sunac 融創中國

ANNUAL REPORT

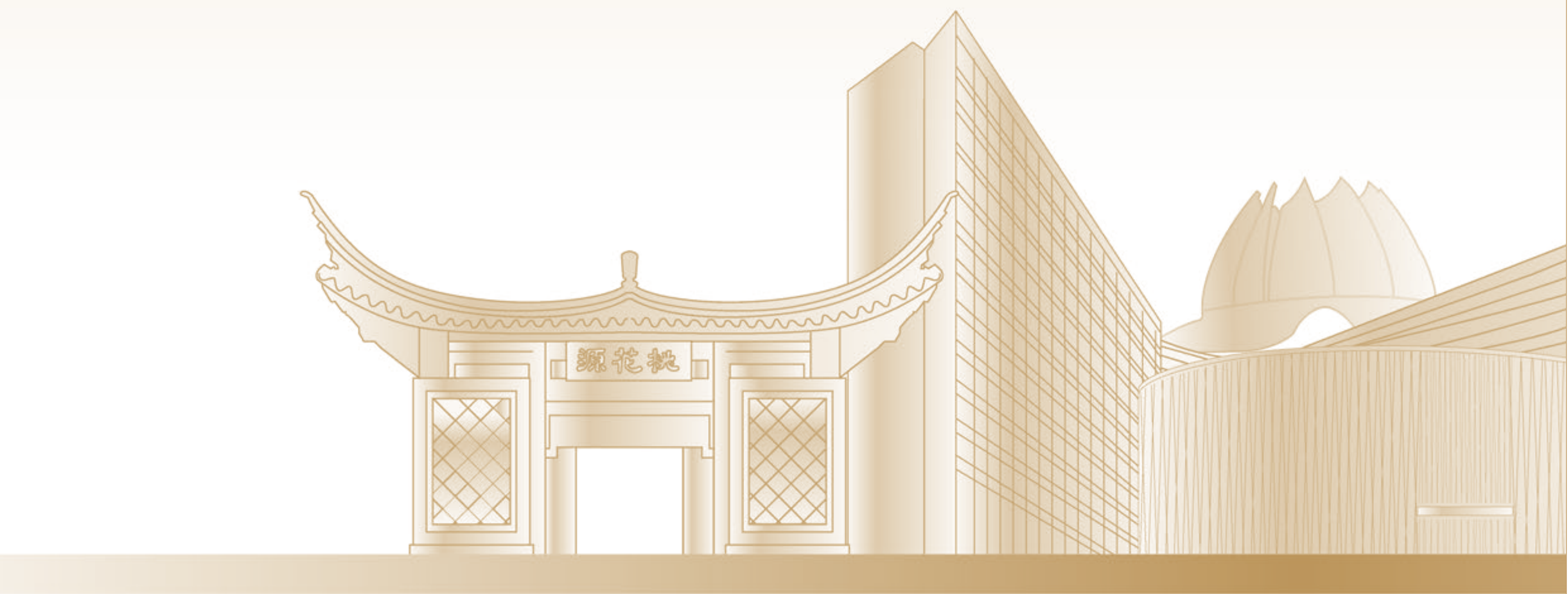
2023 年度報告

融創中國控股有限公司

SUNAC CHINA HOLDINGS LIMITED

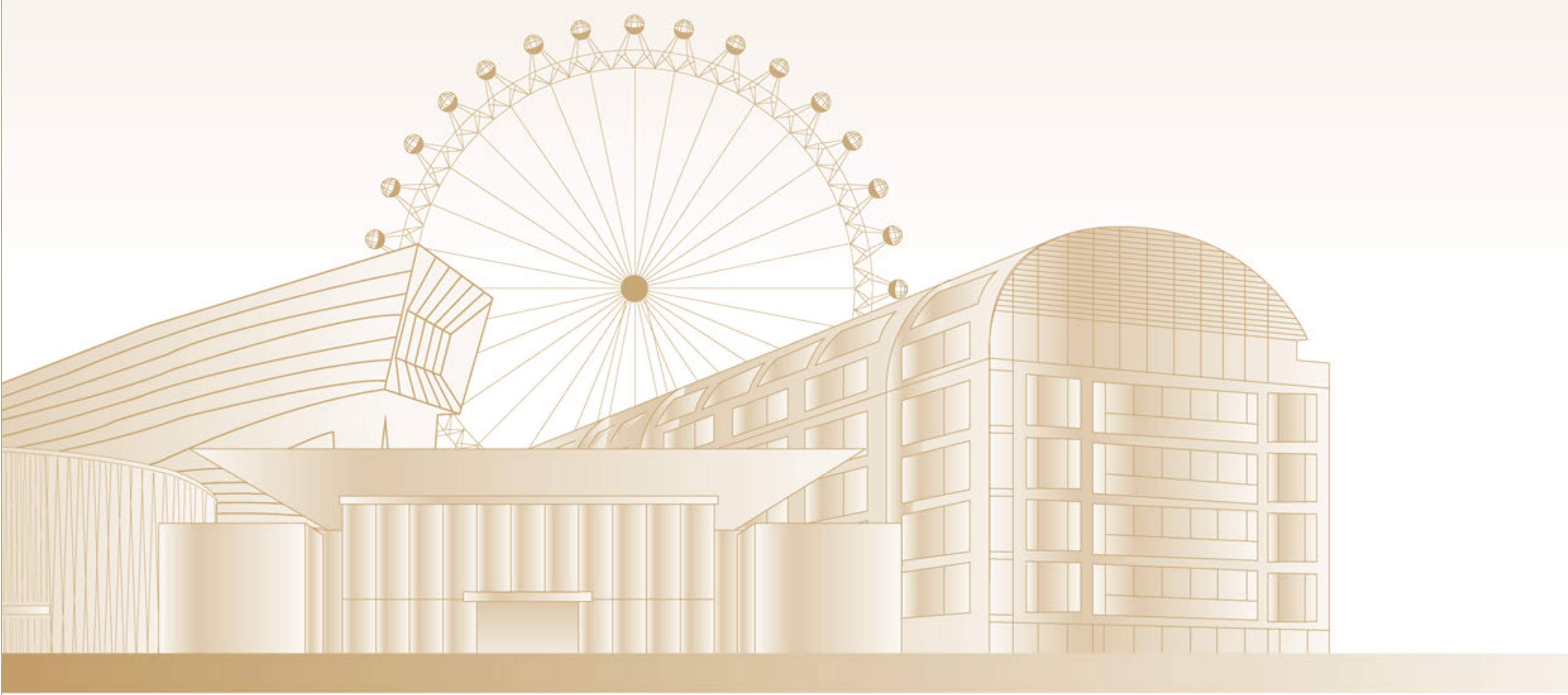
STOCK CODE 股份代號: 01918.HK

sunac



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 more than 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多年發展，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, Central regions and Western regions, and is divided into 9 major regions for management, namely the Beijing region (including Beijing, Ji'nan and Qingdao, etc.), North China region (including Tianjin and Shenyang, 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.).

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，並劃分為九大區域進行管理，即北京區域（含北京、濟南及青島等城市）、華北區域（含天津及沈陽等城市）、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）及雲貴區域（含昆明及貴陽等城市）。

SUNAC
CHINA
HOLDINGS
LIMITED

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Sun Hongbin *(Chairman)*
Mr. Wang Mengde *(Chief Executive Officer)*
Mr. Jing Hong
Mr. 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)*

NON-EXECUTIVE DIRECTOR

Mr. Lam Wai Hon *(appointed on 20 November 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

Before 17 November 2023:
Room 1517, Level 15
West Exchange Tower
322 Des Voeux Road Central
Sheung Wan, Hong Kong

After 17 November 2023:
Room 10, Level 43,
AIA Tower
183 Electric Road
North Point, Hong Kong

HEADQUARTERS AND PRINCIPAL PLACES OF BUSINESS IN THE PRC

BEIJING OFFICE

26/F, Block B
Rongke Wangjing Center, Chaoyang District
Beijing, PRC

TIANJIN OFFICE

Building 1, East Side in Sunac Center,
No.278, Hongqi Road, Nankai District
Tianjin, PRC

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 ADVISER

As to Hong Kong law:
Sidley Austin

AUDITOR

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Industrial and Commercial 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

	2023	2022	2021	2020	2019
Revenue	**154.23**	96.75	198.39	230.59	169.32
Gross (loss)/profit	**(2.50)**	(0.82)	(1.79)	48.40	41.41
(Loss)/profit for the year	**(10.41)**	(29.89)	(42.00)	39.55	28.16
(Loss)/profit attributable to owners of the Company	**(7.97)**	(27.67)	(38.26)	35.64	26.03
Basic (loss)/earnings per share attributable to the owners of the Company (RMB)	**(1.43)**	(5.16)	(8.27)	7.82	5.99
Cash and cash equivalents (including restricted cash)	**24.62**	37.54	69.20	132.65	125.73
Dividend per share (RMB)	**–**	–	–	1.650	1.232
Dividends	**–**	–	–	7.69	5.73

CONSOLIDATED FINANCIAL POSITION

RMB billion

	2023	2022	2021	2020	2019
Total assets	**977.85**	1,090.17	1,176.55	1,108.40	960.65
Total liabilities	**894.06**	1,003.77	1,051.88	930.57	846.55
Total equity	**83.79**	86.40	124.67	177.83	114.10

CHAIRMAN'S STATEMENT

Dear Shareholders and Investors,

Since 2023, the real estate market downturn has continued. The government has continued to adjust and optimize real estate control policies and intensively launch supportive policies to stabilize market expectations, strive to promote the stable and healthy development of the real estate market, and build a new model for real estate development. With the support of the government policies, the Group continued to make every effort to implement various tasks such as guaranteed home delivery, revitalizing assets and resolving debt risks, and made significant progress.

In 2023, for the domestic corporate bonds that have completed the overall extension in 2022, the Group has completed two payments as agreed, ensuring the stability of the domestic open market. In 2023, the Group officially completed the offshore open market debt restructuring and the success of the offshore debt restructuring relieved the Company's debt repayment pressure in the next two years, and the over US $4.5 billion deleveraging plan greatly optimized the Company's capital structure and increased its net assets. Most of the Group's project-level loans maintain a normal status. For some of the financing that needs to be extended due to the market decline, the Group continues to actively communicate with financial institutions to promote solutions. At the same time, the Group will actively promote the reduction of the cost of existing financing and reduce the interest burden. The Group continues to promote cooperation with asset management companies, introduces financial support for high-quality projects and revitalises assets. In 2023, the Group has successfully implemented financing arrangements for some projects including Shanghai Dongjiadu, Shanghai Yalong and Wuhan Taohuayuan Project. At present, there are still financing arrangements for a number of projects in progress. As the real estate market downturn continued and the adjustment depth and time exceeded expectations, in 2024, the Company will continue to actively communicate with creditors on current debt problems and potential debt pressures, seek extension and overall solutions, and strive to maintain the stability of debt fundamentals; At the same time, we will also focus on reducing the cost of existing financing. In 2024, the Group will continue to deepen the overall principal-to-principal communication and cooperation with core financial institutions, and seek flexible and diverse solutions to resolve debt risks and revitalize assets. At the same time, we will closely follow the new financing support policies of the industry, and actively promote the undertaking of new policies to support debt risk resolution, guaranteed home delivery and asset revitalization.

The Group has always taken the guaranteed home delivery as its primary operational objective, actively responded to the government's requirements for guaranteed home delivery, actively implemented the primary responsibilities, and actively applied for resources such as special loans for guaranteed home delivery and supporting financing to support the development and construction of property projects and the smooth completion and delivery of property projects. In 2023, the Group completed the delivery of approximately 310,000 houses in 101 cities with unremitting efforts. In 2024, the Group will continue to actively undertake guaranteed home delivery support policies, take multiple measures at the same time, and strive to achieve delivery targets of more than 200,000 houses.

CHAIRMAN'S STATEMENT

In 2023, the Group's revenue was approximately RMB154.23 billion, representing an increase of approximately 59.4% as compared to last year, and its gross loss was approximately RMB2.50 billion, representing an increase of approximately 204.9% as compared to last year. The loss attributable to owners of the Company was approximately RMB7.97 billion due to the Group's completion of offshore debt restructuring in 2023, which resulted in the recording of other business income, representing a significant decrease in loss of approximately 71.2% as compared with the previous year. Due to the continuous downturn in the market, the Group, out of prudence, has accumulated more than RMB85 billion after the provision of various impairments for three consecutive years, and the Group's net assets attributable to the parent company at the end of 2023 still amounted to RMB62.43 billion, indicating that the Company's asset base was stable.

At the end of 2023, the Group, together with its joint ventures and associates, had a total land bank of approximately 154 million square meters (attributable land bank was approximately 102 million square meters) with a total saleable resources of approximately RMB1.7 trillion (saleable resources of attributable land bank was approximately 1.13 trillion), of which the unsold land bank was approximately 110 million square meters (attributable land bank is approximately 73 million square meters) and the unsold saleable resources was approximately RMB1.23 trillion (saleable resources of attributable land bank is expected to be approximately RMB0.81 trillion). Adequate and high-quality land bank is a solid foundation to support the Group's gradual resumption of normal operations.

In 2023, the operating performance of Sunac Services Holdings Limited ("Sunac Services", stock code: 01516.HK) of the Group's property management sector was improving steadily, and its operating quality has improved significantly. In 2023, Sunac Services achieved revenue of approximately RMB7.01 billion, gross profit of approximately RMB1.67 billion and core net profit of approximately RMB793 million, representing a year-on-year increase of approximately 3%. The annual operating net cash inflow was approximately RMB862 million, covering core net profit by 1.1 times, and the book cash balance was approximately RMB4.44 billion. In the revenue structure, non-related party business revenue increased by 10% year-on-year to RMB6.44 billion, accounting for approximately 92% of revenue. By the end of 2023, Sunac Services' business focused on first- and second-tier core cities with contracted GFA of approximately 374 million square meters and GFA under management of approximately 273 million square meters.

In 2023, the operating results of the Group's theme park, commercial, hotel and ice and snow businesses in the cultural tourism sector improved steadily. In 2023, the cultural tourism sector achieved revenue of approximately RMB5.91 billion, an increase of approximately 29.9% as compared to last year, and management profit of approximately RMB860 million, a significant increase of RMB1.57 billion compared to the loss of RMB710 million last year. Rapid growth in the operating results of the cultural tourism segment was achieved with new record in revenues and profits.

Looking forward, it is expected that the Central Government will adopt more proactive monetary policies and fiscal policies to stabilize the macro-economic development in 2024. At the same time, the Central Government will continue to formulate policies to support the healthy development of the real estate industry. Although real estate industry still faces great pressures and challenges in the short term, it is believed that under the support of policies, along with the overall positive economic direction and the continuous accumulation of market confidence, the long-term supply and demand of the real estate market will return to balance and the market will gradually stabilize. We will maintain our long-term confidence, maintain sufficient patience and focus, and make long-term arrangements and preparations. With the assistance and support from all parties, we will continue to steadily promote various work such as the guaranteed home delivery, the resolution of debt risks and the asset revitalization, and actively respond and solve problems in an orderly manner, so as to gradually and steadily advance the Company back to the track of healthy development.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

1 REVENUE

For the year ended 31 December 2023, most of the Group's revenue came from sales of residential and commercial properties business, and the other revenue came from cultural and tourism city construction and operation, property management and other businesses.

As at 31 December 2023, the Group's real estate development business is mainly located in the Yangtze River Delta, Bohai Rim, South China, cities of Central regions and Western regions, which are divided into 10 major regional groups for management, namely the Beijing region (including Beijing, Ji'nan and Qingdao, etc.), North China region (including Tianjin and Shenyang, 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 and Hainan Province, etc.), Northwestern China region (including Xi'an and Taiyuan, etc.), Chengdu-Chongqing region (including Chongqing and Chengdu, etc.), Yun Gui region (including Kunming and Guiyang, etc.) and Global Sunac region (including Huan Rong projects in Sichuan, Yunnan and Hunan, etc.).

Total revenue of the Group for the year ended 31 December 2023 amounted to approximately RMB154.23 billion, representing an increase of 59.4% compared with the total revenue of approximately RMB96.75 billion for the year ended 31 December 2022.

For the year ended 31 December 2023, the total revenue of the Group and its joint ventures and associates was approximately RMB329.38 billion, representing an increase of approximately RMB63.84 billion (approximately 24.0%) as compared with the total revenue of approximately RMB265.54 billion for the year ended 31 December 2022, of which approximately RMB206.61 billion was attributable to owners of the Company, representing an increase of approximately RMB47.12 billion (approximately 29.5%) as compared to approximately RMB159.49 billion for the year ended 31 December 2022.

The following table sets forth certain details of the revenue:

	Year ended 31 December			
	2023		2022	
	RMB billion	**%**	RMB billion	%
Revenue from sales of properties	**140.47**	**91.1%**	82.84	85.6%
Cultural and tourism city construction and operation income	**5.91**	**3.8%**	4.77	4.9%
Property management income	**6.60**	**4.3%**	6.26	6.5%
Revenue from other business	**1.25**	**0.8%**	2.88	3.0%
Total	**154.23**	**100.0%**	96.75	100.0%
Total gross floor area delivered during the year *(in million sq.m.)*	**12.782**		8.096	

For the year ended 31 December 2023, revenue from sales of properties increased by approximately RMB57.63 billion (approximately 69.6%) as compared with that for the year ended 31 December 2022. Total area of delivered properties increased by 4.686 million square meters ("sq.m.") (approximately 57.9%) as compared with that for the year ended 31 December 2022, the increase in revenue from sales of properties was basically in line with the increase in delivery area.

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 2023, the Group's cost of sales was approximately RMB156.73 billion, representing an increase of approximately RMB59.16 billion (approximately 60.6%) as compared to the cost of sales of approximately RMB97.57 billion for the year ended 31 December 2022. The increase in the cost of sales was mainly due to the increase in the delivered area of the properties.

3 GROSS LOSS

For the year ended 31 December 2023, the Group's gross loss was approximately RMB2.50 billion, representing an increase of approximately RMB1.68 billion as compared with the gross loss of approximately RMB0.82 billion for the year ended 31 December 2022. Increase in gross loss was mainly due to the increase in the provision for impairment of properties made by the Group during the year.

For the year ended 31 December 2023, the Group's gross profit margin was approximately minus 1.6%, representing a decrease as compared to approximately minus 0.8% for the year ended 31 December 2022.

For the year ended 31 December 2023, the adjustments of revaluation surplus related to gains from business combination for the properties acquired led to the reduction of the Group's gross profit in the amount of approximately RMB5.25 billion. The Group's gross profit would have been approximately RMB10.53 billion and gross profit margin would have been approximately 6.8% for the year ended 31 December 2023 without taking into account such impact of fair value adjustments and provision for impairment of properties and inventories on gross profit.

