRC entities now comprising the Group. For those which are wholly foreign owned enterprises in the PRC, no less than 10% of the profit of each year to the reserve fund is mandatory. The appropriation of the statutory reserve ceases when the accumulated statutory reserve balance reaches 50% of their registered capital.

23 Trade and other payables

	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current –		
Other payables (iv)	**67,950**	129,906
Current –		
Trade payables (i)	**91,868,352**	95,951,743
Notes payables (v)	**30,427,842**	39,271,758
Amounts due to non-controlling interests and their related parties (ii)	**27,628,868**	36,269,544
Interests payable	**13,296,068**	5,174,922
Consideration payables for acquisition of equity investments	**11,413,930**	11,689,193
Other taxes payable	**7,892,560**	6,166,548
Payroll and welfare payables	**1,454,061**	1,556,368
Consideration payables arising from non-controlling shareholders' put option (iii)	**1,305,001**	1,305,001
Other payables (iv)	**71,680,369**	71,938,476
	256,967,051	269,323,553

23 Trade and other payables *(Continued)*

Note:

(i) At 31 December 2022, the ageing analysis of trade payables is performed based on the date of the liability recognition on accrual basis. The ageing analysis of the Group's trade payables is as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 90 days	**36,497,276**	35,886,336
91-180 days	**8,403,980**	8,953,762
181-365 days	**16,511,770**	22,649,962
Over 365 days	**30,455,326**	28,461,683
	91,868,352	95,951,743

(ii) The amounts due to non-controlling interests and their related parties are unsecured and have no fixed repayment date.

(iii) Several put options were granted to the non-controlling shareholders of certain subsidiaries of the Group which they have the right to sell their remaining equity interests in the relevant subsidiaries 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 were recognised and included in other payables.

(iv) As at 31 December 2022, other payables mainly included value-added tax relevant to pre-sale of properties amounted to RMB17.98 billion (2021: RMB17.56 billion). The remaining balances mainly included deposits from customers, deed tax and maintenance funds received on behalf of customers, cash advanced for potential equity investment and amount due to equity investment partners.

(v) As at 31 December 2022, the overdue notes payable is RMB27.22 billion.

24 Borrowings

	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current		
Secured,		
– Bank and other institution borrowings	**203,213,820**	224,968,774
– Senior notes (A)	**53,531,981**	49,081,294
– Corporate bonds (B)	**10,896,803**	—
– Private domestic corporate bonds (C)	**3,191,882**	—
	270,834,486	274,050,068
Unsecured,		
– Bank and other institution borrowings	**15,996,152**	14,079,985
– Corporate bonds (B)	**—**	11,620,725
– Private domestic corporate bonds (C)	**971,580**	7,094,232
	16,967,732	32,794,942
	287,802,218	306,845,010
Less: current portion of non-current borrowings (D)	**(242,859,201)**	(220,287,112)
	44,943,017	86,557,898
Current		
Secured,		
– Bank and other institution borrowings	**7,601,521**	14,149,304
Unsecured,		
– Bank and other institution borrowings	**3,015,478**	710,832
	10,616,999	14,860,136
Current portion of non-current borrowings (D)	**242,859,201**	220,287,112
	253,476,200	235,147,248
Total borrowings	**298,419,217**	321,705,146

24 Borrowings *(Continued)*

(A) SENIOR NOTES

The Company issued senior notes (the "Senior Notes") on the Singapore Exchange Securities Trading Limited, payable semi-annually in arrears. As at 31 December 2022, the issue date, principal and interest rate of the outstanding Senior Notes were shown as below:

Issue date	Maturity	Principal USD million	Interest rate
08 August 2017	5 years	600	7.950%
19 April 2018	5 years	443	8.350%
26 March 2019	4 years	200	8.350%
11 April 2019	4.5 years	742	7.950%
14 June 2019	3 years	600	7.250%
01 November 2019	4.25 years	616	7.500%
10 January 2020	5 years	531	6.500%
09 July 2020	3 years	600	6.500%
09 July 2020	5 years	400	7.000%
03 August 2020	4 years	500	6.650%
01 December 2020	3.75 years	120	6.650%
01 December 2020	4.75 years	200	7.000%
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%
20 July 2021	3.25 years	400	6.800%
20 July 2021	4.5 years	100	6.500%
		7,704	

24 Borrowings *(Continued)*

(A) SENIOR NOTES *(Continued)*

According to the term of the Senior Notes, at any time and from time to time on or after the redemption date set forth below, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interests, if any, to (but not including) the redemption date. The redemption prices are shown as below:

Principal	Redemption time point	Redemption prices	Customary make-whole premium*
USD600 million	Prior to 8 August 2020		
	– Redemption up to 35%	107.95%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103.98% principal plus interest over the principal amount
	8 August to 31 December 2020	103.98%	
	2020 and beyond	101.99%	
USD443 million	Prior to 19 April 2021		
	– Redemption up to 35%	108.35%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 104.175% principal plus interest over the principal amount
	19 April to 31 December 2021	104.175%	
	2022 and afterwards	102.0875%	
USD200 million	Prior to 19 April 2021		
	– Redemption up to 35%	108.35%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 104.175% principal plus interest over the principal amount
	19 April to 31 December 2021	104.175%	
	2022 and afterwards	102.0875%	
USD742 million	Prior to 11 October 2021		
	– Redemption up to 35%	107.95%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103.975% principal plus interest over the principal amount
	11 October to 31 December 2021	103.975%	
	2022 and afterwards	101.988%	
USD600 million	Prior to 14 June 2021		
	– Redemption up to 35%	107.25%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103.625% principal plus interest over the principal amount
	On or after 14 June 2021	103.625%	

24 Borrowings *(Continued)*

(A) SENIOR NOTES *(Continued)*

Principal	Redemption time point	Redemption prices	Customary make-whole premium*
USD616 million	Prior to 1 February 2022		
	– Redemption up to 35%	107.50%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	1 February to 31 December 2022	103%	
	2023 and afterwards	101%	
USD531 million	prior to 10 January 2023		
	– Redemption up to 35%	106.50%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	10 January to 31 December 2023	103%	
	2024 and afterwards	101%	
USD600 million	prior to 9 July 2022		
	– Redemption up to 35%	106.50%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 102% principal plus interest over the principal amount
	on or after 9 July 2022	102%	
USD400 million	prior to 9 July 2023		
	– Redemption up to 35%	107.0%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	9 July to 31 December 2023	103%	
	2024 and afterwards	101%	
USD500 million	prior to 3 August 2022		
	– Redemption up to 35%	106.65%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	3 August to 31 December 2022	103%	
	2023 and afterwards	101%	