For the year ended 31 December 2023, total gross profit of the Group and its joint ventures and associates was approximately RMB15.09 billion, with a gross profit margin of approximately 4.6%, of which approximately RMB5.90 billion was gross profit attributable to owners of the Company. 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.

4 SELLING AND MARKETING COSTS AND ADMINISTRATIVE EXPENSES

The Group's selling and marketing costs decreased by approximately 15.9% from approximately RMB5.79 billion for the year ended 31 December 2022 to approximately RMB4.87 billion for the year ended 31 December 2023. 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 2023.

The Group's administrative expenses decreased by approximately RMB1.49 billion from approximately RMB6.98 billion for the year ended 31 December 2022 to approximately RMB5.49 billion for the year ended 31 December 2023.

5 OTHER INCOME AND GAINS

For the year ended 31 December 2023, the Group recognised other income and gains of approximately RMB38.53 billion, which mainly comprised gains from offshore debt restructuring of approximately RMB31.51 billion, gains from the disposal of subsidiaries, joint ventures and associates of approximately RMB2.22 billion, income from capital utilisation fees received from joint ventures and associates, etc. of approximately RMB1.52 billion and gains from fair value changes of derivative financial instruments of approximately RMB 1.30 billion. The Group recorded an increase in other income and gains of approximately RMB32.74 billion as compared with that for the year ended 31 December 2022 of approximately RMB5.79 billion, mainly due to the gains from offshore debt restructuring.

6 OTHER EXPENSES AND LOSSES

For the year ended 31 December 2023, other expenses and losses recognised by the Group amounted to approximately RMB25.07 billion, mainly including the provision for impairment of long-term assets of approximately RMB12.38 billion, net fair value losses of investment properties of approximately RMB3.95 billion, losses of approximately RMB3.28 billion from the disposal of subsidiaries, joint ventures and associates, the provision for litigations of approximately RMB2.31 billion, net fair value losses from financial assets at FVPL of approximately RMB1.43 billion and losses of approximately RMB0.93 billion from the disposal of various assets. The Group recorded an increase in other expenses and losses of approximately RMB13.31 billion as compared with that for the year ended 31 December 2022 of approximately RMB11.76 billion, mainly due to the provision for impairment of long-term assets and net fair value losses of investment properties. Details of the impairment of long-term assets and net fair value losses of investment properties are set out in notes 7 and 8 to the consolidated financial statements of the Company.

7 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

For the year ended 31 December 2023, the Group made provisions for expected credit losses of approximately RMB2.52 billion on amounts due from related companies, amounts due from non-controlling interests and other receivables, representing an increase of approximately RMB0.05 billion as compared with that of approximately RMB2.47 billion for the year ended 31 December 2022.

8 OPERATING LOSS

Concluding from the above analysis, the Group's operating loss decreased by approximately RMB20.10 billion from approximately RMB22.03 billion for the year ended 31 December 2022 to the operating loss of approximately RMB1.93 billion for the year ended 31 December 2023, mainly due to the following reasons:

(i) gross loss increased by approximately RMB1.68 billion;

(ii) selling and marketing costs and administrative expenses decreased by approximately RMB2.41 billion;

(iii) the provisions for expected credit losses on financial assets increased by approximately RMB0.05 billion; and

(iv) other income and gains increased by approximately RMB32.74 billion and other expenses and losses increased by approximately RMB13.31 billion.

9 FINANCE INCOME AND EXPENSES

The Group's finance expenses decreased by approximately RMB6.48 billion from approximately RMB12.78 billion for the year ended 31 December 2022 to approximately RMB6.30 billion for the year ended 31 December 2023, and finance income decreased by approximately RMB0.54 billion from approximately RMB0.78 billion for the year ended 31 December 2022 to approximately RMB0.24 billion for the year ended 31 December 2023 at the same time, mainly due to the following reasons: (i) the construction area of the Group's property development projects increased, resulting in an increase in proportion of capitalised interests in total interest expenses as compared to that of the year ended 31 December 2022, which led to a decrease of approximately RMB0.99 billion in expensed interest from approximately RMB5.94 billion for the year ended 31 December 2022 to approximately RMB4.95 billion for the year ended 31 December 2023; and (ii) due to the change in trend of foreign exchange rates fluctuations, the exchange gain or loss of the Group decreased by approximately RMB5.50 billion from a net exchange loss of approximately RMB6.85 billion for the year ended 31 December 2022 to a net exchange loss of approximately RMB1.35 billion for the year ended 31 December 2023.

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 RMB0.13 billion from approximately RMB2.73 billion for the year ended 31 December 2022 to approximately RMB2.86 billion for the year ended 31 December 2023, with no material change.

11 LOSS

Loss of the Group attributable to owners of the Company decreased by approximately RMB19.70 billion from approximately RMB27.67 billion for the year ended 31 December 2022 to loss of approximately RMB7.97 billion for the year ended 31 December 2023.

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

	Year ended 31 December	
	2023 **RMB billion**	2022 RMB billion
Loss during the year	**10.41**	29.89
Attributable to:		
Owners of the Company	**7.97**	27.67
Non-controlling interests	**2.44**	2.22
	10.41	29.89

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 RMB24.62 billion as at 31 December 2023 from approximately RMB37.54 billion as at 31 December 2022, of which non-restricted cash decreased to approximately RMB7.06 billion as at 31 December 2023 from approximately RMB11.60 billion as at 31 December 2022.

The decrease in non-restricted cash was mainly due to:

(i) approximately RMB15.79 billion of net cash outflow used in operating activities;

(ii) approximately RMB2.74 billion of net cash inflow from investing activities; and

(iii) approximately RMB8.48 billion of net cash inflow from 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 2023, the total borrowings of the Group were approximately RMB277.83 billion, representing a decrease of approximately RMB20.59 billion as compared to approximately RMB298.42 billion as at 31 December 2022. Approximately RMB273.54 billion (as at 31 December 2022: approximately RMB278.44 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 RMB414.03 billion (as at 31 December 2022: approximately RMB231.85 billion)) and equities or disposal gains of certain of the Group's subsidiaries.

As at 31 December 2023, the total borrowings of the Group and its joint ventures and associates were approximately RMB378.51 billion, representing a decrease of approximately RMB25.74 billion as compared to approximately RMB404.25 billion as at 31 December 2022, of which the total borrowings of joint ventures and associates were approximately RMB100.68 billion, representing a decline of approximately RMB5.15 billion as compared to approximately RMB105.83 billion as at 31 December 2022.

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 2023, the Group's gearing ratio was approximately 75.2%, without material changes as compared to approximately 75.2% as at 31 December 2022.

The Group will proactively deal with debt situation, 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 2023 RMB billion	As at 31 December 2022 RMB billion
Floating interests		
Less than 12 months	**46.27**	56.77
1–5 years	**12.35**	4.13
Over 5 years	**2.61**	–
Subtotal	**61.23**	60.90
Fixed interests		
Less than 12 months	**134.93**	196.71
1–5 years	**70.75**	37.22
Over 5 years	**10.92**	3.59
Subtotal	**216.60**	237.52
Total	**277.83**	298.42

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, derivative financial instruments, senior notes, convertible bonds and other borrowings are denominated in US dollars or Hong Kong dollars, the Group is exposed to foreign exchange risks. For the year ended 31 December 2023, the Group recorded an exchange loss in the amount of approximately RMB1.35 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) Guarantee on mortgage facilities

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 RMB79.98 billion as at 31 December 2023 as compared with approximately RMB102.09 billion as at 31 December 2022. 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 operation payables, delayed delivery of projects and other matters. Among them, there were about 330 cases with individual amounts exceeding RMB50 million, and the aggregated amounts of these cases amounted to approximately RMB125 billion, which mainly includes unpaid borrowings and outstanding construction payables. The Directors have assessed the impact of the litigation on the consolidated financial statements for the year ended 31 December 2023 and accrued provisions in the Group's consolidated financial statements. The Group is also actively negotiating with the relevant creditors and seeking various ways to resolve these litigation.

BUSINESS HIGHLIGHTS

SUMMARY OF LAND BANK

As at 31 December 2023, the Group and its joint ventures and associates had a total land bank of approximately 154 million sq.m. and attributable land bank of approximately 102 million sq.m.. The breakdown of land bank by city is as follows:

Urban circle	**City**	**Attributable land bank** 0'000 sq.m.	**Total land bank** 0'000 sq.m.
Yangtze River Delta	Hangzhou	206.79	381.06
	Wenzhou	201.30	241.37
	Shanghai	181.29	244.35
	Xuzhou	141.60	161.10
	Wuxi	132.13	212.78
	Shaoxing	107.63	201.73
	Haiyan	69.64	69.64
	Ningbo	66.08	112.16
	Nantong	64.65	101.87
	Changzhou	63.54	101.54
	Suzhou	61.72	109.26
	Hefei	52.75	68.86
	others	259.17	591.46
	Subtotal	**1,608.29**	**2,597.18**

Urban circle	City	Attributable land bank 0'000 sq.m.	Total land bank 0'000 sq.m.
Bohai Rim	Qinggao	654.20	827.48
	Tianjin	568.32	616.50
	Taiyuan	193.11	292.10
	Harbin	183.77	201.39
	Dalian	151.26	152.00
	Jinan	142.73	199.83
	Shenyang	105.00	191.30
	Beijing	97.71	146.70
	Yantai	87.70	136.61
	Tangshan	87.36	107.06
	Langfang	76.48	88.41
	others	190.53	241.26
	Subtotal	**2,538.17**	**3,200.64**
Southern China	Jiangmen	204.79	219.79
	Qingyuan	136.31	145.40
	Guangzhou	108.07	234.66
	Hainan Province	104.00	124.30
	Zhongshan	74.89	75.48
	Huizhou	70.09	73.63
	Zhaoqing	63.90	63.90
	Zhuhai	55.66	55.66
	others	236.54	434.99
	Subtotal	**1,054.25**	**1,427.81**

BUSINESS HIGHLIGHTS

Urban circle	City	Attributable land bank 0'000 sq.m.	Total land bank 0'000 sq.m.
Western regions	Chongqing	794.06	1,258.42
	Meishan	721.24	1,053.27
	Xishuangbanna	246.67	285.83
	Xi'an	244.39	406.20
	Chengdu	218.67	289.67
	Guiyang	197.63	333.81
	Kunming	186.05	344.62
	Guilin	162.39	277.09
	Dali	123.51	205.86
	Nanning	122.35	256.28
	Yinchuan	82.55	93.28
	Liuzhou	80.92	182.15
	Beihai	55.41	137.34
	others	383.11	791.03
	Subtotal	**3,618.95**	**5,914.85**
Central regions	Wuhan	590.48	1,055.99
	Zhengzhou	265.16	451.94
	Changsha	167.61	221.29
	Xinxiang	121.26	121.26
	Xianning	56.93	81.33
	others	176.87	339.07
	Subtotal	**1,378.31**	**2,270.88**
	Total	**10,197.97**	**15,411.36**

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 is set out as follows:

EXECUTIVE DIRECTORS

Mr. SUN Hongbin, aged 61, 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 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, vice president of the Group, the president of the Beijing regional branch of the Group and president of the Sunac Culture Group.

Mr. WANG Mengde ("Mr. Wang"), aged 53, 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 62, is an executive Director and the executive president of the Group and the chairman of the Beijing regional branch of the Group. 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 47, 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. HUANG Shuping (“Mr. Huang”), aged 43, 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 34, is an executive Director and the vice president of the Group, the president of the Beijing regional branch of the Group and president of the Sunac Culture Group, being mainly responsible for the overall operation and management of the Beijing region and 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.

NON-EXECUTIVE DIRECTOR

Mr. Lam Wai Hon ("Mr. Lam), aged 70, is a Non-executive Director of the Company. He is a fellow member of The Institute of Chartered Accountants in England and Wales and a member of Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Arts (Honours) degree from University of Newcastle Upon Tyne in England. Mr. Lam has over 40 years of experience in professional accounting, merchant and investment banking, and financial services and has served in senior management roles in a number of major international banking and financial institutions. Mr. Lam is a responsible officer for Types 1 and 6 regulated activities under the SFO with Quam Capital Limited and a licensed representative for Types 1 and 4 regulated activities under the SFO with Quam Securities Limited. He currently serves as executive director of Quam Plus International Financial Limited (stock code: 952) and independent non-executive director of Playmates Toys Limited (stock code: 869), Pacific Online Limited (stock code: 543) and Far East Consortium International Limited (stock code: 035), each of which is a company whose shares are listed on the main board of the Stock Exchange. Between June 2013 and January 2022, Mr. Lam served as independent non-executive director in Genting Hong Kong Limited (in liquidation) (previous stock code: 678, “GHK”). Mr. Lam was appointed as the non-executive Director on 20 November 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. POON Chiu Kwok ("Mr. Poon"), aged 61, 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 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 China Isotope & Radiation Corporation (stock code:1763) 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 Yuanda China Holdings Limited (stock code: 2789) from April 2011 to September 2023, of Changan Minsheng APLL Logistics Co. Ltd. (stock code: 1292) from September 2011 to June 2023, of Honghua Group Limited (stock code: 196) from June 2017 to December 2021, of Yankuang Energy Group Co. Ltd. (stock code: 1171) from June 2017 to June 2023 respectively, the shares of each of which are listed on the Main Board of the Stock Exchange. Mr. Poon is a fellow member of CPA Australia Ltd., the Chartered Governance Institute in United Kingdom, The Hong Kong Chartered Governance Institute the Hong Kong Securities and Investment Institute and also a member of the Canadian Institute of Mining, Metallurgy and Petroleum. Mr. Poon obtained a master's degree in international accounting, a postgraduate 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 61, 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 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, and successively served as a non-executive director and an independent non-executive director of Greatview Aseptic Packaging Company Limited (stock code: 468) from July 2010 to June 2023, 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. MA Lishan ("Mr. Ma"), aged 72, 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, the shares were delisted in November 2023), 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 66, 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 served as the independent director of Shanghai Guotai Junan Securities Asset Management Co., Ltd and Tullett Prebon SITICO (China) Limited. 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 Co., Ltd. ("Bank of Shanghai"), whose shares are listed on the main board of the Shanghai Stock Exchange (stock code: 601229); 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); and from June 2017 to July 2023, Mr. Yuan served as an external supervisor in Bank of Shanghai. Mr. Yuan has been an independent non-executive Director since 22 October 2020.

SENIOR MANAGEMENT

Ms. MA Zhixia ("Ms. Ma"), aged 51, 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's real estate segment. Ms. Ma joined the Group in 2003, and acted as the general manager of Tianjin Sunac Zhidi Company Limited (currently known as Sunac Real Estate Group Company Limited 融創房地產集團有限公司) 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.

Mr. WANG Peng, aged 43, 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.

Mr. GAO Xi ("Mr. Gao"), aged 43, 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 financing, listing compliance, equity management, investor relations 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Yingjia, aged 53, 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. ZHANG Qiang, aged 50, 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 Qiang joined the Group in 2003, and has served as the vice president of Shanghai regional branch and the general manager of Suzhou company from 2014 to 2023. From March 2023 to present, Mr. Zhang Qiang serves as the vice president and the president of Cheng Yu regional branch of the Group. Prior to joining the Group, Mr. Zhang Qiang was in charge of marketing in Sunco China from 1999 to 2002. He has extensive experience in team and marketing management. Mr. Zhang Qiang graduated from the Department of Chemical Engineering of Tianjin University in 1997 with a bachelor's degree.

Mr. LU Peng ("Mr. Lu"), aged 48, is the executive president of the Group and the general manager of Bonski, being mainly responsible for the overall operation and management of 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, and he has extensive experience in management. Mr. Lu graduated from the School of Materials of Tianjin University in 1999.

Mr. ZHU Zuxing ("Mr. Zhu"), aged 51, 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 47, 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. ZHANG Xiaohui, aged 46, 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. Zhang Xiaohui joined the Group in 2007, and had served as the general manager of Tianjin Taida City Development Company (天津泰達城市開發公司) from 2014 to 2015, which is a joint venture of the Group. He has successively served as the general manager of the investment and development centre and vice president of North China region from 2016 to February 2024. From March 2024 to present, Mr. Zhang Xiaohui is the vice president of the Group and the president of North China regional branch of the Group. Prior to joining the Group, Mr. Zhang Xiaohui joined Sunco China in 2003, and he has extensive experience in real estate investment operation and team management. Mr. Zhang Xiaohui graduated from Beijing Institute of Technology (北京理工大學) with a bachelor's degree in engineering in 2001.

CHANGES IN INFORMATION OF DIRECTORS

Since 1 January 2023, Mr. Zhu Jia has been 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.

Since 27 June 2023, Mr. Zhu Jia has ceased to be an independent non-executive director of Greatview Aseptic Packaging Company Limited (a company listed on the Stock Exchange (stock code: 468.HK)).

Since 30 June 2023, Mr. Poon Chiu Kwok has been appointed as an independent non-executive director of China Isotope & Radiation Corporation (a company listed on the Stock Exchange (stock code: 01763.HK)), and has ceased to be an independent non-executive director of Yankuang Energy Group Company Limited (a company listed on the Stock Exchange (stock code: 01171.HK)) and Changan Minsheng APLL Logistics Co., Ltd. (a company listed on the Stock Exchange (stock code: 01292.HK)).

Since 27 July 2023, Mr.Yuan Zhigang has ceased to be an external supervisor in Bank of Shanghai Co., Ltd., whose shares are listed on the main board of the Shanghai Stock Exchange (stock code: 601229).

Since 9 September 2023, Mr. Poon Chiu Kwok has resigned as independent non-executive director of Yuanda China Holdings Limited (a company listed on the Stock Exchange (stock code: 02789.HK)).

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 2022 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 C3 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 2023 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 C1 to the Listing Rules as its own code on corporate governance and had, throughout the year ended 31 December 2023, 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 mechanism to ensure that it could obtain independent views and input, 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. The Board will review the implementation and effectiveness of such mechanism on an annual basis in accordance with the code provision B.1.4 of the Corporate Governance Code.