24 Borrowings *(Continued)*

(A) SENIOR NOTES *(Continued)*

Principal	Redemption time point	Redemption prices	Customary make-whole premium*
USD120 million	prior to 3 August 2022		
	– Redemption up to 35%	106.65%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	3 August to 31 December 2022	103%	
	2023 and afterwards	101%	
USD200 million	prior to 9 July 2023		
	– Redemption up to 35%	107.0%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	9 July to 31 December 2023	103%	
	2024 and afterwards	101%	
USD600 million	prior to 26 January 2023		
	– Redemption up to 35%	105.95%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary	and PV of 102% principal plus
	on or after 26 January 2023	make-whole premium	interest over the principal amount
		102%	
USD500 million	prior to 26 January 2024		
	– Redemption up to 35%	106.5%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	26 January 2024 to 25 January 2025	103%	
	On or after 26 January 2025	101%	
USD342 million	prior to 26 January 2023		
	– Redemption up to 35%	105.95%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 102% principal plus interest over the principal amount
	on or after 26 January 2023	102%	

24 Borrowings *(Continued)*

(A) SENIOR NOTES *(Continued)*

Principal	Redemption time point	Redemption prices	Customary make-whole premium*
USD210 million	prior to 10 January 2023		
	– Redemption up to 35%	106.5%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	10 January 2023 to 9 January 2024	103%	
	On or after 10 January 2024	101%	
USD400 million	prior to 20 October 2023		
	– Redemption up to 35%	106.80%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 102% principal plus interest over the principal amount
	on or after 20 October 2023	102%	
USD100 million	prior to 26 January 2024		
	– Redemption up to 35%	106.5%	greater of 1% of principal amount
	– Redemption in whole but not in part	100%+ customary make-whole premium	and PV of 103% principal plus interest over the principal amount
	26 January 2024 to 25 January 2025	103%	
	On or after 26 January 2025	101%	

* PV of principal plus interest over the principal amount means the present value of the principal plus the accrued and unpaid interest amount for the period from the redemption date to the date of first redemption time point set out in above table over the principal amount at the redemption.

These early redemption options are regarded as embedded derivatives not closely related to the host contract. The Directors are of the view that the fair value of the above early redemption option was not material on initial recognition and as at 31 December 2022.

24 Borrowings *(Continued)*

(B) CORPORATE BONDS

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

Issue dates	Principal and extended interest amount RMB'000	Interest rate	Maturity
16 August 2016	801,414	6.80%	9.3 years
01 April 2020	3,098,757	4.78%	5.7 years
27 May 2020	3,288,312	5.60%	6.5 years
19 January 2021	1,642,571	6.80%	5.9 years
02 April 2021	2,095,743	7.00%	5.7 years
	10,926,797		

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

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

The options embedded in the Corporate Bonds were not closely related to the host contracts and were recognised at fair value at the respective issue date and 31 December 2022.

(C) PRIVATE DOMESTIC CORPORATE BONDS

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

Issue date	Principal and extended interest amount RMB'000	Interest rate	Maturity
22 January 2016	47,863	6.80%	10.9 years
13 June 2016	1,489,433	7.00%	9.5 years
10 June 2020	1,000,000	6.50%	3.0 years
11 September 2020	1,368,871	6.48%	5.3 years
29 June 2021	288,727	7.00%	5.5 years
	4,194,894		

Except for the bond issued in 10 June 2020, all the other Private Bonds are with the issuer's option to raise the coupon rate and the investors' option to sell back the bonds at the end of the first, second, third or fifth years.

The options embedded were not closely related to the host contracts and were recognised at fair value at the issue date and 31 December 2022.

24 Borrowings *(Continued)*

(C) PRIVATE DOMESTIC CORPORATE BONDS *(Continued)*

During the year ended 31 December 2022, extension of certain loans and bonds of the Group was agreed, details of which are set out in note 2.1(iii) to the consolidated financial statements. The impact of the debt modification was not material to the consolidated financial statements of the Group.

(D) SHORT-TERM BORROWINGS

As at 31 December 2022, the Group had not repaid borrowings of approximately RMB80.89 billion in aggregate according to their scheduled repayment dates, and as a result, non-current borrowings of RMB85.50 billion in aggregate might be demanded for early repayment. These borrowings have been reclassified as current liabilities as at 31 December 2022 accordingly. In addition, current portion of long-term borrowings classified as current borrowings of approximately RMB53.34 billion might be demanded for early repayment.

Up to the approval date of the consolidated financial statements, notwithstanding the Group has successfully renewed certain of the current and non-current borrowings of RMB18.17 billion, the Group had not repaid borrowings in principal amount of RMB100.52 billion in aggregate according to their scheduled repayment dates and as a result, non-current borrowings in principal amount of RMB83.55 billion in aggregate might be demanded for early repayment. In addition, current portion of long-term borrowings classified as current borrowings of approximately RMB47.00 billion might be demanded for early repayment.

(E) LONG-TERM BORROWINGS

(i) The Group's long-term borrowings as at 31 December 2022 were repayable as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Between 1 and 2 years	**19,138,673**	55,831,737
Between 2 and 5 years	**22,213,463**	22,080,549
Over 5 years	**3,590,881**	8,645,612
	44,943,017	86,557,898

The weighted-average interest rate for the year ended 31 December 2022 was 7.62% (2021: 7.49%) per annum.

(ii) Fair value of financial liabilities is not measured at fair value on a recurring basis. The required fair value disclosure are detailed as follows.

The carrying amounts of bank and other institution borrowings approximated their fair values. As at 31 December 2022, the fair values of Senior Notes, Corporate Bonds and Private Bonds amounted to RMB11.98 billion, RMB4.16 billion and RMB1.77 billion respectively, which were calculated based on the market price of the traded senior notes and bonds at the consolidated balance sheet date. The fair values of Senior Notes, Corporate Bonds and Private Bonds were within level 1 of the fair value hierarchy.

24 Borrowings *(Continued)*

(E) LONG-TERM BORROWINGS *(Continued)*

(iii) The exposure of the Group's borrowings with variable interest rates to interest-rate changes and the contractual re-pricing dates are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
6 months or less	**18,360,028**	17,663,457
7-12 months	**28,854,519**	36,651,935
Over 12 months	**13,677,341**	12,655,193
	60,891,888	66,970,585

(iv) As at 31 December 2022, the Group's borrowings of RMB278.44 billion (2021: RMB288.20 billion) were secured or joint secured by the Group's certain current assets, non-current assets and the equity interests or disposal gains of certain subsidiaries. See note 37 for the details of information of assets pledged as security.

(F) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 December 2022 RMB'000	31 December 2021 RMB'000
RMB	**221,989,882**	250,918,487
USD	**74,813,247**	69,352,620
HKD	**1,616,088**	1,434,039
	298,419,217	321,705,146

25 Derivative financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
– Collar option contracts	**—**	79,049
Financial liabilities		
– Interest and currency swap contracts	**—**	22,511
– Currency derivative contracts	**—**	195,751

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The change of fair value is recognised immediately in consolidated profit or loss. For information about the methods and assumptions used in determining the fair value of derivatives, refer to note 4(A) to the consolidated financial statements.

26 Provisions

	2022 RMB'000	2021 RMB'000
Provisions for litigations (note 36(B))	**1,082,947**	169,216
Provisions for financial guarantee provided to joint ventures and associates (i)	**58,802**	35,833
Provisions for financial guarantee on mortgage (i)	**50,326**	30,718
	1,192,075	235,767

(i) Note 3.1(B) sets out the details about the calculation of the allowance for financial guarantee.

27 Expenses by nature

	2022 RMB'000	2021 RMB'000
Costs of properties sold	**72,209,201**	152,234,565
Value-added tax surcharges	**896,767**	1,208,605
Staff costs (note 28)	**6,017,696**	7,468,384
Provision for impairment of properties	**11,905,530**	31,062,431
Net impairment losses on financial and contract assets (note 3.1(B))	**2,470,295**	6,890,928
Advertisement and promotion costs	**3,056,373**	4,353,128
Professional service expenses	**618,758**	1,178,519
Depreciation and amortisation	**3,189,150**	3,781,902
Auditors' remunerations (i)		
– Audit services	**21,690**	20,610
– Non-audit services	**160**	1,660

(i) For the year ended 31 December 2022, auditor's remuneration paid/payable to BDO Limited was amounting to RMB17.84 million and RMB160,000 for audit services and non-audit services respectively.

28 Employee benefit expense

	2022 RMB'000	2021 RMB'000
Wages and salaries	**4,806,825**	5,495,073
Pension costs	**812,555**	1,057,128
Staff welfare	**224,730**	416,980
Share award granted to directors and employees (note 22)	**173,586**	499,203
	6,017,696	7,468,384

The five individuals whose emoluments were the highest in the Group for the year include three (2021: four) directors whose emoluments are reflected in the analysis shown in note 46. The emoluments payable to the remaining two individuals during the year are as follows:

	2022 RMB'000
Salary	**9,715**
Share award expenses	**7,846**
Employer's contribution retirement benefit scheme	**165**
Other benefits	**242**
	17,968

29 Other income and gains

	2022 RMB'000	2021 RMB'000
Interest income (i)	**2,829,342**	3,699,478
Gains from disposal of subsidiaries	**534,781**	783
Gains from disposal of joint ventures and associates	**466,278**	51,731
Net fair value gains on financial assets at FVPL	**354,870**	—
Net fair value gains on investment properties (note 8)	**—**	675,431
Others	**1,602,476**	1,746,597
	5,787,747	6,174,020

(I) Details of interest income are as follows:

	2022 RMB'000	2021 RMB'000
Interest income from related companies (note 42)	**2,626,231**	3,335,248
Other interest income	**203,111**	364,230
	2,829,342	3,699,478

30 Other expenses and losses

	2022 RMB'000	2021 RMB'000
Losses from disposal of joint ventures and associates	**4,161,174**	1,248,573
Losses from disposal of subsidiaries	**3,963,282**	9,494
Provision for litigation	**913,731**	169,216
Losses from disposal of PP&E, investment properties and land use rights	**861,371**	307,867
Net fair value losses on investment properties (note 8)	**583,199**	—
Impairment provision for goodwill and other intangible assets	**472,167**	5,184,889
Losses on project demolition	**126,261**	2,033,807
Losses from disposal of financial assets at FVPL	**108,903**	8,613,479
Losses on derivative financial instruments	**77,983**	287,639
Donations	**16,546**	467,980
Impairment provision for PP&E	**—**	7,213,206
Others	**473,574**	858,458
	11,758,191	26,394,608

31 Finance income and expenses

	2022 RMB'000	2021 RMB'000
Finance expenses:		
Interest expenses for borrowings	**24,784,091**	31,122,930
Interest expenses for lease liabilities	**56,936**	66,701
Less: capitalised finance costs	**(18,904,659)**	(29,089,629)
	5,936,368	2,100,002
Net exchange losses	**6,847,848**	—
	12,784,216	2,100,002
Finance income:		
Interest income on bank deposits	**(781,485)**	(1,517,103)
Net exchange gains	**—**	(1,679,229)
	(781,485)	(3,196,332)
	12,002,731	(1,096,330)

The capitalisation rate used to determine the amount of the interests incurred eligible for capitalisation in 2022 was 7.54% (2021: 7.12%) per annum.

32 Income tax credits

	2022 RMB'000	2021 RMB'000
Corporate income tax ("CIT")		
Current income tax	**4,851,022**	10,752,537
Deferred income tax		
– Increase in deferred tax assets (note 12)	**(8,193,350)**	(12,139,348)
– Decrease in deferred tax liabilities (note 12)	**(654,289)**	(4,422,095)
	(3,996,617)	(5,808,906)
Land appreciation tax ("LAT")	**2,584,993**	4,135,283
	(1,411,624)	(1,673,623)

32 Income tax credits *(Continued)*

(A) CIT

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted-average tax rate applicable to losses of the consolidated entities as follows:

	2022 RMB'000	2021 RMB'000
Loss before income tax	**(31,303,603)**	(43,673,581)
Income tax calculated at the PRC tax rate 25% (2021: 25%)	**(7,825,901)**	(10,918,395)
Difference in overseas tax rates	**2,301,931**	681,664
Difference in tax rates change	**(47,054)**	(176,289)
LAT	**(646,248)**	(1,033,821)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
– Entertainment expenses	**18,590**	60,868
– Staff welfare	**18,588**	27,156
– Penalty	**1,155**	1,508
– Gain from disposal of associates	**4,329**	—
– Others	**747,549**	(67,174)
Effects of share of profits of investments accounted for using equity method, net	**(682,975)**	(332,203)
Tax on temporary differences for which no DTA were recognised	**1,857,178**	3,964,781
Tax on losses for which no DTA were recognised	**771,892**	784,263
Utilisation of tax losses with no DTA recognition	**(176,365)**	(55,399)
Write-off of tax timing difference for which DTA was recognised in prior years	**24,120**	1,751,981
Dividends tax for distributable profits of PRC subsidiaries	**(363,406)**	(497,846)
	(3,996,617)	(5,808,906)

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

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

32 Income tax credits *(Continued)*

(A) CIT *(Continued)*

Income tax (credits)/expenses were recognised based on management's estimate of the weighted-average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ended 31 December 2022 was 25% (2021: 25%).