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 2023, 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. Lam Wai Hon *(appointed on 20 November 2023)*	✔	✔
Mr. Poon Chiu Kwok	✔	✔
Mr. Zhu Jia	✔	✔
Mr. Ma Lishan	✔	✔
Mr. Yuan Zhigang	✔	✔

THE BOARD

The Board currently comprises six executive Directors, one non-executive Director 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)*

NON-EXECUTIVE DIRECTOR

Mr. Lam Wai Hon *(appointed on 20 November 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 17 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 2023, 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 GENERAL MEETINGS

During the year ended 31 December 2023, the Board convened four 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 2022 and an extraordinary general meeting regarding certain transactions contemplated under the offshore debt restructuring of the Company. Details of the attendance at the Board meetings and the general meetings convened are set out as follows:

Name of Director	Attendance/Number of meetings required to be attended Annual General Meeting	Extraordinary General Meeting	Board Meeting
Executive Directors			
Mr. Sun Hongbin *(Chairman)*	1/1[1]	1/1[1]	4/4
Mr. Wang Mengde *(Chief Executive Officer)*	1/1	1/1	4/4
Mr. Jing Hong	1/1[1]	1/1[1]	4/4
Mr. Tian Qiang	1/1[1]	1/1[1]	4/4
Mr. Huang Shuping	1/1[1]	1/1[1]	4/4
Mr. Sun Kevin Zheyi	1/1[1]	1/1[1]	4/4
Mr. Chi Xun *(resigned on 13 April 2023)*	1/1[1]	N/A	4/4
Mr. Shang Yu *(resigned on 13 April 2023)*	1/1[1]	N/A	3/4
Non-executive Director			
Mr. Lam Wai Hon *(appointed on 20 November 2023)*	N/A	N/A	N/A
Independent Non-executive Directors			
Mr. Poon Chiu Kwok	1/1[1]	1/1[1]	4/4
Mr. Zhu Jia	1/1[1]	1/1[1]	4/4
Mr. Ma Lishan	1/1[1]	1/1[1]	3/4
Mr. Yuan Zhigang	1/1[1]	1/1[1]	4/4

Note 1: Attendance at the 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 2023, the Audit Committee convened five 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)*	5/5
Mr. Zhu Jia	5/5
Mr. Ma Lishan	4/5
Mr. Yuan Zhigang	5/5

The Audit Committee has reviewed the remuneration of the Company's auditor for the year ended 31 December 2023, and has recommended to the Board the re-appointment of BDO Limited as the auditor of the Company for the year ending 31 December 2024, 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 2024.

The work performed by the Audit Committee during 2023 mainly included the following:

(i) reviewed the annual consolidated financial statements of the Group for the year ended 31 December 2022 and the interim consolidated financial statements of the Group for the six month period ended 30 June 2023;

(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 externa auditors;

(iii) reviewed the 2023 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 convened two meetings during the year ended 31 December 2023, 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)*	2/2
Mr. Poon Chiu Kwok	2/2
Mr. Ma Lishan	1/2
Mr. Yuan Zhigang	2/2

The work performed by the Nomination Committee during 2023 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 2023.

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 2023, 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 propose the appointment of a female Board member at the upcoming annual general meeting of the Company.

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 2023, 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	23,341	59.5%
Female	15,887	40.5%
Total	39,228	100%

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, and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. 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 two meetings during the year ended 31 December 2023, 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)*	2/2
Mr. Sun Hongbin	2/2
Mr. Poon Chiu Kwok	2/2
Mr. Ma Lishan	1/2
Mr. Yuan Zhigang	2/2

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 2023 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 2023, the remuneration policy in 2024, and the terms of service contracts for the Directors and the senior management. As the Company has not granted any share options or awards under the share option or share award scheme (details of which are set out in the Report of the Directors) during the year ended 31 December 2023, the Remuneration Committee has not reviewed and/or approved any matter relating to share schemes under Chapter 17 of the Listing Rules during the year ended 31 December 2023.

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 "2023 Environmental, Social and Governance Report" issued by the Company on 26 April 2024.

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 2023, 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	0/1
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 2023 is as follows:

Remuneration Bands (RMB)	Number of Individuals
500,000–1,000,000	5
1,000,001–2,100,000	4

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 2023, 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 2023 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 79 to 81 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 79 to 81 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 2023.

The management of the Company have carefully considered the Group's expected cash flow projections for the next 18 months from 31 December 2023 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 currently, the Group has formulated and is promoting a number of plans and measures to address the current debt problem and potential debt pressure in order 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 the successful experience of the Company in the 2023 offshore debt restructuring and the orderly implementation of other relevant 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 2023. Accordingly, the Directors (including the Audit Committee) consider that the preparation of the consolidated financial statements as at 31 December 2023 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 resolution, it is appropriate to prepare the consolidated financial statements on a going concern basis.

Regarding the plans and measures adopted by the Company in the previous year, the specific implementation status and progress made since the announcement of the results for the year ended 31 December 2022 are as follows:

① Onshore public debts:

The Company has completed the extension of onshore corporate bonds in December 2022, and completed two payments of principal and interest in 2023 according to the extension plan in the total amount of approximately RMB630 million.

② Offshore debt:

As disclosed in the Company's announcements from 28 March 2023 to 20 November 2023 in relation to the significant progress in the offshore debt restructuring, on 18 September 2023, the offshore debt restructuring plan was approved by the relevant scheme creditors. On 5 October 2023, the scheme was sanctioned pursuant to an order made by the High Court of the Hong Kong Special Administrative Region. On 20 November 2023, all the conditions precedent to the Company's restructuring were fulfilled, and the restructuring took effect on the same day. The success of the offshore debt restructuring has reduced the Company's debt by more than US$4.5 billion and reduced the Company's debt repayment pressure in the next two years.

③ Other onshore loans:

The Group continues to actively negotiate with other onshore lenders on loan extension matters, and the principal amount of loans that have been extended has increased from approximately RMB18.17 billion (as at March 2023) to approximately RMB37.28 billion (as of March 2024).

④ New financing:

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 ("AMC") or financial institutions, special borrowings and supporting borrowings for guaranteed home delivery, business cooperation with business partners, and asset disposals, etc. Among them, the Group has continued to promote cooperation with AMC, and successfully launched projects including Shanghai Dongjiadu, Shanghai Yalong and Wuhan Taohuayuan in 2023, introducing financial support of approximately RMB13.5 billion to high-quality projects. The amount of the Group's special borrowings for guaranteed home delivery approved by the government has increased from RMB11 billion (as of March 2023) to RMB20.6 billion (as of March 2024). The Group has completed the disposal of certain assets in 2023 to resolve debt issues related to the assets. For details, please refer to the announcements of the Company on the aforementioned transactions issued in accordance with the relevant requirements of the Listing Rules.

⑤ Winding up petition:

On 8 September 2022, the Company received a winding-up petition against the Company (the "Petition") filed by Chen Huaijun at 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. After active communications between the Company and Chen Huaijun, the case has finally been resolved. As at 13 June 2023, the High Court has granted an order withdrawing the Petition, and the winding-up proceedings against the Company have been discontinued.

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 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.

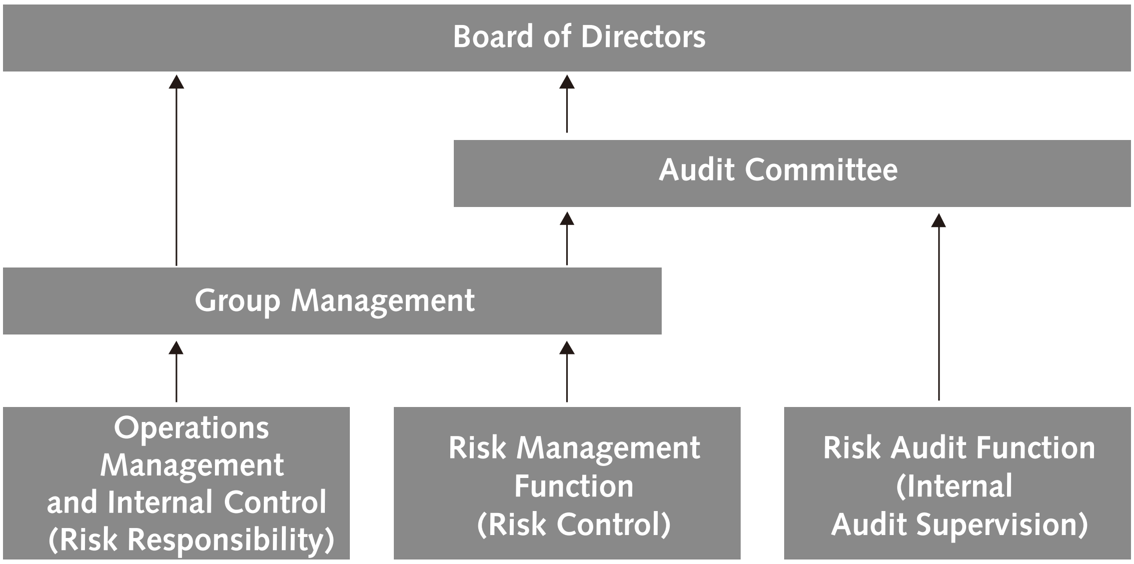
RISK MANAGEMENT AND INTERNAL CONTROL RESPONSIBILITY

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:



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, 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 2023 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.

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 2022 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), presented by 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 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 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 1, East Side in Sunac Center,
No.278, Hongqi Road, Nankai District
Tianjin
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 2023.

CONSTITUTIONAL DOCUMENTS

The Shareholders of the Company approved the second amended and restated articles of association of the Company in the general meeting of the Company held on 7 February 2023 to bring the original articles of association in line with amendments made to the applicable laws of the Cayman Islands and to reflect and comply with the requirements under the amendments to the Listing Rules (including the core shareholder protection standards as set out in the then Appendix 3 of the Listing Rules (currently Appendix A1 of the Listing Rules) and to incorporate certain housekeeping amendments. Details of the amendments are set in the announcement and circular of the Company dated 22 December 2022 and the announcement of the Company dated 7 February 2023.

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 2023, the Company was able to maintain close communication with investors through offline communication, 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 2023.

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 2023 are set out in the consolidated statement of comprehensive income of the Group on page 84.

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

The following sets forth the material cooperation and disposals of subsidiaries, joint ventures and associates undertaken by the Group during the year ended 31 December 2023:

1. DISPOSAL OF 51% EQUITY INTEREST IN SHENZHEN RONGHUA WITH A REPURCHASE OPTION

On 3 January 2023, Shenzhen Sunac Culture & Tourism Industry Development Group Co., Ltd.* (深圳融創文旅產業發展集團有限公司) ("Shenzhen Sunac Culture & Tourism", an indirect wholly-owned subsidiary of the Company), Zhuhai Huafa Property Development Co., Ltd.* (珠海華發房地產開發有限公司) ("Zhuhai Huafa") and Shenzhen Ronghua Land Investment Co., Ltd.* (深圳融華置地投資有限公司) ("Shenzhen Ronghua") entered into an agreement, pursuant to which, Shenzhen Sunac Culture & Tourism agreed to sell, and Zhuhai Huafa agreed to acquire, 51% equity interest in Shenzhen Ronghua and the debt claims at an aggregate consideration of approximately RMB3.58 billion. Pursuant to the agreement, Shenzhen Sunac Culture & Tourism has the option to repurchase the 51% equity interest in Shenzhen Ronghua and the debt claims before 23 November 2025. Please refer to the announcement of the Company dated 3 January 2023 for details.

2. RESTRUCTURING ARRANGEMENT IN RELATION TO TIANJIN GREENTOWN

On 25 May 2023, Sunac Huabei Development Group Co., Ltd. (融創華北發展集團有限公司) ("Sunac Huabei"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Greentown Real Estate Group Co., Ltd. (綠城房地產集團有限公司) ("Greentown Real Estate"), AVIC Trust Co., Ltd. ("AVIC Trust") and Tianjin Greentown National Games Village Construction Development Co., Ltd. (天津綠城全運村建設開發有限公司) ("Tianjin Greentown"), pursuant to which Sunac Huabei agreed to acquire the 51% equity interests in the Tianjin Greentown held by Greentown Real Estate through the restructuring arrangement at a consideration of approximately RMB1,486 million, which has been offset by existing claims and debts and no actual cash payment had been made. Upon completion of the transaction, Sunac Huabei holds 99.608% equity interests in the Tianjin Greentown and the Tianjin Greentown has become an indirect subsidiary of the Company. Please refer to the announcement of the Company dated 29 May 2023 for details.

3. TRANSACTION WITH XINXING GROUP

On 30 June 2023, the Group and Xinxing Cathay Asset Management Co., Ltd. and Xinxing Heavy Industries Group Co., Ltd. (collectively as "Xinxing Group") entered into an agreement, pursuant to which Xinxing Group shall transfer its 45% interest in Zhaoqing Xingrong Real Estate Development Co., Ltd. (the "Zhaoqing Xingrong") to the Group at a consideration of RMB511.41 million. The consideration payable in respect of the transaction has been paid or offset with certain assets of the Group and Zhaoqing Xingrong and the debts receivable from Xinxing Group, which has settled the debt and liabilities issues in connection with the joint development of the projects by the Group and Xinxing Group. Upon completion of the transaction, the Group will hold 100% interest in Zhaoqing Xingrong. Zhaoqing Xingrong will become an indirect wholly-owned subsidiary of the Company. Please refer to the announcements of the Company dated 3 July and 25 July 2023 for details.

4. TRANSFER OF EQUITY INTERESTS IN NINGDE RONGXI TO BCDC

On 10 August 2023, the Group, AVIC Trust and Beijing Capital Development Co., Ltd. ("BCDC") entered into an agreement, pursuant to which the aggregate of 67% equity interests in Ningde Rongxi Real Estate Co., Ltd. ("Ningde Rongxi"), a wholly-owned subsidiary of the Group, and interests in the debt of RMB14,021,443.57 owed by Ningde Rongxi to AVIC Trust have been transferred to BCDC at a consideration of RMB800 million collectively. As Ningde Rongxi is owned as to 33% by the Group following completion of the transaction, Ningde Rongxi has become an associate of the Group. Please refer to the announcement of the Company dated 10 August 2023 for details.

5. DISPOSAL TRANSACTIONS WITH RONGFENG COMPANY

On 7 July 2023, the Group and Rongfeng (Shanghai) Hotel Management Co., Ltd. ("Rongfeng Company") entered into an agreement to sell 100% equity interests of Hangzhou Rongxinhan Real Estate Co., Ltd. (the "Zhenhuafu Project Company", a wholly-owned subsidiary of the Group) to Rongfeng Company or its designated party at a consideration of RMB0.20 billion. Zhenhuafu Project Company is principally engaged in the development of one Building 4 of the self-owned residences and 81 ancillary underground parking spaces in Hangzhou. On 17 August 2023, the Group and Rongfeng Company entered into a sale and purchase agreement to sell the 100% interest in the Wangjinsha hotel project to Rongfeng Company or its designated party at a consideration of approximately RMB0.30 billion. Wangjinsha hotel project was under construction developed by Hangzhou Yuanrongkun Real Estate Development Co., Ltd. (a wholly-owned subsidiary of the Group). On 17 August 2023, the Group and Rongfeng Company entered into an agreement to sell 100% equity interests in Anhui Rongyuantai Real Estate Development Co., Ltd. (the "Anhui Rongyuantai") to Rongfeng Company or its designated party at a consideration of RMB0.73 billion. Anhui Rongyuantai was a wholly-owned subsidiary of the Group and mainly engaged to develop and construct the Hefei Xiuchang hotel project. Upon completion of the transaction, the Group no longer controlled the Wangjinsha hotel project, and Zhenhuafu Project Company and Anhui Rongyuantai have ceased to be subsidiaries of the Company. Please refer to the announcement of the Company dated 17 August 2023 for details.

6. TRANSACTION WITH HANGZHOU JINHAN

On 15 September 2023, (a) Hainan Sunac Properties Co., Ltd.("Hainan Sunac"), (b) Hangzhou Jinhan Holding Group Co., Ltd.("Hangzhou Jinhan"), (c) the Platform Companies (collectively, Hangzhou Heming Investment Co., Ltd., Hangzhou Rongyue Investment Co., Ltd., and Zhejiang Yuecheng Investment Co., Ltd.), and (d) the Project Companies (collectively, Project Company I and Project Company II, defined below) entered into the equity transfer framework agreement, pursuant to which, the parties have achieved, through equity transfer and other means, the respective independent development of the corresponding land parcels of the target project by the Group through Qionghai Huayue Enterprise Co., Ltd. (the Project Company I) and by Hangzhou Jinhan through Hainan Herong Property Development Co., Ltd. (the Project Company II). After considering the equity value difference and the setting off of the debts among the Group, Hangzhou Jinhan, the Platform Companies and the Project Companies, the Hangzhou Jinhan shall pay to Hainan Sunac the difference in the amount of RMB17.23 million. Please refer to the announcement of the Company dated 15 September 2023 for details.

7. RESTRUCTURING ARRANGEMENTS IN RELATION TO SHANGHAI YALONG PROJECT

On 15 November 2023, Shanghai Yalong Ancient City Real Estate Development Co., Ltd.("Shanghai Yalong"), a joint venture of the Company, as borrower, and Shanghai Haolong Enterprise Management Partnership (Limited Partnership) ("Shanghai Haolong"), as lender, entered into the loan agreement, pursuant to which Shanghai Haolong provided a loan in an aggregate amount of not exceeding RMB3,480,000,000 to Shanghai Yalong for a term of not more than 3 years, of which the last 1 year will be a grace period (subject to the written consent of Shanghai Haolong), for the development and construction of Shanghai Yalong project("Huarong Loan"). On 21 November 2023, Sunac Real Estate Group Co., Ltd. ("Sunac Real Estate"), a wholly-owned subsidiary of the Company, entered into the loan guarantee agreement in relation to the loan agreement with Shanghai Haolong, pursuant to which Sunac Real Estate agreed to provide a joint liability guarantee for the corresponding principal amount of not exceeding RMB1,740,000,000 to Shanghai Yalong for a term of three years from the maturity date of the indebtedness under the loan agreement. Please refer to the announcement of the Company dated 21 November 2023 for details.

On 27 November 2023, in order to sort out and resolve the existing debt issues of the Shanghai Yalong project to meet the prerequisite for cooperation in respect of the Huarong Loan, Shanghai Haoxuan Enterprise Management Co., Ltd ("Shanghai Haoxuan", a non-wholly owned subsidiary of the Company), Shanghai Sunac Real Estate Development Group Co., Ltd ("Shanghai Sunac", an indirect wholly-owned subsidiary of the Company) and Hangzhou Xio Lift Co., Ltd. ("Hangzhou Xio") entered into the agreement, pursuant to which, Hangzhou Xio agreed to take up, by way of the restructuring arrangement, 15.625% equity interest in, and the creditors' rights of, Zhejiang Qilong Industries Co., Ltd. ("Zhejiang Qilong"), which indirectly holds the Shanghai Yalong Project. The consideration was approximately RMB2.5 billion, of which approximately RMB2.4 billion would be offset by the existing creditors' rights and debts and the remaining amount for approximately RMB100 million would be settled through the repayment of the debts owed to Xinhu Zhongbao Company Limited, by Hangzhou Xio on behalf of Shanghai Haoxuan. Please refer to the announcement of the Company dated 27 November 2023 for details.

Save as disclosed above, there was no other material cooperation and disposals of subsidiaries, joint ventures and associates undertaken by the Group during the year ended 31 December 2023.