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

(B) TAX LOSSES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Unused tax losses for which no deferred tax asset has been recognised	**6,493,896**	4,264,600
Potential tax benefit	**1,623,474**	1,066,150

DTA are recognised for tax losses carry-forward to the extent that the realisation of the related benefit through the taxable profits for the deduction periods according to the PRC tax laws and regulations is probable. Therefore, the Group did not recognise DTA of RMB1,623 million (2021: RMB1,066 million) in respect of accumulated losses amounting to RMB6,494 million (2021: RMB4,265 million) as the Group estimates that the related subsidiaries will not have sufficient tax income to utilise the tax deduction benefits in the future deduction period. Within these accumulated losses, amounts of RMB567 million, RMB168 million, RMB113 million, RMB2,559 million, and RMB3,087 million, as at 31 December 2022 will expire respectively in 2023, 2024, 2025, 2026 and 2027.

32 Income tax credits *(Continued)*

(C) UNRECOGNISED TEMPORARY DIFFERENCES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Temporary differences for which DTA have not been recognised	**33,592,786**	26,164,073
Unrecognised DTA	**8,398,196**	6,541,018

As of 31 December 2022, the Group had deductible temporary differences of RMB33.59 billion (2021: RMB26.16 billion) in respect of which no DTA have been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(D) LAT

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

33 Loss per share

(A) BASIC

Basic loss per share are calculated by dividing the loss attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the year, excluding shares purchased for the Share Award Scheme (note 21).

	2022	2021
Loss attributable to owners of the Company (RMB'000)	**(27,669,007)**	(38,264,659)
Weighted-average number of ordinary shares in issue (thousand)	**5,434,024**	4,704,582
Adjusted for shares repurchased for share award scheme (thousand)	**(76,325)**	(79,363)
Weighted-average number of ordinary shares for basic loss per share (thousand)	**5,357,699**	4,625,219

(B) DILUTED

For the years ended 31 December 2022 and 2021, diluted loss per share was the same as the basic loss per share as potential ordinary shares arising from share options and awarded shares were not treated as dilutive as the conversion to ordinary shares would not increase the loss per share.

34 Cash flow information

(A) CASH GENERATED FROM/(USED IN) OPERATIONS

	Note	2022 RMB'000	2021 RMB'000
Loss before income taxes		**(31,303,603)**	(43,673,581)
Adjustments for:			
– Finance costs		**31,009,087**	28,313,452
– Interest income	29	**(2,829,342)**	(3,699,478)
– Net losses from disposal of subsidiaries	29,30	**3,428,501**	8,711
– Net losses from disposal of joint ventures and associates	29,30	**3,694,896**	1,196,842
– Net losses from disposal of financial assets at FVPL	30	**108,903**	8,613,479
– Net fair value (gains)/losses on financial assets at FVPL		**(354,870)**	133,349
– Fair value changes and expense on derivative financial instruments		**77,983**	273,450
– Net fair value losses/(gains) on investment properties	29,30	**583,199**	(675,431)
– Provision for impairment of PP&E	30	**—**	7,213,206
– Provision for impairment of goodwill and other intangible assets	30	**472,167**	5,184,889
– Net impairment losses on financial and contract assets		**2,470,295**	6,890,928
– Amortisation of intangible assets		**254,898**	192,574
– Depreciation		**2,934,252**	3,589,328
– Losses from disposal of PP&E, investment properties and land use rights	30	**861,371**	307,867
– Share of profits of joint ventures and associates, net	11	**(2,731,900)**	(1,328,811)
– Value of employee services	28	**173,586**	499,203
– Dividends from financial assets at FVPL		**(15,789)**	(168,087)
– Provision for litigations	30	**913,731**	169,216
Changes in working capital			
– Restricted cash		**17,524,571**	(18,303,582)
– PUDs and CPHFS, net		**20,313,008**	(11,458,293)
– Inventories		**(133,586)**	(58,860)
– Trade and other receivables and prepayments		**2,148,335**	4,930,619
– Contract costs		**224,444**	(2,184,727)
– Contract liabilities		**(24,699,303)**	6,373,185
– Trade and other payables		**(3,486,083)**	18,453,712
– Amount due to/from related companies, net		**39,614**	(36,890,891)
Cash generated from/(used in) operations		**21,678,365**	(26,097,731)

(B) NON-CASH TRANSACTIONS

Major non-cash activities include:

- Acquisition and disposal of right-of-use assets (note 9),
- Shares granted to employees under the Share Award Scheme for no cash consideration (note 21),
- Settlements to certain suppliers of approximately RMB5.77 billion by the Group's CPHFS.

34 Cash flow information *(Continued)*

(C) NET DEBT RECONCILIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Note	2022 RMB'000	2021 RMB'000
Cash and cash equivalents	19	**11,601,128**	14,344,001
Borrowings – repayable within one year	24	**(253,476,200)**	(235,147,248)
Borrowings – repayable after one year	24	**(44,943,017)**	(86,557,898)
Lease liabilities	9	**(646,658)**	(733,147)
Net debt		**(287,464,747)**	(308,094,292)
Cash and cash equivalents	19	**11,601,128**	14,344,001
Gross debt – fixed interest rates	3	**(238,173,987)**	(255,467,708)
Gross debt – variable interest rates	3	**(60,891,888)**	(66,970,585)
Net debt		**(287,464,747)**	(308,094,292)

	Other assets	Liabilities from financing activities				
	Cash RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Leases RMB'000	Sub-total RMB'000	Total RMB'000
Net debt as at 1 January 2021	98,710,644	(91,607,425)	(211,831,470)	(659,845)	(304,098,740)	(205,388,096)
Cash flows	(83,633,497)	(143,522,923)	123,596,668	180,236	(19,746,019)	(103,379,516)
Changes arising from business combination	(736,526)	(16,900)	—	—	(16,900)	(753,426)
Changes arising from disposal of subsidiaries	1,055	—	—	—	—	1,055
Acquisition – leases	—	—	—	(253,538)	(253,538)	(253,538)
Foreign exchange adjustments	2,325	—	1,676,904	—	1,676,904	1,679,229
Net debt as at 31 December 2021	14,344,001	(235,147,248)	(86,557,898)	(733,147)	(322,438,293)	(308,094,292)
Cash flows	(3,457,895)	(19,998,357)	47,022,625	152,617	27,176,885	23,718,990
Changes arising from disposal of subsidiaries (note 41)	649,560	1,669,405	1,240,305	—	2,909,710	3,559,270
Acquisition – leases	—	—	—	(66,128)	(66,128)	(66,128)
Foreign exchange adjustments	65,462	—	(6,648,049)	—	(6,648,049)	(6,582,587)
Net debt as at 31 December 2022	11,601,128	(253,476,200)	(44,943,017)	(646,658)	(299,065,875)	(287,464,747)

35 Commitments

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Contracted but not provided for		
– PUDs and CPHFS	**175,969,065**	200,463,293
– PP&E	**8,472,346**	5,875,619
– Investment properties	**660,288**	622,468
– Right-of-use assets	**268,991**	—
	185,370,690	206,961,380

(B) EQUITY INVESTMENTS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Contracted but not provided for	**772,273**	923,611

36 Contingent liabilities

(A) FINANCIAL GUARANTEE

Guarantee on mortgage facilities

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**102,094,067**	156,716,554

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.

36 Contingent liabilities *(Continued)*

(A) FINANCIAL GUARANTEE *(Continued)*

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 RMB31.52 billion (2021: RMB55.01 billion) together with the equity investment partners on pro rata basis.

(B) LITIGATION

Up to the date of approval of the consolidated financial statements, various parties have filed litigation against the Group for the settlement of the unpaid borrowings, outstanding construction and daily operations payables, delayed delivery of several projects and other matters. The Directors have assessed the impact of the above litigation matters on the consolidated financial statements for the year ended 31 December 2022 and accrued provision on the consolidated financial statements of the Group. The Group is also actively communicating with relevant creditors and seeking various ways to resolve these litigations. The Directors consider that such litigations, individually or jointly, will not have significant adverse effects on the operating performance, cash flow and financial condition of the Group at the current stage.

37 Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Current –		
PUDs	**142,187,739**	151,487,178
CPHFS	**13,588,761**	11,292,352
Restricted cash	**551,000**	8,539,690
Total current assets pledged as security	**156,327,500**	171,319,220
Non-current –		
PP&E	**37,315,627**	57,969,260
Investment properties	**22,387,226**	18,463,292
Right-of-use assets	**5,300,981**	6,551,675
Financial assets at FVPL	**10,523,016**	—
Total non-current assets pledged as security	**75,526,850**	82,984,227

As at 31 December 2022, the seized assets of the Group totalled RMB63.51 billion, which certain assets involved in pledges.

38 Financial instruments by category

	31 December 2022 RMB'000	31 December 2021 RMB'000
Financial assets at amortised cost		
– Trade and other receivables	**59,502,284**	67,582,623
– Restricted cash	**25,940,546**	54,858,788
– Cash and cash equivalents	**11,601,128**	14,344,001
– Amounts due from related companies	**63,422,584**	59,703,461
Financial assets at FVPL	**14,115,975**	14,561,703
Derivative financial instruments at FVPL	**—**	79,049
	174,582,517	211,129,625
Financial liabilities at amortised costs		
– Borrowings	**298,419,217**	321,705,146
– Amounts due to related companies	**42,876,511**	37,648,739
– Trade and other payables	**247,688,380**	261,730,543
– Lease liabilities	**646,658**	733,147
Derivative financial instruments at FVPL	**—**	218,262
	589,630,766	622,035,837

Note: Trade and other payables in this analysis do not include the taxes payables and payroll and welfare payables.

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

39 Transactions with non-controlling interests

During the year ended 31 December 2022, Sunac Services repurchased on open market its 22,892,000 shares at a total consideration of HKD87.53 million (equivalent to approximately RMB74.86 million) which resulted in the decrease in non-controlling interests of the Group amounted to RMB61.82 million.

Beside the above transaction, the Group has acquired additional equity interests of its non-wholly owned subsidiaries and disposed of certain equity interests to its non-controlling shareholders through certain transactions with non-controlling interests which resulted in the net decrease in non-controlling interests of RMB4.13 billion and net decrease in net assets attributable to the owners of the Company of RMB0.28 billion. The net consideration for cash payment was totalled RMB4.41 billion.

40 Asset acquisition

During the year ended 31 December 2022, the Group acquired equity interests of several property development companies from third parties, at a total consideration of RMB2.87 billion. Upon completion of these transactions, these entities became subsidiaries of the Group. The Group elected to apply the concentration test to assess the 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.

41 Disposal of subsidiaries

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

	Total **RMB'000**
Cash consideration received or receivable	6,663,551
Fair value of the remaining equity interest held by the Group at disposal	2,078,883
Less: carrying value of the disposed subsidiaries	(12,170,935)
Gains from disposal of subsidiaries	534,781
Losses from disposal of subsidiaries	(3,963,282)

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

	Total **RMB'000**
Non-current assets	
PP&E	5,182,852
Right-of-use assets	1,221,484
Intangible assets	232
Investment in a jointly controlled entity	867,964
DTA	180,894
Current assets	
PUDs	27,986,536
CPHFS	78,319
Inventories	1,321
Restricted cash	204,482
Cash and cash equivalents	388,038
Other current assets	3,248,346
Non-current liabilities	
Borrowings	(1,240,305)
DTL	(2,976)
Current liabilities	
Borrowings	(1,669,405)
Other current liabilities	(18,195,809)
Net assets	18,251,973
Less: non-controlling interests	(6,081,038)
Carrying value of the equity owned by the Group	12,170,935

41 Disposal of subsidiaries *(Continued)*

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

	Total RMB'000
Cash considerations received as of 31 December 2022	1,037,598
Cash of the subsidiaries disposed	(388,038)
Net cash impact	649,560

(D) The Group disposed of 51% interest in one of subsidiaries, principally engaged in property development at a consideration of RMB2.61 billion for the year ended 31 December 2022. The disposal resulted a loss on control over the entity. As a result, net assets of RMB6.94 billion (mainly consisted of PUDs) and non-controlling interest of RMB3.40 billion were derecognised as at the date of disposal. The loss on disposal of the entity amounted to RMB0.93 billion for the year ended 31 December 2022.