CONTRACTUAL ARRANGEMENTS

INTRODUCTION

For the financial year ended 31 December 2023 and as at 31 December 2023, 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");

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

9. The 100% equity interests (the "Target Shares IX", and together with the Target Shares I to Target Shares VIII, the "Target Shares") in 深圳融創千萬間文化傳播有限公司 (Shenzhen Sunac Infinite Units Culture Communication Co., Ltd.) ("Infinite Units" or the "Target Company IX" and together with the Target Company I to Target Company VIII, the "Target Companies").

TARGET HOLDING COMPANIES AND TIANJIN YINGRUI

For the financial year ended 31 December 2023 and as at 31 December 2023, the Target Shares were held by the following companies (the "Target Holding Companies") directly:

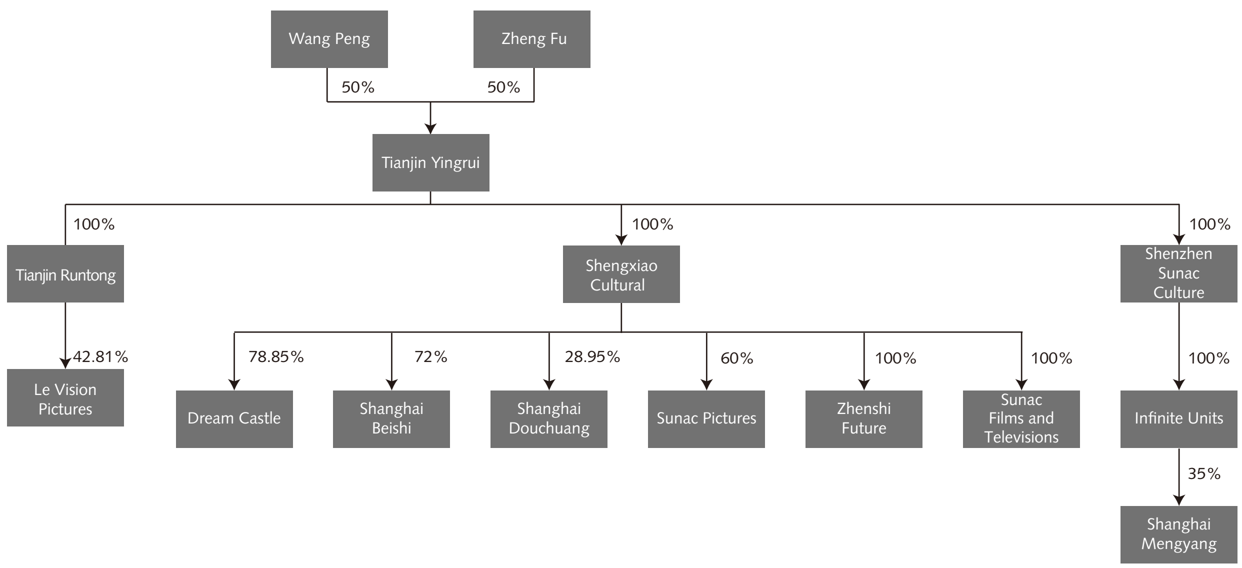
1. 聖曉未來文化娛樂(北京)有限公司 (Shengxiao Future Cultural Entertainment (Beijing) Co., Ltd.) ("Shengxiao Cultural") (former name: 融創未來文化娛樂(北京)有限公司), a limited liability company established in China;

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% 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 2023, the key shareholding structure of the Contractual Arrangements was as follows:



Note：

1. Infinite Units is a limited company established in the PRC, which is a wholly-owned subsidiary of Shenzhen Sunac Culture. On 25 November 2023, the 35% equity interest of Shanghai Mengyang held by Shengxiao Cultural was transferred to Infinite Units.

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;

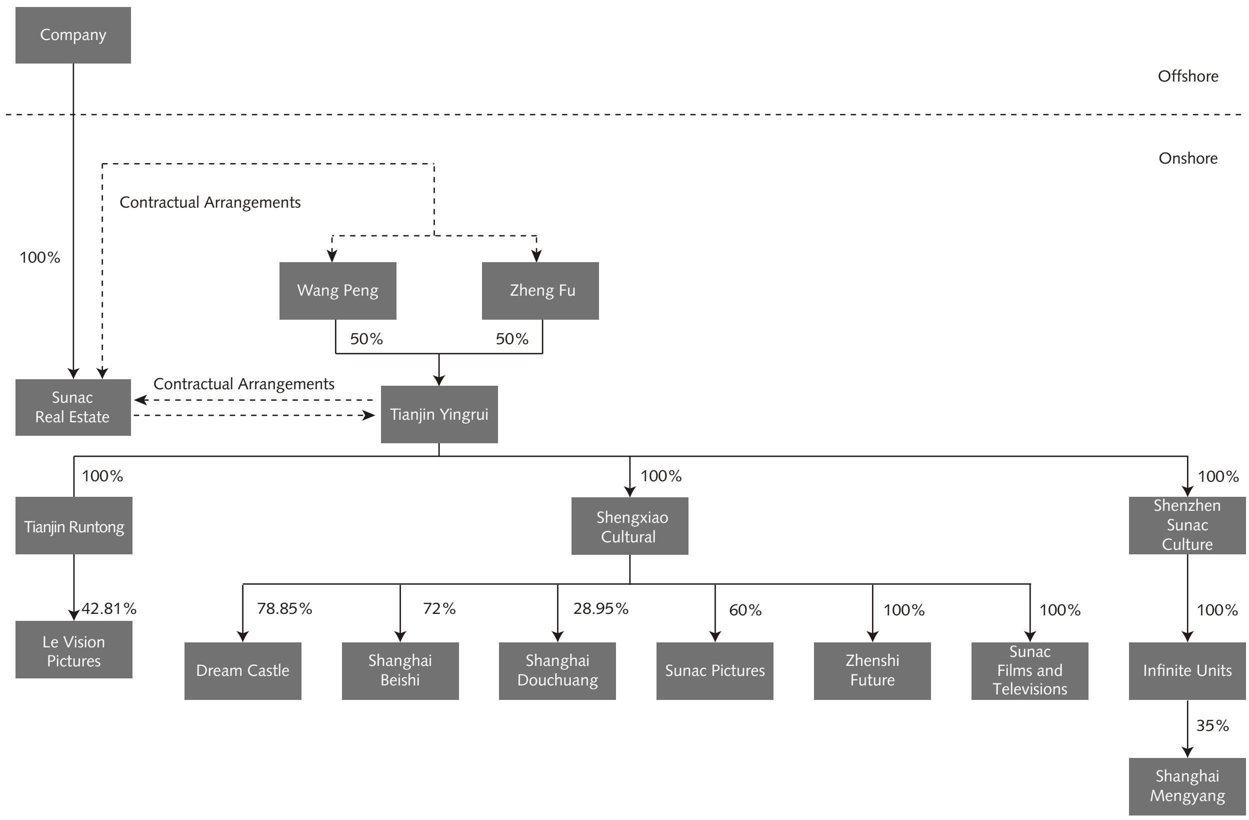
(iv) the loan agreements (the "Loan Agreements") with each of the Registered Shareholders as borrowers;

(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 2023 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 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 2023 and the total assets and total liabilities of the Contracting Entities as at 31 December 2023:

	For the year ended 31 December 2023 RMB million	Approximate percentage of contribution to the Group %
Revenue	303	0.2
Loss for the year	248	2.4

	As at 31 December 2023 RMB million	Approximate percentage of contribution to the Group %
Total assets	2,323	0.2
Total liabilities	4,447	0.5

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 2023 are set out in note 7 to the consolidated financial statements.

BORROWINGS

Details of borrowings of the Group during the year ended 31 December 2023 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 2023 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 2023 is set out on page 4 of this annual report.

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 2023 (2022: 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 2023, revenue attributable to the largest customer of the Group amounted to approximately 0.3% of the total revenue in the year and the five largest customers of the Group accounted for 1.1% of the Group's total revenue in the year.

For the year ended 31 December 2023, purchases attributable to the largest supplier of the Group amounted to approximately 9.3% of the total purchases in the year and the five largest suppliers of the Group accounted for 14.5% 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.

REPORT OF THE DIRECTORS

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 and the convertible bonds issued in connection with the offshore debt restructuring of the Company as set out in note 24A to the consolidated financial statements of the Group, for the year ended 31 December 2023, the Company did not enter into any equity linked agreements.

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 2023. Details of movements during the year ended 31 December 2023 in the share capital of the Company are set out in note 20 to the consolidated financial statements of the Group.

WITHDRAWAL OF THE WINDING-UP PETITION

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 USD22 million and accrued interests. As at 13 June 2023, the High Court has granted an order withdrawing the Petition, and the winding-up proceedings against the Company have been discontinued.

COMPLETION OF THE OFFSHORE DEBT RESTRUCTURING

On 28 March 2023, the Company entered into a restructuring support agreement with the ad-hoc group of offshore creditors for the terms of the offshore debt. At the meeting of the creditors of the scheme relating to the restructuring of offshore debts (the "Scheme Meeting") held on 18 September 2023, among the scheme creditors who attended the Scheme Meeting and voted, 98.3% of the value of scheme claims and 99.75% of the number voted in favor of the scheme. On 5 October 2023, the scheme was approved pursuant to an order made by the High Court. On 20 November 2023, the various conditions of the restructuring of the Company were fulfilled and the restructuring took effect on the same date.

The offshore debt restructuring involves the full discharge of the existing debts of the Company amounting to approximately USD10.2 billion in exchange for the issuance of the new notes, the convertible bonds, the mandatory convertible bonds and the transfer of certain existing Sunac Services shares, in each case to the scheme creditors in accordance with the terms of the scheme. In addition, the existing shareholder loan of USD450 million was discharged and USD450 million shareholder mandatory convertible bonds were issued. Further details of the offshore debt restructuring are set out in the announcements and circular of the Company from 28 March 2023 to 20 November 2023 and note 24A to the consolidated financial statements of the Group.

SUBSEQUENT EVENTS

1. RESTRUCTURING COOPERATION OF THE TARGET COMPANY

On 8 February 2024, Sunac Real Estate Group Co., Ltd.* (融創房地產集團有限公司), Global Sunac Exhibition & Travel Group Co., Ltd.* (環球融創會展文旅集團有限公司), Chengdu Minglu Enterprise Management Consulting Co., Ltd.* (成都銘簏企業管理諮詢有限公司)(collectively, the "Sunac Parties"), Guotou Zhongdian (Xianyang) Science Park Co., Ltd.* (國投中電(咸陽)科技園有限公司) ("GTZD") and the relevant parties entered into an agreement, pursuant to which, GTZD agreed to take up 70% equity interest in and the debts of Sichuan Sancha Lake International Tourism Resort Co., Ltd.* (四川三岔湖長島國際旅遊度假中心有限公司) (the "Target Company") by way of the restructuring cooperation at the total consideration of approximately RMB3,974 million, comprising (i) the consideration for the 70% equity interest in the Target Company (approximately RMB3,129 million); and (ii) the consideration for the debts owed by the Target Company and Chongqing Yujinhong Enterprise Management Partnership (Limited Partnership)* (重慶渝錦鴻企業管理合夥企業(有限合夥)) to the Sunac Parties (approximately RMB845 million). Immediately following the completion of the restructuring cooperation, the Target Company will cease to be a subsidiary of the Company. Please refer to the announcement of the Company dated 9 February 2024 for details.

2. DISPOSAL OF SHIJIAZHUANG CENTRAL BUSINESS DISTRICT PROJECT

On 18 March 2024, Shijiazhuang Heya Real Estate Development Co., Ltd.* (石家莊和雅房地產開發有限公司) ("Shijiazhuang Heya"), Shijiazhuang Zhengtai Construction Development Co., Ltd.* (石家莊正太建設發展有限公司) (the "Cooperation Partner") and Shijiazhuang Central Business District Development Co., Ltd.* (石家莊市中央商務區開發有限公司) ("Central Business District") entered into an agreement, pursuant to which, the Cooperation Partner agreed to take up 80% equity interest in the Central Business District at the consideration of approximately RMB814 million. Approximately RMB148 million of the consideration will be offset by the Group's debts owed to the Cooperation Partner, and the remaining approximately RMB666 million (subject to adjustments) will be settled in cash by the Cooperation Partner. Such cash consideration will be utilised by the Group mainly for constructing and guaranteeing the delivery of properties in Shijiazhuang. Please refer to the announcement of the Company dated 18 March 2024 for details.

According to the valuation report prepared by an independent professional valuer using the asset-based method, the valuation of 80% equity interest in Central Business District as at 31 December 2023 is approximately RMB814 million. Based on the total assets of approximately RMB4.83 billion (the key identifiable asset of which was inventory, representing approximately 91% of the total assets), and total liabilities of approximately RMB4.04 billion (the key identifiable liabilities of which were contract liabilities, representing approximately 87% of the total liabilities), the book value of net asset of Central Business District was approximately RMB793 million. After adjusting for the profit derived from certain pre-sale properties and the inventory appreciation, the fair value of Central Business District was approximately RMB1.018 billion. Given the subject of the Disposal is 80% equity interest in Central Business District, the appraised value of 80% equity interest in Central Business District as at 31 December 2023 was approximately RMB814 million.

REPORT OF THE DIRECTORS

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 31 December 2023 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)*

NON-EXECUTIVE DIRECTOR

Mr. Lam Wai Hon *(appointed on 20 November 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 2023 is RMB11.16 million.

NON-EXECUTIVE DIRECTOR

A non-executive Director has entered into an appointment letter with the Company for a term of two years. The aggregate amount of annual fees payable to the non-executive Director currently holding office under the appointment letters is HKD400,000.

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 HKD1.7 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 are not directors of the Company, and are all from Sunac Services, whose emoluments are as follows:

	Year ended 31 December 2023 RMB'000
Salary	7,112
Discretionary bonuses	4,273
Share award expenses	6,399
Employer's contribution to retirement benefit scheme and other benefits	788

None of the Directors waived his emoluments or has agreed to waive his emoluments for the year ended 31 December 2023.

The emoluments of each of the above five highest paid individuals by band for the year ended 31 December 2023 are as follows:

Remuneration Bands (RMB)	Number of Individuals
2,000,001–2,500,000	2
2,500,001–3,000,000	1
3,500,001–4,000,000	1
7,000,001–7,500,000	1

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

Save as disclosed in the section headed "CONNECTED TRANSACTION" in this report, 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 2023, 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 2023, 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 2023, 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.

CONNECTED TRANSACTION

On 20 November 2023, the Company issued the zero-coupon convertible bond in principal amount of US$450,000,000 to Sunac International Investment Holdings Ltd, the controlling shareholder of the Company (the "Controlling Shareholder") pursuant to the terms of the subscription agreement between the Company and the Controlling Shareholder dated 20 November 2023, upon which the US$450,000,000 loan extended by the Controlling Shareholder to the Group had been deemed irrevocably repaid by the Company (the "Controlling Shareholder Bond Issue").

The Controlling Shareholder is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Controlling Shareholder Bond Issue constituted a connected transaction for the Company and was subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Controlling Shareholder Bond Issue and the transactions contemplated thereunder were approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 30 June 2023.

Further details of the Controlling Shareholder Bond Issue are set out in the announcements of the Company dated 13 June 2023 and 20 November 2023 and the circular of the Company dated 13 June 2023.

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.

(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.

(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 2023, the terms of the Pre-IPO Share Option Scheme, 2011 Share Option Scheme or 2014 Share Option Scheme have expired and no share option remained outstanding and exercisable under the Pre-IPO Share Option Scheme, 2011 Share Option Scheme or 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.

During the year ended 31 December 2023, 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 2023 divided by 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

(ii) 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 four 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 HKD2.57 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 2023, the trustee of the Share Award Scheme did not purchase any Shares.

Therefore, as at 31 December 2023, the trustee might further purchase 125,460,960 Shares on the open market for the purpose of the Share Award Scheme, representing approximately 1.49% 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 2023, 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 2023 (2022: Nil).

The number of awards available for grant under the Share Award Scheme at the beginning and the end of the year ended 31 December 2023 were 164,795,460 and 165,013,460 respectively, representing approximately 1.96% and 1.97% respectively of the Shares in issue as at the date of this report.

Details of the awards granted or to be granted under the Share Award Scheme for the year ended 31 December 2023 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 2023	Number of awards granted during the year ended 31 December 2023	Number of awards vested during the year ended 31 December 2023	Number of awards cancelled during the year ended 31 December 2023	Number of awards lapsed during the year ended 31 December 2023	Number of awards unvested as at 31 December 2023
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**
Senior management and employees	15,540,000	14,805,000	12,240,000	42,585,000	**26,861,000**	-	-	-	**218,000**	**26,643,000**
All employees of the Group	21,040,000	19,775,000	16,690,000	57,505,000	**36,990,000**	-	-	-	**218,000**	**36,772,000**
Five highest paid individuals[3]	620,000	680,000	10,000	1,310,000	**734,000**	-	-	-	-	**734,000**

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. Taking into account the current market conditions and the company's business situation, the Board has resolved to suspend the vesting of incentive shares granted to directors and employees from 2019 to 2021.

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

3. The five highest paid individuals in 2023 were all from Sunac Services.

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 2023 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 2023, 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 C3 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]	2,496,348,878	29.73%
	Beneficial owner	19,930,000	0.24%
Mr. Wang Mengde	Beneficial owner	17,177,000	0.20%
Mr. Jing Hong	Beneficial owner	10,896,000	0.13%
	Interest of spouse	609,000	0.01%
Mr. Tian Qiang	Beneficial owner	6,982,000	0.08%
Mr. Huang Shuping	Beneficial owner	5,400,000	0.06%
Mr. Sun Kevin Zheyi	Beneficial owner	261,000	0.003%

Notes:

1. These 2,496,348,878 Shares were held as to 2,447,642,878 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 8,396,010,376 Shares in issue as at 31 December 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	0.02%
Mr. Jing Hong	1,610,000	0.02%
Mr. Tian Qiang	1,570,000	0.02%
Mr. Huang Shuping	950,000	0.01%
Mr. Sun Kevin Zheyi	609,000	0.01%

Note:

1. Calculated on the basis of 8,396,010,376 Shares in issue as at 31 December 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[3]	Total	Approximate percentage of interest in the Associated Corporation[2]
Mr. Sun Hongbin	Interest in controlled corporations[1]	1,588,787,872	–	1,588,787,872	51.97%
	Beneficial owner	1,191,472	275,000	1,466,472	0.05%
Mr. Wang Mengde	Beneficial owner	1,932,734	225,000	2,157,734	0.07%
Mr. Jing Hong	Beneficial owner	736,051	137,500	873,551	0.03%
	Interest of spouse	1,019,594	–	1,019,594	0.03%
Mr. Tian Qiang	Beneficial owner	1,750,321	100,000	1,850,321	0.06%
Mr. Huang Shuping	Beneficial owner	1,764,092	100,000	1,864,092	0.06%
Mr. Sun Kevin Zheyi	Beneficial owner	77,895	25,000	102,895	0.003%

Notes:

1. These 1,588,787,872 shares of Sunac Services were held as to:

   (i) 1,090,644,516 shares of Sunac Services by Sunac Services Investment Limited（"Sunac Services Investment"）;

   (ii) 430,854,750 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 1,588,787,872 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 2023.