The Group disposed of 6% interest in another subsidiary, principally engaged in movie city operation at a consideration of RMB181 million for the year ended 31 December 2022. The disposal resulted in a loss on control over the entity and the Group has held remaining 49% interest in that entity since then and accounted for it as an investment in an associate. As a result, net assets of RMB5.21 billion (mainly consisted of PP&E) and non-controlling interest of RMB2.35 billion were derecognised and an investment in an associate of RMB1.48 billion was recognised as at the date of disposal. The loss on disposal of the entity amounted to RMB1.21 billion for the year ended 31 December 2022.

Except the above, the Group had no individually material disposals for the year ended 31 December 2022.

42 Related party transactions

(A) NAME AND RELATIONSHIP WITH RELATED PARTIES

Name	**Relationship with the Company**
Sunac International Investment Holdings Limited ("Sunac International")	Immediate controlling shareholder of the Company
Mr. Sun Hongbin	Ultimate controlling party of the Company and the chairman of the Board of Directors of the Company

42 Related party transactions *(Continued)*

(B) TRANSACTIONS WITH RELATED PARTIES

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

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

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cash paid to joint ventures and associates	**(46,044,311)**	(132,164,428)
Cash received from joint ventures and associates	**52,166,705**	84,299,424
	6,122,394	(47,865,004)

(ii) Rendering of services and interest income

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Nature of transaction		
Joint ventures:		
– Interest income	**2,192,347**	2,732,970
– Fitting and decoration services	**738,329**	4,963,438
– Property management services	**368,240**	958,427
Associates		
– Interest income	**433,884**	602,278
– Property management services	**52,291**	97,205
– Fitting and decoration services	**—**	115,725

Interest income is charged at interest rates as specified in note 42(D) on the outstanding balances.

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

42 Related party transactions *(Continued)*

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Years ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries and other short-term benefits	**27,322**	72,395
Share Award Scheme	**62,571**	213,944
	89,893	286,339

(D) RELATED PARTIES BALANCES

	31 December 2022	31 December 2021
	RMB'000	RMB'000
Amounts due from joint ventures		
– Interest free	**39,888,120**	29,370,352
– Interest bearing	**15,058,697**	18,798,643
– Trade receivables	**4,863,362**	5,105,124
– Interest receivables	**3,714,672**	2,237,717
	63,524,851	55,511,836
Less: loss allowance (note 3.1(B))	**(4,505,618)**	(2,249,045)
	59,019,233	53,262,791
Amounts due from associates		
– Interest free	**1,062,935**	2,055,554
– Interest bearing	**2,686,223**	4,103,120
– Interest receivables	**815,646**	332,777
– Trade receivables	**174,706**	161,921
	4,739,510	6,653,372
Less: loss allowance (note 3.1(B))	**(336,159)**	(212,702)
	4,403,351	6,440,670
Amounts due to joint ventures	**33,217,022**	30,131,152
Amounts due to associates	**6,331,787**	4,455,201
Amounts due to immediate controlling shareholder and key managements	**3,327,702**	3,062,386
	42,876,511	37,648,739

42 Related party transactions *(Continued)*

(D) RELATED PARTIES BALANCES *(Continued)*

Most of the amounts due from joint ventures and associates almost have no fixed repayment date, bearing interest rate at 2% to 14% per annum for the year ended 31 December 2022 (2021: 2% to 16%).

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

As at 31 December 2022, loan from the immediate controlling shareholder amounted to USD450 million (equivalent to approximately RMB3.13 billion) was unsecured and interest-free. Pursuant to the loan agreement, the final repayment date was the date falling sixty months after the utilisation date and the lender may, if it gives the borrower a reasonable prior notice, request the whole or any part of any loan to be prepaid before the final repayment date.

Loans from key management were unsecured, interest-free and repayable on demand.

43 Dividends

The dividends paid in 2021 were RMB7.69 billion (RMB1.650 per share) and no dividend was paid in 2022. No final dividend was recommended in respect of the year ended 31 December 2022.

44 Events after the consolidated balance sheet date

Except for the latest progress of the offshore debt restructuring as disclosed in Note 2.1(iii) of these consolidated financial statements, the Group had no material subsequent events after 31 December 2022

45 Balance sheet and reserve movement of the Company

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**25,723,961**	25,368,794
Financial assets at fair value through profit or loss		**—**	45,343
Derivative financial instruments		**—**	79,049
		25,723,961	25,493,186
Current assets			
Amounts due from subsidiaries		**60,396,652**	53,836,135
Other receivables		**910**	108,688
Restricted cash		**2,808**	—
Cash and cash equivalents		**70,408**	89,873
		60,470,778	54,034,696
Total assets		**86,194,739**	79,527,882
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	**466,030**	429,113
Other reserves	(A)	**11,406,294**	7,648,032
Accumulated losses	(A)	**(8,529,264)**	(1,481,838)
Total equity		**3,343,060**	6,595,307
Liabilities			
Non-current liabilities			
Derivative financial instruments		**—**	182,008
Current liabilities			
Borrowings		**65,646,895**	61,397,842
Other payables		**4,678,404**	1,350,320
Derivative financial instruments		**—**	36,254
Amounts due to subsidiaries		**12,526,380**	9,966,151
		82,851,679	72,750,567
Total liabilities		**82,851,679**	72,932,575
Total equity and liabilities		**86,194,739**	79,527,882

The balance sheet of the Company was approved by the Board of Directors on 31 March 2023 and were signed on its behalf.

Sun Hongbin	**Wang Mengde**
Director	*Director*

45 Balance sheet and reserve movement of the Company *(Continued)*

(A) RESERVE MOVEMENT OF THE COMPANY

	Share premium RMB'000	Share option reserves RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Year ended 31 December 2021					
At 1 January 2021	6,960,154	1,909,578	1,416,348	(10,176,843)	109,237
Profit for the year	—	—	—	9,378,173	9,378,173
Employees share option schemes:					
– Proceeds from shares issued	50,935	—	—	—	50,935
Share award scheme:					
– Value of employee services	—	465,514	—	—	465,514
Repurchase and cancellation of shares	(252,271)	—	—	—	(252,271)
Proceeds from placing of new shares	4,108,863	—	—	—	4,108,863
Dividends relating to 2020	(7,011,089)	—	—	(683,168)	(7,694,257)
At 31 December 2021	3,856,592	2,375,092	1,416,348	(1,481,838)	6,166,194
Year ended 31 December 2022					
At 1 January 2022	**3,856,592**	**2,375,092**	**1,416,348**	**(1,481,838)**	**6,166,194**
Loss for the year	**—**	**—**	**—**	**(7,047,426)**	**(7,047,426)**
Share award scheme:					
– Value of employee services	**—**	**133,003**	**—**	**—**	**133,003**
Proceeds from placing of new shares	**3,625,259**	**—**	**—**	**—**	**3,625,259**
At 31 December 2022	**7,481,851**	**2,508,095**	**1,416,348**	**(8,529,264)**	**2,877,030**