3. Currently, the relevant director has dividend right but no voting right in respect of these shares in Sunac Services. The voting right is held by Sunac Shine. The director will have voting right upon the vesting of such shares in Sunac Services.

Save as disclosed in this annual report, as at 31 December 2023, 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 2023, 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[2]
Sunac International	Beneficial owner[1]	2,447,642,878	29.15%
South Dakota Trust Company LLC	Trustee[1]	2,447,642,878	29.15%

Notes:

1. These 2,447,642,878 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 2,447,642,878 Shares by virtue of the SFO.

2. Calculated on the basis of 8,396,010,376 Shares in issue as at 31 December 2023.

Save as disclosed in this annual report, as at 31 December 2023, 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.

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 13 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 2023 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 44 of this annual report, as well as the "2023 Environmental, Social and Governance Report" issued by the Company on 26 April 2024.

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 2023, the Group had a total of 39,228 employees (2022: 45,198). For the year ended 31 December 2023, the staff cost of the Group was approximately RMB7.11 billion (2022: RMB9.08 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 2023, no forfeited contributions were available to reduce the contribution payable by the Group in the future years.

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 69 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 70 to 71 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 2023.

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.

REPORT OF THE DIRECTORS

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

The consolidated financial statements for the year ended 31 December 2023 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, 27 March 2024

INDEPENDENT AUDITOR'S REPORT

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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 82 to 217, which comprise the consolidated balance sheet as at 31 December 2023, 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 material accounting policy information.

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 RMB10.41 billion for the year end 31 December 2023 and, as at 31 December 2023, the Group had net current liabilities of approximately RMB20.74 billion. The Group's current and non-current borrowings amounted to approximately RMB181.20 billion and RMB96.63 billion as at 31 December 2023 respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB24.62 billion. As at 31 December 2023, the Group had not repaid borrowings of RMB109.06 billion in aggregate according to their scheduled repayment dates, and as a result, borrowings of approximately RMB41.64 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 RMB116.71 billion in aggregate according to their scheduled repayment dates and as a result, borrowings in principal amount of approximately RMB43.55 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.

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) whether sufficient funds can be raised to repay onshore and offshore public debts, if unable to raise sufficient funds, whether new solutions can be reached with bondholders; (ii) whether it can successfully negotiate with the remaining lenders on the extension or deferral of the repayment of the Group's borrowings; and (iii) whether sales strategy can be executed to ensure asset value and improve the stability of future sales business.

Since last year, the real estate market in mainland China has gone through adjustment with time and depth beyond previous expectations, the overall sales has continued to decline, and the financing has not yet improved. There is uncertainty as to the stabilization and recovery of the Group's sales and the continued support from banks and the Group's lenders, hence, there is significant uncertainty as to the Group's ability to implement the above plans and measures.

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

As a result of 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 2022 relating to the going concern basis of preparing the consolidated financial statements. The balances as at 31 December 2022 and the amounts for the year then ended are presented as corresponding figures in the consolidated financial statements for the year ended 31 December 2023.

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, because of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for 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 no: P06095

Hong Kong, 27 March 2024

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**65,613,235**	80,423,788
Investment properties	8	**22,098,863**	27,048,652
Right-of-use assets	9	**13,925,833**	14,935,066
Intangible assets	10	**2,949,617**	4,095,373
Deferred tax assets	12	**33,482,587**	33,401,631
Investments accounted for using the equity method	11	**69,251,089**	75,702,996
Financial assets at fair value through profit or loss	13	**11,397,419**	13,006,130
Other receivables	16	**50,758**	61,171
Prepayments	17	**530,887**	2,283,415
Other non-current assets		**50,000**	–
		219,350,288	250,958,222
Current assets			
Properties under development	14	**477,359,149**	587,120,002
Completed properties held for sale	15	**99,222,220**	53,915,786
Inventories		**567,532**	990,898
Trade and other receivables	16	**52,818,525**	59,441,113
Contract costs	6	**4,812,288**	6,298,764
Amounts due from related companies	42(D)	**70,393,635**	63,422,584
Prepayments	17	**15,021,667**	15,877,428
Prepaid income tax		**13,057,567**	13,491,155
Financial assets at fair value through profit or loss	13	**628,210**	1,109,845
Restricted cash	18	**17,566,748**	25,940,546
Cash and cash equivalents	19	**7,056,374**	11,601,128
		758,503,915	839,209,249
Total assets		**977,854,203**	1,090,167,471
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	**734,205**	466,030
Other reserves	22	**42,893,656**	30,354,373
Retained earnings		**18,801,056**	27,648,059
		62,428,917	58,468,462
Non-controlling interests		**21,356,948**	27,934,375
Total equity		**83,785,865**	86,402,837

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	24	**96,633,862**	44,943,017
Derivative financial instruments	25	**2,108,145**	–
Lease liabilities	9	**430,313**	516,050
Deferred tax liabilities	12	**15,594,359**	22,959,345
Other payables	23	**55,624**	67,950
		114,822,303	68,486,362
Current liabilities			
Trade and other payables	23	**281,957,998**	256,967,051
Contract liabilities	6	**194,809,944**	318,845,924
Amounts due to related companies	42(D)	**46,758,490**	42,876,511
Current income tax liabilities		**70,888,803**	61,789,903
Borrowings	24	**181,199,711**	253,476,200
Lease liabilities	9	**141,306**	130,608
Provisions	26	**3,489,783**	1,192,075
		779,246,035	935,278,272
Total liabilities		**894,068,338**	1,003,764,634
Total equity and liabilities		**977,854,203**	1,090,167,471

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

The consolidated financial statements on pages 82 to 217 were approved by the Board of Directors on 27 March 2024 and were signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	6	**154,230,892**	96,751,764
Cost of sales	27	**(156,733,635)**	(97,570,939)
Gross loss		**(2,502,743)**	(819,175)
Other income and gains	29	**38,533,459**	5,787,747
Selling and marketing costs	27	**(4,871,869)**	(5,790,188)
Administrative expenses	27	**(5,494,204)**	(6,982,670)
Other expenses and losses	30	**(25,073,652)**	(11,758,191)
Net impairment losses on financial assets	27	**(2,524,972)**	(2,470,295)
Operating loss		**(1,933,981)**	(22,032,772)
Finance income	31	**239,153**	781,485
Finance expenses	31	**(6,299,861)**	(12,784,216)
Finance expenses – net	31	**(6,060,708)**	(12,002,731)
Share of post-tax profits of associates and joint ventures accounted for using the equity method, net	11	**2,860,769**	2,731,900
Loss before income tax		**(5,133,920)**	(31,303,603)
Income tax (expenses)/credits	32	**(5,277,570)**	1,411,624
Loss and total comprehensive loss for the year		**(10,411,490)**	(29,891,979)
Total comprehensive loss attributable to:			
– Owners of the Company		**(7,968,963)**	(27,669,007)
– Non-controlling interests		**(2,442,527)**	(2,222,972)
		(10,411,490)	(29,891,979)
Loss per share attributable to owners of the Company (expressed in RMB per share):	33		
– Basic		**(1.43)**	(5.16)
– Diluted		**(1.43)**	(5.16)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company					
	Note	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		–	–	–	–	(6,081,038)	(6,081,038)
Transactions with non-controlling interests		–	(291,164)	–	(291,164)	(4,189,173)	(4,480,337)
Dividends to non-controlling interests		–	–	–	–	(1,784,375)	(1,784,375)
Capital contributions from 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

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 2023		466,030	30,354,373	27,648,059	58,468,462	27,934,375	86,402,837
Total comprehensive loss		–	–	(7,968,963)	(7,968,963)	(2,442,527)	(10,411,490)
Transactions with owners, recognised directly in equity							
Acquisition of assets and liabilities through acquisition of subsidiaries		–	–	–	–	108,048	108,048
Transactions with non-controlling interests	39	–	3,906,594	–	3,906,594	85,193	3,991,787
Capital contributions from non-controlling interests		–	–	–	–	1,411	1,411
Disposal of subsidiaries	41(B)	–	–	–	–	(2,061,864)	(2,061,864)
Dividends to non-controlling interests		–	–	–	–	(1,268,378)	(1,268,378)
Capital reduction from non-controlling interests		–	–	–	–	(999,310)	(999,310)
Shares issued upon the conversion of convertible bonds, mandatory convertible bonds and shareholder mandatory convertible bond	20, 22	268,175	7,595,705	–	7,863,880	–	7,863,880
Capital contributions from controlling shareholder		–	120,477	–	120,477	–	120,477
Share award scheme:							
– Value of employee services	22	–	38,467	–	38,467	–	38,467
Statutory reserves	22	–	878,040	(878,040)	–	–	–
		268,175	12,539,283	(878,040)	11,929,418	(4,134,900)	7,794,518
Balance at 31 December 2023		734,205	42,893,656	18,801,056	62,428,917	21,356,948	83,785,865

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 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	34	**(14,370,043)**	21,678,365
Income tax paid		**(1,415,679)**	(940,418)
Net cash (used in)/generated from operating activities		**(15,785,722)**	20,737,947
Cash flows from investing activities			
Net cash inflow on disposal of subsidiaries	41	**236,412**	649,560
Proceeds from disposal and capital decreasing of joint ventures and associates		**262,244**	1,554,460
Refund received from/(payments for) the considerations of equity transactions		**551,752**	(572,307)
Cash advances received for potential equity transactions		**–**	446,580
Investments in joint ventures and associates		**(32,500)**	(672,623)
Dividend received from joint ventures and associates		**187,239**	258,555
Loans granted to joint ventures and associates		**(237,774)**	(2,381,989)
Repayments of loans received from joint ventures and associates		**1,308,223**	8,609,799
Payments for acquisitions of financial assets at fair value through profit or loss		**(2,401,000)**	(2,988,062)
Proceed from redemption of financial assets at fair value through profit or loss		**3,086,826**	3,286,682
Purchases of property, plant and equipment, land use rights, intangible assets and investment properties		**(860,244)**	(3,759,417)
Proceeds from disposals of property, plant and equipment, land use rights, intangible assets and investment properties		**396,290**	512,713
Interests received		**294,406**	605,708
Others		**(53,647)**	15,789
Net cash generated from investing activities		**2,738,227**	5,565,448

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**–**	3,662,176
Proceeds from borrowings		**24,199,924**	27,099,164
Repayments of borrowings		**(10,590,399)**	(55,219,301)
Proceeds paid for derivative financial instruments		**–**	(24,111)
Capital reduction paid to non-controlling interests		**(150,000)**	–
Dividends or deemed distribution paid to non-controlling interests		**(814,157)**	(657,095)
Loans from non-controlling interests and equity investment partners		**578,338**	2,867,728
Repayments of loans to non-controlling interests and equity investment partners		**(998,857)**	(4,154,236)
Payments for transactions with non-controlling interests		**–**	(124,240)
Deposit received for borrowings		**2,706,229**	12,390,490
Contribution from non-controlling interests		**120**	7,016
Principal elements of lease payments		**(101,110)**	(152,617)
Interest paid		**(5,837,587)**	(14,806,704)
Costs paid for the offshore debt restructuring		**(511,210)**	–
Net cash generated from/(used in) financing activities		**8,481,291**	(29,111,730)
Net decrease in cash and cash equivalents		**(4,566,204)**	(2,808,335)
Cash and cash equivalents at beginning of year		**11,601,128**	14,344,001
Effects of exchange difference		**21,450**	65,462
Cash and cash equivalents at end of year	19	**7,056,374**	11,601,128

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 and tourism city construction and operation, property management services and other services in the People's Republic of China (the "PRC").

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

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

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

2 Summary of accounting policies

This note provides a list of certain 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, derivative financial instruments and investment properties that are measured at fair value.

(iii) Going concern basis

The Group incurred a net loss of approximately RMB10.41 billion for the year ended 31 December 2023 and, as at 31 December 2023, the Group had net current liabilities of approximately RMB20.74 billion.

2 Summary of accounting policies *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(iii) Going concern basis *(Continued)*

As at 31 December 2023, the Group's current and non-current borrowings amounted to approximately RMB181.20 billion and RMB96.63 billion respectively, while the Group had total cash (including cash and cash equivalents and restricted cash) amounting to approximately RMB24.62 billion. As at 31 December 2023, the Group had not repaid borrowings in principal amount of approximately RMB109.06 billion in aggregate according to their scheduled repayment dates, and as a result, total borrowings principal amount of approximately RMB41.64 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 RMB116.71 billion in aggregate according to their scheduled repayment dates and as a result, total borrowings in principal amount of approximately RMB43.55 billion in aggregate might be demanded for early repayment. In addition, the Group was involved in various litigation and arbitration cases for various reasons.

The above conditions indicate the existence of material uncertainties and given that the current real estate market continues to decline in time and depth beyond expected, 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 2023 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 regarding various factors:

- On 30 December 2022, onshore corporate bonds extension was completed by Sunac Real Estate Co., Ltd. ("Sunac Real Estate"), a wholly-owned subsidiary of the Group, where the repayment period has been extended 3 to 4 years with the interest rates remaining unchanged;

- The Company's offshore debt restructuring plan was approved by approximately 98.3% of the relevant debt claims of the creditors voting at the meeting, and the required offshore court procedures were completed. With all the restructuring conditions satisfied on or before 20 November 2023, the restructuring took effect on 20 November 2023. The creditors fully discharged the existing indebtedness of the Company in exchange for the issue of the new notes, the convertible bonds, the mandatory convertible bonds and the transfer of the existing shares of Sunac Services Holdings Limited ("Sunac Services", Stock Code: 01516). Accordingly, the Company's offshore debt restructuring plan has been successfully completed;

2 Summary of accounting policies *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(iii) Going concern basis *(Continued)*

- The Group has been actively negotiating with other lenders on the extension of borrowings, and up to the date of approval of the consolidated financial statements, extension of loans of approximately RMB37.28 billion has been agreed. Due to the diverse lender base and changing market environment, it takes time to finalise the extension plans case-by-case. Having considered the market environment, the successful extension of loans, 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 is 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 loan for guaranteed delivery of buildings and ancillary borrowings, business cooperation with partners, asset disposal, etc., and up to the date of approval of these consolidated financial statements, the Group has endeavoured to achieve certain business cooperation and has obtained additional financing or additional capital inflows in the above areas. The relevant government authorities have recently issued the Notice on the Establishment of a City Real Estate Financing Co-ordination Mechanism (《關於建立城市房產融資協調機制的通知》) to help real-estate enterprises and financial institutions achieve accurate and effective matching; the Group will continue to seek new financing or additional capital;

- The Group has been actively communicating with creditors to resolve the pending onshore lawsuits. Up to the date of approval of these consolidated 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;

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

2 Summary of accounting policies *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(iii) Going concern basis *(Continued)*

- The Group will always actively assume the primary responsibility, respond to the government's call for guaranteed delivery, and continue to strive to complete the delivery. Although the overall market remains at the bottom of the industry, as the government continues to adjust and optimize real estate control policy and launches supportive policies to stabilize market expectations, the medium-to-long-term real estate market will surely stabilize and recover. The Group will actively adjust its sales strategy to adapt to market changes, maintain the value of its assets and enhance the Group's operational security and ability to continue as a going concern.

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 2023. 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 2023. Accordingly, the Directors consider that the preparation of the consolidated financial statements as at 31 December 2023 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 sufficient funds can be raised to repay onshore and offshore public debts, if unable to raise sufficient funds, whether new solutions can be reached with bondholders;

(ii) whether it can successfully negotiate with the remaining lenders on the extension or deferral of the repayment of the Group's borrowings;

(iii) whether sales strategy can be executed to ensure asset value and improve the stability of future sales business.

Since last year, the real estate market in mainland China has gone through adjustment with time and depth beyond previous expectations, the overall sales has continued to decline, and the financing has not yet improved. There is uncertainty as to the stabilization and recovery of the Group's sales and the continued support from banks and the Group's lenders, hence, there is significant uncertainty as to the Group's ability to implement the above plans and measures.

If the Group is unable to achieve the above plans and measures 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 accounting policies *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(iv) New and amended standards adopted by the Group

The Group has applied the following new standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

- *Insurance contracts* – HKFRS 17;
- *Disclosure of accounting policies* – *Amendments to* HKAS 1 and HKFRS *Practice Statement 2*;
- *Definition of accounting estimates* – *Amendments to* HKAS 8;
- *Deferred tax related to assets and liabilities arising from a single transaction* – *Amendments to* HKAS 12; and
- *International tax reform* – *Pillar two model rules* – *Amendments to* HKAS 12

Except as described below, the new and amended standards listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Impacts on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "*Income Taxes*" ("HKAS 12") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

2 Summary of accounting policies *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(iv) New and amended standards adopted by the Group *(Continued)*

Impacts on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" *(Continued)*

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with lease liabilities and right-of-use-assets.

The application of the amendments had no material impact on the Group's financial position and performance, except that the Group discloses the related deferred tax assets and deferred tax liabilities on a gross basis in relevant note in the consolidated financial statements but it has no impact on the retained earnings at the earliest period presented as well as each financial line item for prior period presented.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

2 Summary of 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 as of 31 December 2023 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
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
Non-current liabilities with covenants – Amendments to HKAS 1	1 January 2024
Supplier finance arrangements – Amendments to HKAS 7 *and* HKFRS 7	1 January 2024
Lack of exchangeability – Amendments to HKAS 21	1 January 2025
Sale or contribution of assets between an investor and its associate or joint ventures – Amendments to HKFRS 10 *and* HKAS 28	To be determined

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

(i) Subsidiaries

Subsidiaries are all 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.

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.

2 Summary of accounting policies *(Continued)*

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

(i) Subsidiaries *(Continued)*

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.

(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.

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.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.7.

2 Summary of accounting policies *(Continued)*

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

(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.

2.3 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 functional currency. The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(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.

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.

2 Summary of accounting policies *(Continued)*

2.3 FOREIGN CURRENCY TRANSLATION *(Continued)*

(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 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.

2.4 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.

2 Summary of accounting policies *(Continued)*

2.4 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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.

2.5 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. 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.

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 Summary of accounting policies *(Continued)*

2.6 INTANGIBLE ASSETS

(i) Goodwill

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 accounting policies *(Continued)*

2.7 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.