46 Benefits and interests of directors

The Directors' and senior management's emoluments are set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share award expenses (i) RMB'000	Employer's contribution retirement benefit scheme RMB'000	Other benefits RMB'000
Year ended 31 December 2022:						
Directors:						
Sun Hongbin	—	**240**	—	—	—	—
Wang Mengde	—	**498**	—	**7,063**	**39**	**52**
Jing Hong	—	**555**	—	**5,418**	**59**	**92**
Tian Qiang	—	**1,331**	—	**5,417**	**139**	**163**
Huang Shuping	—	**696**	—	**3,345**	**39**	**72**
Sun Zheyi	—	**2,409**	—	**2,359**	**63**	**86**
Chi Xun (Resigned on 13 April 2023)	—	**1,072**	—	**5,417**	**77**	**134**
Shang Yu (Resigned on 13 April 2023)	—	**469**	—	**7,348**	**91**	**96**
Poon Chiu Kwoh	**387**	—	—	—	—	—
Zhu Jia	**387**	—	—	—	—	—
Ma Lishan	**344**	—	—	—	—	—
Yuan Zhigang	**344**	—	—	—	—	—
Year ended 31 December 2021:						
Directors:						
Sun Hongbin	—	6,993	—	—	—	—
Wang Mengde	—	5,425	—	23,415	36	57
Jing Hong	—	4,635	—	19,094	72	106
Tian Qiang	—	4,798	—	18,935	146	184
Huang Shuping	—	3,846	—	11,627	35	69
Sun Zheyi	—	3,557	—	7,778	59	61
Chi Xun	—	5,304	—	18,935	93	149
Shang Yu	—	4,622	—	24,825	77	94
Poon Chiu Kwoh	374	—	—	—	—	—
Zhu Jia	374	—	—	—	—	—
Ma Lishan	332	—	—	—	—	—
Yuan Zhigang	332	—	—	—	—	—

(i) The total expenses for seven executive Directors amounting to RMB36.36 million were recognised by the Company in consolidated profit or loss for this year in respect of the award shares which were granted to Directors from 2019 to 2021. As at 31 December 2022, accumulated 14.92 million award shares have been granted to seven executive Directors, of which 1.65 million award shares (accounting for 11%) have been released on 31 March 2020, 3.14 million award shares (accounting for 21%) have been released on 31 March 2021 and the remaining 10.13 million award shares (accounting for 68%) will be released on or after 2023.

46 Benefits and interests of directors *(Continued)*

For the years ended 31 December 2022 and 2021, no housing allowance, compensation for loss of office as director, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director, emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking were provided by the Group to directors or chief executive.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

47 Subsidiaries

The Group's principal subsidiaries at 31 December 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business. The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries as at 31 December 2022 which principally affect the results or assets of the Group.

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities and place of operation
			31 December 2022		31 December 2021		
			Directly	**Indirectly**	Directly	Indirectly	
Incorporated in the British Virgin Islands, limited liability company:							
Jujin Real Estate Investment Holdings Ltd.	06 September 2007	USD1	**100%**	**-**	100%	–	Investment holding in the British Virgin Islands
Dingsheng Real Estate Investment Holdings Ltd.	06 September 2007	USD1	**100%**	**-**	100%	–	Investment holding in the British Virgin Islands
Zhuoyue Real Estate Investment Holdings Ltd.	13 September 2007	USD1	**100%**	**-**	100%	–	Investment holding in the British Virgin Islands
Elegant Trend Limited	17 July 2013	HKD15.6	**-**	**100%**	–	100%	Investment holding in the British Virgin Islands
Incorporated in Hong Kong, limited liability company:							
Lead Perfect (HK) Investment Limited	19 June 2018	USD333.33 million	**-**	**55%**	–	55%	Investment holding in Hong Kong
Creation Vast (HK) Investment Limited	01 August 2019	USD210.21 million	**-**	**100%**	–	100%	Investment holding in Hong Kong
Incorporated in the PRC, limited liability company							
New Richport Property Development Shanghai Co., Ltd.**	17 July 2013	RMB2,500 million	**-**	**100%**	–	100%	Real estate development in Mainland China
Wuxi Sunac City Investment Co., Ltd.	10 November 2017	RMB4,212 million	**-**	**100%**	–	100%	Real estate development in Mainland China

47 Subsidiaries *(Continued)*

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities and place of operation
			31 December 2022		31 December 2021		
			Directly	Indirectly	Directly	Indirectly	
Incorporated in the PRC, limited liability company: (Continued)							
Shanghai Sunac Real Estate Development Co., Ltd.	18 December 2014	RMB2,000 million	–	100%	–	100%	Investment holding in Mainland China
Shanghai Xiangyuan Investment Holdings Limited	03 May 2016	RMB2,000 million	–	100%	–	100%	Investment holding in Mainland China
Hefei Wanda City Investment Co Ltd.	03 August 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Sunac Xinheng Investment Group Co., Ltd.	27 August 2013	RMB1,000 million	–	100%	–	100%	Investment holding in Mainland China
Sunac Oriental Movie Metropolis Investment Co., Ltd.	10 November 2017	RMB3,000 million	–	100%	–	100%	Real estate development in Mainland China
Qingdao Sunac Yacht Industry Investment Co., Ltd.	10 November 2017	RMB1,000 million	–	100%	–	100%	Real estate development in Mainland China
Jinan Wanda City Construction Co., Ltd.	10 November 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Beijing Sunac Construction Investment Real Estate Co., Ltd.	16 August 2010	RMB1,000 million	–	100%	–	100%	Investment holding in Mainland China
Qingdao Calxon Real Estate Development Co., Ltd.	31 December 2016	RMB1,623 million	–	100%	–	100%	Real estate development in Mainland China
Nanchang Wanda City Investment Co Ltd.	04 August 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Sunac Real Estate Group Co., Ltd.	31 January 2003	RMB15,000 million	–	100%	–	100%	Investment holding in Mainland China
Harbin Wanda City Investment Co., Ltd.	02 August 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Sunac Huabei Development Group Co., Ltd.	25 February 2003	RMB2,222 million	–	100%	–	100%	Investment holding in Mainland China
Zhengzhou Sunac Meisheng Real Estate Development Co., Ltd.	17 March 2016	RMB820 million	–	70%	–	70%	Real estate development in Mainland China
Tianjin Rongyao Real Estate Development Co., Ltd.	07 March 2013	RMB500 million	–	54%	–	54%	Real estate development in Mainland China
Guangzhou Wanda Cultural&Tourism City Investment Co., Ltd.	31 August 2017	RMB8,163 million	–	100%	–	100%	Real estate development in Mainland China
Shenzhen Sunac Real Estate Co., Ltd.	09 March 2015	RMB2,000 million	–	100%	–	100%	Investment holding in Mainland China
Chongqing Wanda City Investment Co., Ltd.	30 March 2018	RMB3,000 million	–	100%	–	100%	Real estate development in Mainland China
Chengdu Guojia Zhide Real Estate Co., Ltd.**	22 October 2015	RMB1,375 million	–	100%	–	100%	Real estate development in Mainland China
Chengdu Sunac Cultural&Tourism City Investment Co., Ltd.	05 September 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Kunming Sunac City Investment Co., Ltd.	10 November 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Guilin Sunac City Investment Co., Ltd.	28 August 2017	RMB1,500 million	–	100%	–	100%	Real estate development in Mainland China
Xishuangbanna International Tourism Resort Development Co., Ltd.	04 August 2017	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Harbin Mingsheng Business Management Co., Ltd.	21 August 2017	RMB1,200 million	–	100%	–	100%	Cultural tourism city construction and operation in Mainland China