2.8 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 investments in equity instruments 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 accounting policies *(Continued)*

2.8 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 two 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 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.

- 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.

Equity instruments

The Group subsequently measures all equity investments at fair value. Dividends from such investments are 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.

2 Summary of accounting policies *(Continued)*

2.8 INVESTMENTS AND OTHER FINANCIAL ASSETS *(Continued)*

(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 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.

2.9 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*.

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 joint ventures or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.10 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.

2 Summary of accounting policies *(Continued)*

2.11 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.

2.12 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.

2.13 INVENTORIES

Inventories are stated at the lower of cost and 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.

2.14 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 2.8 for a description of the Group's impairment policies.

2.15 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.

2.16 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.

2.17 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.

2.18 CONVERTIBLE BONDS CONTAINING DEBT AND DERIVATIVE COMPONENTS

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. At initial recognition, the derivative component is measured at fair value and presented as part of derivative financial instruments (note 25). Any excess of fair value of the convertible bond over the amount initially recognised as the derivative component is recognised as the host liability component. Any directly attributable transaction costs are allocated to the host liability and derivative components in proportion to their initial carrying amounts. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss. The derivative component is subsequently remeasured in accordance with note 25. The host liability component is subsequently carried at amortised cost using effective interest method. Where the original terms of the bond permit the holder to convert at any time before maturity, and the bond is subsequently converted early at the holder's option, the carrying amount of the host liability (at the date of conversion) together with carrying amount of the derivative liability, which is remeasured to fair value immediately before conversion, is transferred to equity such that no gain or loss is recognised on settlement. If the bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

2 Summary of accounting policies *(Continued)*

2.19 DERECOGNITION OR MODIFICATION OF FINANCIAL LIABILITIES

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated profit and loss. Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial liability are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liabilities. Accordingly, such modification of terms is accounted for as an extinguishment, and any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent. For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liabilities is recognised in consolidated profit or loss at the date of modification.

2.20 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.

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 Summary of accounting policies *(Continued)*

2.21 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.

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

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.

2.22 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.

2 Summary of accounting policies *(Continued)*

2.22 CURRENT AND DEFERRED INCOME TAX *(Continued)*

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.

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.

2 Summary of accounting policies *(Continued)*

2.23 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 operates 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.

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. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

2 Summary of accounting policies *(Continued)*

2.24 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.

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).

2 Summary of accounting policies *(Continued)*

2.24 SHARE-BASED PAYMENTS *(Continued)*

(ii) 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 2.16).

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.

2.25 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.

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 Summary of accounting policies *(Continued)*

2.26 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 billings to purchasers of properties over the cumulative revenue recognised in consolidated profit or loss is recognised as contract liabilities. 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.

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

2 Summary of accounting policies *(Continued)*

2.26 REVENUE RECOGNITION *(Continued)*

(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 and TV broadcast networks and the amounts can be measured reliably, which are generally when the cinema circuit and TV broadcast networks confirm to the entities its share of box office receipts and profit entitlement.

2 Summary of accounting policies *(Continued)*

2.26 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.

2.27 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.

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

2.28 LEASES *(Continued)*

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.

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.

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.

2 Summary of accounting policies *(Continued)*

2.28 LEASES *(Continued)*

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.

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 9). 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.

2.29 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 foreign exchange 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 2023 were primarily related to bank deposits, financial assets at FVPL, derivative financial instruments 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 2023 RMB'000	31 December 2022 RMB'000
Assets		
USD	**331,465**	468,250
HKD	**221,812**	210,457
	553,277	678,707
Liabilities		
USD	**39,806,618**	79,684,032
HKD	**1,678,310**	1,616,088
	41,484,928	81,300,120

The aggregate net foreign exchange losses recognised in consolidated profit or loss were:

	2023 RMB'000	2022 RMB'000
Exchange losses on foreign currency borrowing included in finance expenses	**1,352,039**	6,847,848
Total net foreign exchange losses recognised in loss before income tax for the year	**1,352,039**	6,847,848

As at 31 December 2023, 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 RMB69 million (2022: RMB67 million).

As at 31 December 2023, 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 RMB1.88 billion (2022: RMB3.77 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 2023, the Group's borrowings were denominated in RMB, USD and HKD (2022: 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.

RMB' million	Floating rates				Fixed rates				Total
	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 2023									
Amount due from related companies	**–**	**–**	**–**	**–**	**10,905**	**–**	**–**	**10,905**	**10,905**
Borrowings	**46,270**	**12,351**	**2,607**	**61,228**	**134,930**	**70,755**	**10,921**	**216,606**	**277,834**
Lease liabilities	**–**	**–**	**–**	**–**	**141**	**265**	**166**	**572**	**572**
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

As at 31 December 2023, 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 RMB86.33 million (2022: RMB105.16 million) and the capitalised interest for the year would have been higher/lower by RMB560.10 million (2022: RMB479.67 million) respectively.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(A) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk (Continued)

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.

(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 2023, 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 RMB0.36 million lower/higher (2022: 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, trade and other receivable, amounts due from related companies and financial assets at FVPL included in the consolidated balance sheets and financial guarantees provided to related companies and guarantees on mortgage facilities.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(B) Credit risk *(Continued)*

(i) Risk management *(Continued)*

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).

(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
- 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.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(B) Credit risk *(Continued)*

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

Trade receivables

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

The expected loss rates are based on the payment profiles of sales over a period of 5 years before 31 December 2023 or 2022 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.

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for trade receivables:

31 December 2023	**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	**8.50%**	**8.24%**	**8.18%**	**32.98%**	**18.92%**
Gross carrying amount	**989,181**	**411,680**	**982,214**	**1,796,543**	**4,179,618**
Loss allowance	**84,078**	**33,909**	**80,390**	**592,579**	**790,956**

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

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(B) Credit risk *(Continued)*

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

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 RMB347 million (2022: RMB399 million) as at 31 December 2023.

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.

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 (Continued)

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.

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.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(B) Credit risk *(Continued)*

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

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 2023, 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	16.31%	12 month expected losses	50,048,123	41,882,956	Gross carrying amount
Non-performing	74.50%	Lifetime expected losses	3,365,819	858,357	Amortised cost carrying amount (net of credit allowance)

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 companies as at 31 December reconciles to the opening loss allowance as follows:

	Trade and other receivables		Amounts due from related companies	
	2023 **RMB'000**	2022 RMB'000	**2023** **RMB'000**	2022 RMB'000
Opening loss allowance as at 1 January	**4,963,460**	5,124,037	**4,841,777**	2,461,747
Increase in loss allowance recognised in consolidated profit or loss during the year	**1,206,251**	96,495	**1,335,823**	2,380,030
Receivables written off during the year as uncollectible	**(536,571)**	(208,265)	**–**	–
Unused amount reversed	**–**	(48,807)	**–**	–
Closing loss allowance at 31 December	**5,633,140**	4,963,460	**6,177,600**	4,841,777

Trade and other receivables and amounts due from related companies 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 trade and other receivables and amounts due from related companies 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:

	2023 **RMB'000**	2022 RMB'000
Impairment losses		
Movement in loss allowance for trade and other receivables and amounts due from related companies	**2,542,074**	2,427,718
(Reversal of)/provision on expected credit losses on financial guarantee	**(17,102)**	42,577
Net impairment losses on financial assets	**2,524,972**	2,470,295

Of the above impairment losses, RMB464.31 million (2022: RMB96.50 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 (2023: RMB1.46 billion; 2022: RMB1.91 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 decreased from RMB109.13 million as at 31 December 2022 to RMB92.03 million as at 31 December 2023.

3 Financial risk management *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(C) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents including proceeds from pre-sale of properties, short-term and long-term borrowings and other measures to meet its construction, investment and other commitments.

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. Refer to note (2)(iii) to the consolidated financial statements for details.

The table below analyse the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay.

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 2023					
Borrowings and interest payments	**194,703**	**42,736**	**68,945**	**26,098**	**332,482**
Trade and other payables (note 23)	**269,361**	**42**	**14**	**–**	**269,417**
Amounts due to related companies (note 42(D))	**46,758**	**–**	**–**	**–**	**46,758**
Financial guarantee contracts (note 36(A))	**96,612**	**9,210**	**6,353**	**201**	**112,376**
Lease liabilities	**156**	**99**	**234**	**266**	**755**
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

Note:

– The interest payments on borrowings are calculated based on borrowings held as at 31 December 2023 and 2022 without taking into account of future borrowings. Floating-rate interest is estimated using the current interest rate at 31 December 2023 and 2022 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 2023 and 2022 were as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Total borrowings (note 24)	**277,833,573**	298,419,217
Lease liabilities (note 9)	**571,619**	646,658
Less: Restricted cash (note 18)	**(17,566,748)**	(25,940,546)
Cash and cash equivalents (note 19)	**(7,056,374)**	(11,601,128)
Net debt	**253,782,070**	261,524,201
Total capital	**337,567,935**	347,927,038
Gearing ratio	**75.18%**	75.17%

As at 31 December 2023, the Group is required to comply with certain liabilities/assets ratio as financial covenants of certain borrowings.

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 2023	Note	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets					
Financial assets at FVPL	13	**8,663**	**–**	**12,016,966**	**12,025,629**
Financial liabilities					
Derivative financial instruments	25	**–**	**–**	**2,108,145**	**2,108,145**

Recurring fair value measurements

At 31 December 2022	Note	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

4 Fair value estimation *(Continued)*

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

(i) Fair value hierarchy *(Continued)*

During the year ended 31 December 2023, 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 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 convertible bonds, mandatory convertible bonds and shareholder mandatory convertible bonds (the "Convertible Bonds") contracts—option pricing method or Monte-Carlo Simulation method with prominent factors that will materially affect value of the options, including terms and conditions of the option of the Convertible Bonds, expected volatility, discount rate, etc.

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

As at 31 December 2023 and 2022, the Group's level 3 instruments included equity investments measured at FVPL, debt instruments and option embedded in the Convertible Bonds. 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 2023 and 31 December 2022:

	Financial assets at FVPL			Derivative
	Equity	Debt		financial
	investment	instruments	Total	instruments
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance 1 January 2022	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 profit or loss	359,715	25,797	385,512	–
Closing balance 31 December 2022	**12,179,299**	**1,907,745**	**14,087,044**	**–**
Acquisitions	**–**	**2,401,000**	**2,401,000**	**–**
Disposals	**(212,258)**	**(2,876,568)**	**(3,088,826)**	**–**
Effect of offshore debt restructuring (note 24(A))	**–**	**–**	**–**	**(10,995,642)**
Conversion of options attached to Convertible Bonds (note 24(A))	**–**	**–**	**–**	**7,588,175**
(Losses)/gains recognised in profit or loss	**(1,414,395)**	**32,143**	**(1,382,252)**	**1,299,322**
Closing balance 31 December 2023	**10,552,646**	**1,464,320**	**12,016,966**	**(2,108,145)**

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

2023	**(1,419,372)**	**3,353**	**(1,416,019)**	**1,299,322**
2022	948,188	(166,452)	781,736	–

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.

	Fair value at				Range of significant unobservable inputs	
Description	**31 December 2023 RMB'000**	31 December 2022 RMB'000	Valuation method	Significant unobservable inputs	**2023**	2022
Equity instruments	**10,552,646**	12,179,299	Market approach, equity allocation model, option pricing method and discounted cash flow model	Discount rate for lack of marketability	**20.0%-23.0%**	10.0%-30.0%
				Expected volatility rate	**38.6%-69.4%**	49.1%-85.8%
				Discount rate	**40.4%**	13.0%
Other financial instruments	**1,464,320**	1,907,745	Discounted cash flow model	Discount rate	**3.5%-4.2%**	3.7%-4.3%
Derivative financial instruments	**(2,108,145)**	–	Option pricing method and Monte-Carlo Simulation method	Expected volatility rate	**63.4%**	NA
				Discount rate	**3.9%**	NA

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 2023:

	Carrying amount RMB'000	**Fair value RMB'000**
Non-current borrowings:		
– Senior notes (note 24)	**25,626,047**	**3,495,061**
– Corporate bonds (note 24)	**10,529,042**	**2,470,844**
– Private domestic corporate bonds (note 24)	**4,085,366**	**1,291,493**
– Convertible bonds (note 24)	**1,348,366**	**454,032**

(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 consolidated 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 2023	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Investment properties (note 8)	**–**	**–**	**22,098,863**	**22,098,863**

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

4 Fair value estimation *(Continued)*

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

(i) Fair value hierarchy *(Continued)*

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 2023, there were no reclassifications of non-financial assets and non-financial liabilities and no transfers between different levels for recurring fair value measurements.

(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 2023 and 2022.

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)*

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.

	Fair value at				Range of significant unobservable inputs	
Description	**31 December 2023 RMB'000**	31 December 2022 RMB'000	**Valuation method**	**Significant unobservable inputs**	**2023**	2022
Office buildings and commercial properties	**1,305,863**	1,658,173	Income capitalisation method	Prevailing market rents; Capitalisation rates	**RMB76-RMB205 per unit per month capitalisation rates: 4%-6.25%**	RMB115-RMB232 per unit per month capitalisation rates: 4%-6.25%
Shopping malls	**20,285,000**	24,823,000	Income capitalisation method	Prevailing market rents; Capitalisation rates	**RMB16-RMB285 per unit per month capitalisation rates: 4%-7%**	RMB52-RMB245 per unit per month capitalisation rates: 4%-7%
Construction in progress	**508,000**	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%**	RMB95 per unit per month capitalisation rates : 4.5%-6% Developer's profit rate: 10%

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 2023, 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 2023. 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 2.26. 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 FVPL, DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENTS RECOGNISED AS AT THE DATE OF DEBT RESTRUCTURING

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) and note 24(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

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.

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 and 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 gains from the centralised management of offshore debt restructuring, changes in fair value gains or losses on financial assets at FVPL and derivative financial instruments and disposal gains or losses on financial assets at FVPL, which are managed on a central basis.

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

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 2023				
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	140,465,511	5,915,164	7,009,517	3,081,738	156,471,930
Recognised at a point in time	133,724,964	2,787,723	274,306	344,490	137,131,483
Recognised over time	6,740,547	3,127,441	6,735,211	2,737,248	19,340,447
Inter-segment revenue	–	–	(408,996)	(1,832,042)	(2,241,038)
Revenue from external customers	140,465,511	5,915,164	6,600,521	1,249,696	154,230,892
Segment gross (loss)/profit	(3,842,638)	3,123,875	1,738,427	(694,998)	324,666
(Net impairment losses)/ reversal of impairment losses on financial assets	(2,283,448)	–	(300,847)	59,323	(2,524,972)
Net fair value losses on investment properties	–	(3,895,516)	(14,847)	(36,509)	(3,946,872)
Interest income	1,496,193	–	27,110	–	1,523,303
Finance income	176,874	–	62,279	–	239,153
Share of post-tax profits/ (losses) of associates and joint ventures accounted for using the equity method, net	2,943,636	(1,915)	5,319	(86,271)	2,860,769
Segment results	(11,383,216)	(14,753,345)	674,572	(1,196,597)	(26,658,586)
Other information					
Capital expenditure	884,379	3,521,583	114,007	22,157	4,542,126

	As at 31 December 2023				
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment assets	770,603,091	93,350,588	12,998,348	42,336,393	919,288,420
Investments accounted for using the equity method	66,069,976	1,315,616	56,683	1,808,814	69,251,089
Total segment liabilities	756,194,324	23,866,852	4,904,335	20,511,520	805,477,031

6 Segment information *(Continued)*

The segment results are as follows:

	Year ended 31 December 2022				
	Property development RMB'000	Cultural and tourism city construction and operation RMB'000	Property management RMB'000	All other segments RMB'000	Total RMB'000
Total segment revenue	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 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 and 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)*

Reportable segment results are reconciled to total loss for the year as follows:

	2023 RMB'000	2022 RMB'000
Total segment results	**(26,658,586)**	(15,498,221)
Depreciation and amortisation	**(3,584,039)**	(3,189,150)
Finance expenses	**(6,299,861)**	(12,784,216)
Other income and gains	**32,835,946**	354,870
Other expenses and losses	**(1,427,380)**	(186,886)
Income tax (expenses)/credits	**(5,277,570)**	1,411,624
Loss for the year	**(10,411,490)**	(29,891,979)

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Total segment assets	**919,288,420**	1,029,158,710
Deferred tax assets	**33,482,587**	33,401,631
Other assets	**25,083,196**	27,607,130
Total assets	**977,854,203**	1,090,167,471
Total segment liabilities	**805,477,031**	919,015,386
Deferred tax liabilities	**15,594,359**	22,959,345
Other liabilities	**72,996,948**	61,789,903
Total liabilities	**894,068,338**	1,003,764,634

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 2023 RMB'000	31 December 2022 RMB'000
Contract liabilities	**194,809,944**	318,845,924

The Group had no material contract assets as at 31 December 2023 and 2022.

(i) Significant changes in contract liabilities

As at 31 December 2023, 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 RMB130.09 billion was recognised in current reporting period that was included in the contract liabilities balance at the beginning of the year.

(iii) Unsatisfied sales contracts

As of 31 December 2023, management expected that the contract amounts allocated to unsatisfied performance obligations of RMB139.73 billion would be recognised as revenue during the reporting period of 2024 and the contract amounts of RMB86.04 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 2023 RMB'000	31 December 2022 RMB'000
Contract costs	**4,812,288**	6,298,764

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 RMB0.94 billion was recognised as contract costs during the year and RMB2.42 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 2022							
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		(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
Year ended 31 December 2023							
At 1 January 2023		**67,030,138**	**154,525**	**363,657**	**384,063**	**12,491,405**	**80,423,788**
Additions		**71,643**	**17,820**	**56,609**	**10,889**	**3,808,781**	**3,965,742**
Transfers		**3,147,226**	**–**	**–**	**51,556**	**(3,198,782)**	**–**
Disposal of subsidiaries	41(B)	**(2,559,761)**	**(402)**	**(2,947)**	**–**	**(567,796)**	**(3,130,906)**
Disposals		**(631,798)**	**(96,084)**	**(12,906)**	**(13,658)**	**(385,230)**	**(1,139,676)**
Depreciation charges		**(2,721,089)**	**(29,123)**	**(76,162)**	**(76,722)**	**–**	**(2,903,096)**
Impairment charges	30,(III)	**(10,258,799)**	**–**	**–**	**–**	**(1,343,818)**	**(11,602,617)**
At 31 December 2023		**54,077,560**	**46,736**	**328,251**	**356,128**	**10,804,560**	**65,613,235**
At 31 December 2023							
Cost		**80,113,993**	**131,667**	**863,177**	**864,837**	**10,927,964**	**92,901,638**
Accumulated depreciation and impairment		**(26,036,433)**	**(84,931)**	**(534,926)**	**(508,709)**	**(123,404)**	**(27,288,403)**
Net book amount		**54,077,560**	**46,736**	**328,251**	**356,128**	**10,804,560**	**65,613,235**

7 Property, plant and equipment *(Continued)*

Depreciation expense of RMB2,403 million, RMB452 million and RMB48 million (2022: RMB1,853 million, RMB414 million and RMB66 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 2023, the management of the Group identified impairment indicators of CGUs in the cultural and tourism city construction and operation segment as a result of deterioration in economic conditions 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 certain 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 mainly include average monthly land price per square meter (ranging from RMB518 per square meter to RMB1,141 per square meter). In addition, the value-in-use calculation used cash flow projections in respect of certain CGUs based on financial forecasts approved by management covering ten years.

The key assumptions used in value-in-use calculation during the ten-year forecast period are as follows:

Assumption	**CGUs in cultural and tourism city construction and operation segment**
2023	
Revenue growth rate	**5.7%-33.1%**
Profit margin before interest, taxes, depreciation and amortization	**21.0%-58.2%**
Pre-tax discount rate	**10.9%-11.7%**
2022	
Revenue growth rate	4.4%-52.1%
Profit margin before interest, taxes, depreciation and amortization	19.4%-54.6%
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 2.0% (2022: 3.0%), which does not exceed the long-term average growth rate for the business in which the CGU operates.

As at 31 December 2023, the recoverable amounts of the impaired CGUs were totalled RMB23.11 billion, accordingly, impairment losses of RMB10.18 billion were recognised in "Other expenses and losses" for the year ended 31 December 2023. In addition, the Group made further impairment losses of RMB1.42 billion on other PP&E for the year ended 31 December 2023. Majority of these PP&E were disposed of for the year ended 31 December 2023.

8 Investment properties

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

	Note	**2023** **RMB'000**	2022 RMB'000
At 1 January		**27,048,652**	30,619,994
Additions		**83**	25,417
Transfers from PP&E	7	**–**	1,440
Fair value changes	30	**(3,946,872)**	(583,199)
Disposals		**(1,003,000)**	(3,015,000)
At 31 December		**22,098,863**	27,048,652

8 Investment properties *(Continued)*

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.

(I) AMOUNTS RECOGNISED IN CONSOLIDATED PROFIT OR LOSS FOR INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000
Rental income	**893,181**	1,136,918
Direct operating expenses from property that generated rental income	**(451,724)**	(720,903)
Fair value changes recognised in other losses	**(3,946,872)**	(583,199)

(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:

	2023 RMB'000	2022 RMB'000
Within 1 year	**681,811**	804,753
Later than 1 year but no later than 5 years	**1,478,349**	1,477,597
Later than 5 years	**838,468**	1,065,318
	2,998,628	3,347,668

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 2023				
Cost	16,023,798	1,171,898	40,110	17,235,806
Accumulated depreciation	(1,549,768)	(728,789)	(22,183)	(2,300,740)
Net book amount	14,474,030	443,109	17,927	14,935,066
Year ended 31 December 2023				
1 January 2023	14,474,030	443,109	17,927	14,935,066
Addition	480,925	69,562	4,123	554,610
Disposals of subsidiaries (note 41(B))	(720,092)	–	–	(720,092)
Disposals	(324,308)	(45,781)	(1,833)	(371,922)
Depreciation charge	(326,251)	(136,895)	(8,683)	(471,829)
31 December 2023	13,584,304	329,995	11,534	13,925,833
At 31 December 2023				
Cost	15,350,363	1,177,939	39,793	16,568,095
Accumulated depreciation	(1,766,059)	(847,944)	(28,259)	(2,642,262)
Net book amount	13,584,304	329,995	11,534	13,925,833

9 Leases *(Continued)*

(I) AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET *(continued)*

	31 December 2023 RMB'000	31 December 2022 RMB'000
Lease liabilities		
Current	**141,306**	130,608
Non-current	**430,313**	516,050
Total lease liabilities	**571,619**	646,658

Depreciation expense of RMB0.35 billion and RMB0.12 billion (2022: RMB0.44 billion and RMB0.16 billion) 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:

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets		
Land use rights	**326,251**	401,283
Properties	**136,895**	193,216
Vehicles	**8,683**	6,795
Total depreciation charge of right-of-use assets	**471,829**	601,294
Interest expense (included in finance cost)	**50,896**	56,936
Expense relating to short-term leases (included in cost of sales and administrative expenses)	**85,999**	81,693
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**1,926**	4,128

The total cash outflow for leases in 2023 amounted to RMB0.24 billion (2022: RMB0.30 billion).

(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 2022				
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		–	(232)	(232)
Amortisation charges		–	(254,898)	(254,898)
Impairment charges	30	(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
Year ended 31 December 2023				
Opening net book amount		**2,924,449**	**1,170,924**	**4,095,373**
Additions		**–**	**95,376**	**95,376**
Disposals of subsidiaries	41(B)	**(1,427)**	**(248,881)**	**(250,308)**
Amortisation charges		**–**	**(209,114)**	**(209,114)**
Impairment charges	30	**(772,399)**	**(6,653)**	**(779,052)**
Disposal		**–**	**(2,658)**	**(2,658)**
Closing net book amount		**2,150,623**	**798,994**	**2,949,617**
At 31 December 2023				
Cost		**8,638,262**	**2,705,940**	**11,344,202**
Accumulated amortisation and impairment		**(6,487,639)**	**(1,906,946)**	**(8,394,585)**
Net book amount		**2,150,623**	**798,994**	**2,949,617**

Amortisation expense of RMB68 million, RMB137 million and RMB4 million (2022: RMB89 million, RMB160 million and RMB6 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 2023 RMB'000	31 December 2022 RMB'000
Property management (i)	**1,248,456**	1,721,146
Property development (ii)	**396,857**	396,857
All other segments (iii)	**505,310**	806,446
	2,150,623	2,924,449

(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., and Shanghai Base Culture Media Co., Ltd. (collectively, the "Base Culture") 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**	**Zhangtai Services**
2023		
Revenue growth rate	**(9.4%)-3.4%**	**2.3%-15.4%**
Profit margin	**6.9%-8.7%**	**13.2%-13.7%**
Terminal growth rate	**2.0%**	**2.0%**
Pre-tax discount rate	**20.0%**	**18.2%**
2022		
Revenue growth rate	9.3%-13.6%	2.8%-19.1%
Profit margin	7.5%-7.8%	18.4%-18.8%
Terminal growth rate	2.0%	2.0%
Pre-tax discount rate	19.5%	18.3%

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:

Annual revenue growth rate	Average annual growth rate over the five-year forecast period was based on past performance and management's expectations of market development.
Profit margin	Profit margin was 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 budget period. The rates are long-term average growth rate for the related industry in which the CGU operates.
Pre-tax discount rate	Reflect specific risks relating to the relevant industry and the region in which they operate.

Except for the goodwill allocated to NCPM Group and Zhangtai Services, 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 15.0%-23.7% as at 31 December 2023.

As at 31 December 2023, according to the managements estimation of the recoverable amount of the Base Culture, the recoverable amounted which were lower than the carrying amounts of the CGU and leading to fully impairment charge of RMB0.30 billion on goodwill for the year ended 31 December 2023. The impairment provision arose in the Base Culture as a result of deterioration in expected profitability in the changing market environment during the year ended 31 December 2023.

During the year ended 31 December 2023, as the speed of project expansion was less than expected and management also decided to withdraw certain property management projects of NCPM Group as the profit margin and property management fee collection rate of these companies and projects were less than expected, leading to a decrease of value-in-use of NCPM Group as at 31 December 2023.

As at 31 December 2023, according to the management's estimation of the recoverable amount of NCPM Group with the assistance of an independent valuer, which was calculated based on its value-in-use, impairment of goodwill attributable to the Group of approximately RMB0.47 billion, was recognised for NCPM Group, resulting in a reduction in the carrying amount of the goodwill of NCPM Group to approximately RMB0.55 billion.

10 Intangible assets *(Continued)*

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

As at 31 December 2023, the recoverable amount of approximately RMB0.89 billion, which was calculated based on value-in-use calculation, exceeded the carrying amount of the tested group of CGUs (including goodwill) of Zhangtai Services by approximately RMB47.47 million.

For Zhangtai services, if the annual revenue growth rate used in value-in-use calculation had been 5% lower than management estimates as of 31 December 2023, the recoverable amount would be higher than the carrying amount by approximately RMB36.92 million. If the expected pre-tax discount rate had been 5% higher than management estimates as of 31 December 2023, the recoverable amount calculated would be higher than the carrying amount by approximately RMB10.40 million. If the profit margin used in value-in-use calculation had been 5% lower than management estimates as of 31 December 2023, the recoverable amount would be higher than the carrying amount by approximately RMB15.00 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 2023 RMB'000	31 December 2022 RMB'000
Joint ventures	**53,400,856**	58,327,840
Associates	**15,850,233**	17,375,156
	69,251,089	75,702,996

The share of profits/(losses) from investments accounted for using the equity method recognised in the comprehensive income were as follows:

	2023 RMB'000	2022 RMB'000
Share of profits of joint ventures, net	**1,870,950**	2,768,521
Share of profits/(losses) of associates, net	**989,819**	(36,621)
	2,860,769	2,731,900

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:

	2023 RMB'000	2022 RMB'000
At beginning of year	**58,327,840**	61,603,834
Increasing:		
– New investments in joint ventures	**940,530**	1,044,791
– Subsidiaries becoming joint ventures	**1,531,463**	414,125
Decreasing:		
– Disposal and capital decreasing of joint ventures (c)	**(6,917,869)**	(3,636,419)
– Impact on assets acquisition transactions	**(372,935)**	(1,871,038)
Share of profits of joint ventures, net	**1,870,950**	2,768,521
Dividends from joint ventures (b)	**(1,979,123)**	(1,995,974)
At end of year	**53,400,856**	58,327,840

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.

(b) Together with RMB0.76 billion dividends from associates (note 11.2), among which, substantial amounts were settled by offsetting against amounts due to relevant counterparties.

(c) For disposal of joint ventures and associates (note 11.2), the Group recorded cash inflow of RMB0.26 billion for the year ended 31 December 2023. The majority of the remaining consideration was settled by offsetting balances with relevant counterparties.

(i) The following table lists the principal joint ventures of the Group as at 31 December 2023 and 2022:

Name of joint ventures	Registered capital (RMB' million)	% of ownership interest 31 December 2023	% of ownership interest 31 December 2022	Principal activities
Hangzhou Xinda Aoti Real Estate Co., Ltd.	1,000	**40%**	50%	Real estate development
Yunnan Shili Sunac Cultural Tourism Co., Ltd.	100	**60%**	60%	Real estate development
Shanxi Tongjian Sunac Real Estate Co., Ltd	60	**49%**	49%	Real estate development
Chengdu Dirun Real Estate 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 2023 RMB'000	31 December 2022 RMB'000
Commitments – joint ventures		
Commitment to provide funding for joint venture's capital commitments	**4,213,799**	8,444,702

(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 2023 RMB'000	31 December 2022 RMB'000
Summarised balance sheet		
Current assets		
Cash and cash equivalents	**1,147,671**	774,491
Other current assets	**3,822,328**	7,632,452
Total current assets	**4,969,999**	8,406,943
Non-current assets	**156,557**	11,955
Current liabilities		
Financial liabilities (excluding trade payables)	**1,240,000**	1,750,000
Other current liabilities	**2,366,299**	4,143,467
Total current liabilities	**3,606,299**	5,893,467
Net assets	**1,520,257**	2,525,431

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	
	31 December 2023 RMB'000	31 December 2022 RMB'000
Reconciliation to carrying amounts:		
Opening net assets 1 January	**2,525,431**	2,105,540
(Loss)/profit for the year	**(285,174)**	1,469,891
Dividends declared	**(720,000)**	(1,050,000)
Closing net assets	**1,520,257**	2,525,431
Group's share in %	**40%**	50%
Carrying amount	**608,103**	1,262,716
Revenue	**3,623,139**	11,268,404
Income tax expense	**(125,883)**	(1,037,242)
(Loss)/profit for the year	**(285,174)**	1,469,891
Dividends from joint venture	**288,000**	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 2023 RMB'000	31 December 2022 RMB'000
Aggregate carrying amount of the Group's interests in these joint ventures	**52,792,753**	57,065,124

	2023 RMB'000	2022 RMB'000
The Group's share of post-tax profits, net	**2,013,537**	2,033,575
The Group's share of total comprehensive income	**2,013,537**	2,033,575

11.2 INVESTMENTS IN ASSOCIATES

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**17,375,156**	17,951,336
Increasing:		
– New investments in associates	**–**	899,499
– Subsidiaries becoming associates	**429,000**	1,664,758
Decreasing:		
– Disposal of associates	**(746,555)**	(2,009,238)
– Impact on asset acquisition transactions	**(1,434,506)**	–
Share of profits/(losses) of associates, net	**989,819**	(36,621)
Dividends from associates	**(762,681)**	(1,094,578)
At end of year	**15,850,233**	17,375,156

Note:

(a) As at 31 December 2023, 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 2023 and 2022, the Group had interests in the following principal associates:

Name of associates	Registered capital (RMB' million)	% of ownership interest 31 December 2023	31 December 2022	Principal activities
Wuhan Rong City Creation Investment Development Co., Ltd.	10	**50%**	50%	Real estate development
Qingdao Movie Metropolis Industrial Holding Group, Ltd	10	**49%**	49%	Movie Metropolis operation
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 2023 RMB'000	31 December 2022 RMB'000
Summarised assets and liabilities		
Current assets	**13,133,290**	10,191,154
Non-current assets	**78,398**	70,510
Current liabilities	**8,125,899**	5,445,081
Non-current liabilities	**760,422**	467,500
Equity attributable to equity holders of the associate	**4,325,367**	4,349,083

	Associate – A	
	2023 RMB'000	2022 RMB'000
Summarised profit or loss and other comprehensive income		
Revenue	**–**	5,046
Net losses attributable to equity holders of the associate	**(23,717)**	(97,719)
Total comprehensive losses attributable to equity holders of the associate	**(23,717)**	(97,719)

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 2023 RMB'000	31 December 2022 RMB'000
Equity attributable to equity holders of the associate	**4,325,367**	4,349,083
The Group's equity interest share	**50%**	50%
Interest in the associate	**2,162,684**	2,174,542
Carrying amount	**2,162,684**	2,174,542

Aggregate information of associates that are not individually material:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Aggregate carrying amount of the Group's interests in these associates	**13,687,550**	15,200,614

	2023 RMB'000	2022 RMB'000
The Group's share of post-tax profits, net	**1,001,678**	12,239
The Group's share of total comprehensive income	**1,001,678**	12,239

12 Deferred income tax

(I) DEFERRED TAX ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Deferred tax assets (hereafter "DTA")	**42,405,924**	39,848,585
– to be recovered within 12 months	**4,270,862**	3,936,162
– to be recovered after more than 12 months	**38,135,062**	35,912,423
Set-off of deferred tax liabilities pursuant to set-off provisions	**(8,923,337)**	(6,446,954)
Net DTA	**33,482,587**	33,401,631

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	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022	6,691,485	14,460,026	9,355,805	458,073	543,629	–	31,509,018
Adoption of the amendments to HKAS12 (note 2.1(iv))	–	–	–	–	–	183,287	183,287
At 1 January 2022 (restated)	6,691,485	14,460,026	9,355,805	458,073	543,629	183,287	31,692,305
Credited/(charged) to consolidated profit or loss	858,662	6,715,295	505,328	(24,500)	138,565	(21,622)	8,171,728
Acquisition of assets and liabilities through acquisition of subsidiaries	8,381	157,065	–	–	–	–	165,446
Disposal of subsidiaries	–	(180,894)	–	–	–	–	(180,894)
At 31 December 2022 (restated)	7,558,528	21,151,492	9,861,133	433,573	682,194	161,665	39,848,585
At 1 January 2023 (restated)	**7,558,528**	**21,151,492**	**9,861,133**	**433,573**	**682,194**	**161,665**	**39,848,585**
Credited/(charged) to consolidated profit or loss	**1,399,662**	**(1,890,383)**	**1,409,452**	**877,475**	**874,586**	**(18,760)**	**2,652,032**
Acquisition of assets and liabilities through acquisition of subsidiaries	**–**	**213,664**	**–**	**–**	**–**	**–**	**213,664**
Disposal of subsidiaries (note 41(B))	**–**	**(305,608)**	**(2,749)**	**–**	**–**	**–**	**(308,357)**
At 31 December 2023	**8,958,190**	**19,169,165**	**11,267,836**	**1,311,048**	**1,556,780**	**142,905**	**42,405,924**

12 Deferred income tax *(Continued)*

(II) DEFERRED TAX LIABILITIES

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Deferred tax liabilities (hereafter "DTL")	**24,517,696**	29,406,299
– to be settled within 12 months	**6,331,244**	8,202,490
– to be settled after more than 12 months	**18,186,452**	21,203,809
Set-off of deferred tax liabilities pursuant to set-off provisions	**(8,923,337)**	(6,446,954)
Net DTL	**15,594,359**	22,959,345

12 Deferred income tax *(Continued)*

(II) DEFERRED TAX LIABILITIES *(Continued)*

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	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	13,612,059	10,922,067	894,847	2,306,152	1,635,791	–	1,609,897	30,980,813
Adoption of the amendments to HKAS12 (note 2.1(iv))	–	–	–	–	–	183,287	–	183,287
At 1 January 2022 (restated)	13,612,059	10,922,067	894,847	2,306,152	1,635,791	183,287	1,609,897	31,164,100
(Credited)/charged to consolidated profit or loss	–	(318,983)	(151,145)	199,683	(348,638)	(21,622)	(35,206)	(675,911)
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	–	–	–	(2,976)	–	–	–	(2,976)
At 31 December 2022 (restated)	12,373,800	10,723,129	743,702	2,542,159	1,287,153	161,665	1,574,691	29,406,299
At 1 January 2023 (restated)	**12,373,800**	**10,723,129**	**743,702**	**2,542,159**	**1,287,153**	**161,665**	**1,574,691**	**29,406,299**
(Credited)/charged to consolidated profit or loss	**–**	**(1,341,662)**	**(379,354)**	**129,327**	**(640,113)**	**(62,165)**	**(371,566)**	**(2,665,533)**
Transfer to tax payable	**(2,188,794)**	**–**	**–**	**–**	**(67,159)**	**–**	**–**	**(2,255,953)**
Acquisition of assets and liabilities through acquisition of subsidiaries	**–**	**–**	**–**	**81,807**	**–**	**–**	**–**	**81,807**
Disposal of subsidiaries (note 41(B))	**–**	**–**	**–**	**(48,871)**	**–**	**–**	**(53)**	**(48,924)**
At 31 December 2023	**10,185,006**	**9,381,467**	**364,348**	**2,704,422**	**579,881**	**99,500**	**1,203,072**	**24,517,696**

13 Financial assets at fair value through profit or loss

	31 December 2023 RMB'000	31 December 2022 RMB'000
Listed equity securities	**8,663**	20,023
Unlisted equity securities	**10,552,646**	12,188,207
Debentures	**1,464,320**	1,907,745
	12,025,629	14,115,975

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 2023 RMB'000	31 December 2022 RMB'000
Fair value (losses)/gains on financial assets at FVPL	**(1,427,380)**	354,870
Gains/(losses) from disposal of financial assets at FVPL	**24,858**	(108,903)
Dividends from financial assets at FVPL	**–**	15,789

14 Properties under development

	31 December 2023 RMB'000	31 December 2022 RMB'000
Comprising:		
Land use rights costs	**300,515,835**	370,777,630
Construction costs and capitalised expenditures	**111,775,546**	151,046,618
Capitalised finance costs	**97,807,424**	93,920,188
	510,098,805	615,744,436
Less: provision for loss on realisable values	**(32,739,656)**	(28,624,434)
	477,359,149	587,120,002
Including: To be completed within 12 months	**153,759,986**	202,609,432
To be completed after 12 months	**323,599,163**	384,510,570
	477,359,149	587,120,002

The properties under development are all located in the PRC.