47 Subsidiaries *(Continued)*

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities and place of operation
			31 December 2022		31 December 2021		
			Directly	Indirectly	Directly	Indirectly	
Incorporated in the PRC, limited liability company: (Continued)							
Sunac (Shenzhen) Cultural Tourism Operation Management Co., Ltd.	25 October 2018	RMB2,000 million	–	100%	–	100%	Cultural tourism city construction and operation in Mainland China
Tianjin Sunac Yuanhao Real Estate Co., Ltd.	25 February 2016	RMB100 million	–	100%	–	100%	Real estate development in Mainland China
Tianjin Sunac Qi'ao Real Estate Co., Ltd.**	21 May 2019	RMB2,000 million	–	100%	–	100%	Real estate development in Mainland China
Dalian Dalian Real Estate Development Co., Ltd.*	12 June 2019	RMB2,682 million	–	100%	–	100%	Real estate development in Mainland China
Shijiazhuang Jubang Real Estate Development Co., Ltd.	04 December 2019	RMB600 million	–	54%	–	54%	Real estate development in Mainland China
Fanhai Construction Holdings Co., Ltd.	15 March 2019	RMB9,000 million	–	100%	–	100%	Real estate development in Mainland China
Sunac (Xinan) Real Estate Development Co., Ltd.	24 April 2003	RMB1,000 million	–	100%	–	100%	Investment holding in Mainland China
Guiyang Guanshanhu Big Data Technology Industry Park Construction Co., Ltd.	11 May 2017	RMB1,410 million	–	51%	–	51%	Real estate development in Mainland China
Wuhan Xinghai Yuantou Real Estate Development Co., Ltd.	02 February 2016	RMB200 million	–	100%	–	100%	Real estate development in Mainland China
Global Sunac Exhibition&Travel Group Co., Ltd.	19 December 2019	RMB604 million	–	70%	–	70%	Real estate development in Mainland China
Chengdu Times Global Industrial Co., Ltd.	19 December 2019	RMB100 million	–	70%	–	70%	Real estate development in Mainland China
Dalian Sunac Haoteng Real Estate Development Co., Ltd.	06 December 2017	RMB903 million	–	100%	–	100%	Real estate development in Mainland China
Tianjin Sunac Huikai Asset Management Co.,Ltd.	19 October 2015	RMB50 million	80%	20%	80%	20%	Real estate development in Mainland China
Tianjin Xingyao Investment Co., Ltd.	1 July 2021	RMB3,490 million	–	100%	–	100%	Real estate development in Mainland China
Henan Zhongzhixing Real Estate Co., Ltd.	26 May 2021	RMB100 million	–	100%	–	100%	Real estate development in Mainland China
Guizhou Sunac Dongyu Real Estate Development Co., Ltd.	9 September 2021	RMB30 million	–	100%	–	100%	Real estate development in Mainland China
Guangxi Zhangtai Sunac Investment Group Co., Ltd.	26 April 2021	RMB3,200 million	–	24%	–	40%	Real estate development in Mainland China
Wuhan Huichang Real Estate Investment Co., Ltd.	4 March 2021	RMB20 million	–	100%	–	100%	Real estate development in Mainland China

47 Subsidiaries *(Continued)*

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ registered capital	Equity interests held				Principal activities and place of operation
			31 December 2022		31 December 2021		
			Directly	Indirectly	Directly	Indirectly	
Incorporated in the PRC, limited liability company: (Continued)							
Shanghai Mintou Real Estate Co., Ltd.	22 December 2020	RMB5 million	–	100%	–	100%	Real estate development in Mainland China
Zhangjiakou Sunac Taihe Real Estate Development Co., Ltd.	1 June 2021	RMB20 million	–	78%	–	78%	Real estate development in Mainland China
Shanxi Sunac Hengji Real Estate Co.,Ltd.	1 July 2021	RMB70 million	–	100%	–	100%	Real estate development in Mainland China
Shanxi Sunac Jiye Real Estate Development Co.,Ltd.	1 July 2021	RMB10 million	–	70%	–	70%	Real estate development in Mainland China
Qingdao Sunac Bangsheng Investment Co., Ltd.**	1 July 2021	USD183 million	–	100%	–	100%	Real estate development in Mainland China
Qingdao Sunac Jiancheng Investment Co., Ltd.**	1 July 2021	USD484 million	–	100%	–	100%	Real estate development in Mainland China
Wuhan Rongjingzhenyuan Real Estate Development Co.,Ltd.	31 December 2021	RMB1 million	–	100%	–	100%	Real estate development in Mainland China
Wuhan Rongjing Real Estate Development Co.,Ltd.	31 December 2021	USD972 million	–	100%	–	100%	Real estate development in Mainland China

* Registered as wholly foreign owned enterprises under PRC laws.

** Registered as sino-foreign equity joint ventures under PRC laws.

As at 31 December 2022, the directors of the Company considered that none of subsidiaries had material non-controlling interests to the Group.

http://www.sunac.com.cn/