Costs to fulfil contracts carried forward from prior year of RMB98.05 billion was recognised as cost of good sales in the current reporting period.

At 31 December 2023, properties under development included the costs to fulfil contracts amounting to RMB120.32 billion.

Write-downs of properties under development amounted to RMB4.64 billion for the year ended 31 December 2023. 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 2023 RMB'000	31 December 2022 RMB'000
Completed properties held for sale	**114,411,421**	65,705,202
Less: Provision for loss on realisable value	**(15,189,201)**	(11,789,416)
	99,222,220	53,915,786

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

Costs to fulfil contracts carried forward from prior year of RMB14.28 billion was recognised as cost of good sales in the current reporting period.

At 31 December 2023, completed properties held for sale included the costs to fulfil contracts amounting to RMB52.20 billion.

Write-downs of completed properties held for sale amounted to RMB6.88 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 2023 RMB'000	31 December 2022 RMB'000
Non-current –		
Other receivables (iii)	**53,223**	65,433
Less: loss allowance (v)	**(2,465)**	(4,262)
	50,758	61,171
Current –		
Trade receivables from contracts with customers (i)	**4,179,618**	3,992,793
Amounts due from non-controlling interests and their related parties (ii)	**25,821,874**	29,729,420
Notes receivables	**49,718**	48,532
Deposits receivables	**6,105,497**	7,372,925
Other receivables (iii)	**22,292,493**	23,260,903
	58,449,200	64,404,573
Less: loss allowance (v)	**(5,630,675)**	(4,963,460)
	52,818,525	59,441,113

As at 31 December 2023 and 2022, 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 2023 RMB'000	31 December 2022 RMB'000
Within 90 days	**989,181**	1,954,481
91 – 180 days	**411,680**	333,652
181 – 365 days	**982,214**	405,619
Over 365 days	**1,796,543**	1,299,041
	4,179,618	3,992,793

(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, amounts due from equity investment partners and interest receivables.

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 2023, a provision of RMB0.79 billion (2022: RMB0.33 billion) 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 2023 RMB'000	31 December 2022 RMB'000
Non-current –		
Prepayments for equity transactions	**490,999**	2,227,644
Prepayments for purchases of PP&E	**39,888**	55,771
	530,887	2,283,415
Current –		
Prepayments for land use rights acquisitions	**6,032,386**	6,622,671
Prepaid value added taxes and other taxes	**5,923,545**	6,153,693
Prepayments for construction costs	**1,489,733**	1,437,815
Others	**1,576,003**	1,663,249
	15,021,667	15,877,428

18 Restricted cash

	31 December 2023 RMB'000	31 December 2022 RMB'000
Restricted cash from property pre-sale proceeds (i)	**10,767,475**	16,813,330
Restricted cash from special borrowings for guaranteed home delivery (ii)	**3,073,608**	4,727,620
Guarantee deposits as reserve for bank loans	**1,056,474**	2,165,188
Guarantee deposits for mortgage	**344,096**	313,219
Guarantee deposits for bank acceptance notes	**–**	103,726
Others	**2,325,095**	1,817,463
	17,566,748	25,940,546

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 2023 RMB'000	31 December 2022 RMB'000
Cash on hand and demand deposit:		
Denominated in RMB	**6,942,429**	11,569,662
Denominated in USD	**11,884**	16,780
Denominated in HKD	**101,697**	13,751
Denominated in SGD	**364**	935
	7,056,374	11,601,128

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 HKD'000	Equivalent to RMB'000
Authorised:			
As at 1 January 2022 and 31 December 2022, HKD0.1 per share	10,000,000	1,000,000	
Addition (i)	5,000,000	500,000	
As at 31 December 2023, HKD0.1 per share	15,000,000	1,500,000	
Issued and fully paid:			
As at 1 January 2022	4,996,884	499,690	429,113
Proceeds from placing of new shares (ii)	452,000	45,200	36,917
As at 31 December 2022	5,448,884	544,890	466,030
Shares issued upon the conversion of the Convertible Bonds (note 24(A))	2,947,126	294,713	268,175
As at 31 December 2023	**8,396,010**	**839,603**	**734,205**

Notes:

(i) Pursuant to the special shareholder meeting dated 30 June 2023, the number of authorised ordinary shares increased from 10,000,000,000 shares to 15,000,000,000 shares.

(ii) On 12 January 2022, the Company entered into a placing and subscription agreement to issue 452,000,000 placing shares at a price of HKD10.00 per share. The net proceeds from this placement after deducting related fees were approximately HKD4.48 billion (equivalent to approximately RMB3.66 billion).

21 Share-based payments

(A) SHARE OPTION SCHEME

The Company adopted a Post-IPO Share Option Scheme (the "2011 Share Option Scheme") on 29 April 2011 and a new Share Option Scheme (the "2014 Share Option Scheme") on 19 May 2014 respectively.

(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.

21 Share-based payments *(Continued)*

(A) SHARE OPTION SCHEME *(Continued)*

(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 2023 (2022: Nil).

The Group has no legal or constructive obligation to repurchase or settle all above mentioned options in cash.

As at 31 December 2022 and 2023, no share of the 2014 Share Option Scheme was 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)**	**HKD'000**	**Equivalent to RMB'000**
Balance at 1 January 2022, 31 December 2022 and 2023	76,325	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)	
	2023	2022
As at 1 January	**18,262**	18,933
Forfeited during the year	**(218)**	(671)
As at 31 December	**18,044**	18,262

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 and 2023, the financial impact of which was not material to the Group for the year of 2022 and 2023.

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 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 2023, 13,872,000 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 2023 was RMB19.70 million.

22 Reserves

	Note	Share premium RMB'000	Share option reserve RMB'000	Other RMB'000	Total RMB'000
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		–	–	(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
Year ended 31 December 2023					
At 1 January 2023		**7,481,851**	**2,582,367**	**20,290,155**	**30,354,373**
Transaction with non-controlling interests	39	**–**	**–**	**3,906,594**	**3,906,594**
Capital contributions from controlling shareholder		**–**	**–**	**120,477**	**120,477**
Share award scheme					
– Value of employee services	28	**–**	**38,467**	**–**	**38,467**
Shares issued upon the conversion of the Convertible Bonds	24(A)	**7,595,705**	**–**	**–**	**7,595,705**
Statutory reserves	(i)	**–**	**–**	**878,040**	**878,040**
At 31 December 2023		**15,077,556**	**2,620,834**	**25,195,266**	**42,893,656**

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 2023 RMB'000	31 December 2022 RMB'000
Non-current –		
Other payables (iv)	**55,624**	67,950
Current –		
Trade payables (i)	**109,523,789**	91,868,352
Notes payables (v)	**25,791,750**	30,427,842
Amounts due to non-controlling interests and their related parties (ii)	**24,505,637**	27,628,868
Interests payable	**23,278,904**	13,296,068
Other taxes payable	**11,378,425**	7,892,560
Considerations payables for acquisition of equity investments	**11,325,663**	11,413,930
Consideration payables arising from non-controlling shareholders' put option (iii)	**1,354,701**	1,305,001
Payroll and welfare payables	**1,218,486**	1,454,061
Other payables (iv)	**73,580,643**	71,680,369
	281,957,998	256,967,051

23 Trade and other payables *(Continued)*

Notes:

(i) At 31 December 2023, 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 2023 RMB'000	31 December 2022 RMB'000
Within 90 days	**28,364,386**	36,497,276
91–180 days	**8,137,013**	8,403,980
181–365 days	**17,501,182**	16,511,770
Over 365 days	**55,521,208**	30,455,326
	109,523,789	91,868,352

(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 2023, other payables mainly included value-added tax relevant to pre-sale of properties amounted to RMB10.97 billion (as at 31 December 2022, RMB17.98 billion). The remaining balances mainly included deposits from customers, cash advanced for potential equity investment and amount due to equity investment partners, deed tax and maintenance funds received on behalf of customers.

(v) As at 31 December 2023, the overdue notes payable is RMB25.79 billion.

24 Borrowings

	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current		
Secured,		
– Bank and other institution borrowings	**225,954,040**	203,213,820
– Senior notes (A)	**25,626,047**	53,531,981
– Corporate bonds (B)	**10,529,042**	10,896,803
– Private domestic corporate bonds (C)	**4,085,366**	3,191,882
– Convertible bonds (A)	**1,348,366**	–
	267,542,861	270,834,486
Unsecured,		
– Bank and other institution borrowings	**2,884,350**	15,996,152
– Private domestic corporate bonds (C)	**–**	971,580
	2,884,350	16,967,732
	270,427,211	287,802,218
Less: current portion of non-current borrowings (D)	**(173,793,349)**	(242,859,201)
	96,633,862	44,943,017
Current		
Secured,		
– Bank and other institution borrowings	**5,994,828**	7,601,521
Unsecured,		
– Bank and other institution borrowings	**1,411,534**	3,015,478
	7,406,362	10,616,999
Current portion of non-current borrowings (D)	**173,793,349**	242,859,201
	181,199,711	253,476,200
Total borrowings	**277,833,573**	298,419,217

24 Borrowings *(Continued)*

(A) OFFSHORE DEBT RESTRUCTURING

Effective on 20 November 2023, the offshore creditors fully discharged the existing debts of the Company amounting to approximately USD10.2 billion in exchange for the issue of the new senior notes (the "Senior Notes"), the convertible bonds, the mandatory convertible bonds and the transfer of the existing 14.7% of Sunac Services shares, pursuant to the offshore debt restructuring. In addition, the existing shareholder loan of USD450 million was discharged and USD450 million shareholder mandatory convertible bonds were issued. For the transfer of the existing 14.7% of Sunac Services shares, it did not result in a loss of control over Sunac Services, Sunac Services continues to be the Group's subsidiary and be consolidated in the consolidated financial statements of the Group.

The following table summarises the key terms of the Convertible Bonds and the Senior Notes.

Description	Principal amount USD'million	Key conversion features	Coupon interest rate	Maturity date
Convertible bonds (note)	1,000.00	Convertible during the first 12 months from 20 November 2023 with a conversion price of HKD20 per share	1% per annum	30 September 2032
Mandatory convertible bonds	2,750.00	Upfront conversion: Convertible within 10 business days from 20 November 2023 and from six months after 20 November 2023 at HKD6 per share. Ordinary conversion: Convertible within 10 business days after the date that is the second anniversary, the third anniversary and the fourth anniversary of the original issue date at volume-weighted average price of the 90 trading days but not less than HKD4 per share.	Not applicable	30 September 2028
Shareholder mandatory convertible bonds	450.00	The proportion of the shareholder convertible bond shall be mandatory converted into ordinary shares of the Company as the same or approximately the same as the proportion that the principal amount of the mandatory convertible bonds so converted bears to the total outstanding principal amount of the mandatory convertible bonds prior to such mandatory convertible bond conversion. The conversion price at which the shareholder convertible bond shall be converted shall be equal to the conversion price applicable to the mandatory convertible bonds so converted with respect to the relevant conversion of the mandatory convertible bonds.	Not applicable	30 September 2028
Senior Notes (note)	5,704.64			
Including:				
– Tranche A	500.00	Not applicable	5.00%/6.00% per annum	30 September 2025/2026
– Tranche B	500.00	Not applicable	5.25%/6.25% per annum	30 September 2026/2027
– Tranche C	1,000.00	Not applicable	5.50% per annum	30 September 2027
– Tranche D	1,500.00	Not applicable	5.75% per annum	30 September 2028
– Tranche E	1,500.00	Not applicable	6.00% per annum	30 September 2029
– Tranche F	704.64	Not applicable	6.25% per annum	30 September 2030

24 Borrowings *(Continued)*

(A) OFFSHORE DEBT RESTRUCTURING *(Continued)*

Note:

In the event the Company elects to extend the maturity of Tranche A and Tranche B of the Senior Notes, Tranche A and Tranche B will bear interest at a rate of 6.00% and 6.25% respectively from (but excluding) the original maturity date.

The interest of the Senior Notes should be payable semi-annually, entirely in cash (such interest, "Cash Interest"). If the Company elects to pay all or a portion of such interest in paid-in-kind interest (such interest, "PIK Interest") instead of Cash Interest during the first twelve-month period after 30 September 2023 (the "Interest Commencement Date"), such PIK Interest shall accrue at a rate that is 1 percentage point higher than the original interest rate per annum from the Interest Commencement Date, or from the most recent interest payment date to which Cash Interest or PIK Interest has been paid or duly provided for, payable on such interest payment date by increasing the principal amount of the Senior Notes by the amount of such PIK Interest accrued for such interest period.

If the Company elects to pay all or a portion of PIK Interest instead of Cash Interest during the second twelve-month period after the Interest Commencement Date. The Company shall pay Cash Interest at a rate of at least 2% per annum with the remaining portion of accrued and unpaid interest paid in PIK Interest and such PIK Interest shall accrue at a rate that is 1 percentage point higher than the original interest rate per annum from the Interest Commencement Date, or from the most recent interest payment date to which Cash Interest or PIK Interest has been paid or duly provided for, less the percentage points paid in Cash Interest, payable on such interest payment date by increasing the principal amount of the Senior Notes by the amount of such PIK Interest accrued for such interest period.

After 24 months from the Interest Commencement Date, the Company shall pay accrued interest on the Senior Notes in cash only.

From, and including, the Interest Commencement Date to, but excluding, the third anniversary of the Interest Commencement Date, the convertible bonds will bear PIK Interest at 1% per annum. From, and including, the third anniversary of the Interest Commencement Date to, but excluding, the maturity date (unless early redeemed, repurchased or converted), the Convertible Bonds will bear (i) PIK Interest at 1% per annum, plus (ii) Cash Interest at 1% per annum, payable semi-annually in arrears.

The offshore debt restructuring was regarded as a substantial modification under the relevant accounting standard. As a result, the existing debts of approximately USD10.2 billion and USD450 million, respectively were fully de-recognised. The following new financial liabilities were recognised at their fair values at the effective date of the offshore debt restructuring (i.e. 20 November 2023):

(1) USD1.0 billion convertible bonds – fair values of debt component and derivative component amounting to USD224.6 million and USD6.6 million, respectively;

(2) USD2.7 billion mandatory convertible bonds – fair value of derivative component amounting to USD1.3 billion;

(3) USD450 million shareholder mandatory convertible bonds – fair value of derivative component amounting to USD216.7 million; and

(4) USD5.7 billion new senior notes of Tranche A to F – aggregated fair values amounting to USD3.5 billion.

The fair values of these instruments recognised were within level 3 of fair value hierarchy.

24 Borrowings *(Continued)*

(A) OFFSHORE DEBT RESTRUCTURING *(Continued)*

The following table summarises the valuation method adopted and the quantitative information about the significant unobservable inputs used in fair value measurements of the financial instruments recognised in the offshore debt restructuring as at the date of the offshore debt restructuring.

Description	Fair value at the date of the modification USD'million	Valuation method	Significant unobservable inputs	Range of significant unobservable inputs
Convertible bonds	231.25	Option pricing	Expected volatility rate	57.52%
Including:		method and	Discount rate (risky)	20.79%
– Debt component	224.61	discounted	Discount rate (risk free)	4.58%
– Derivative component	6.64	cash flow model		
Mandatory convertible bonds	1,324.93	Monte-Carlo Simulation method	Expected volatility rate	63.86%
			Discount rate	4.50%
Shareholder mandatory convertible bonds	216.72	Monte-Carlo Simulation method	Expected volatility rate	63.86%
			Discount rate	4.50%
New senior notes	3,546.41	Discounted cash flow model	Discount rate	Range from 16.17% to 20.45%

Relationships of unobservable inputs to fair value are as follows:

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

The Directors considered that the fair values of the extension options exercisable by the Company in respect of certain interest payments of the new senior notes were insignificant to the Group and had not been recognised.

As a result of the abovementioned, gain on offshore debt restructuring of RMB31.5 billion was recognised in "other income and gains" (note 29) of the consolidated profit or loss and increases in other reserves attributable to owners of the Group and non-controlling interests (note 39) were recognised in the consolidated statement of changes in equity for the year ended 31 December 2023.

Subsequent to the initial recognition, the carrying amounts of the debt component of the convertible bonds and the new senior notes are measured at amortised cost; and the carrying amounts of the derivative components of the convertible bonds, the mandatory convertible bonds and the shareholder mandatory convertible bonds are measured at fair values.

24 Borrowings *(Continued)*

(A) OFFSHORE DEBT RESTRUCTURING *(Continued)*

Up to 31 December 2023, 17.2% and 69.2% holders of the convertible bonds and the mandatory convertible bonds respectively have exercised the options attached to the bonds to convert the respective bonds into 2,542,107,471 ordinary shares of the Company. In addition, the respective portion of shareholder mandatory convertible bonds were converted into 405,018,994 ordinary shares of the Company. The Directors considered that the fair values of the derivative components of the convertible bonds, the mandatory convertible bonds and the shareholder mandatory convertible bonds at conversion date were close to that as at the effective date of offshore debt restructuring such that the remeasured gain or loss was insignificant to the Group. As a result, the share capital and other reserves of the Group increased by RMB0.27 billion and RMB7.60 billion, respectively and the same amounts of financial liabilities of the bonds were derecognised. No gain or loss was recognised for the conversion for the year ended 31 December 2023.

As at 31 December 2023, the breakdown of outstanding Senior Notes and convertible bonds are shown as below:

	Carrying amount at amortised cost RMB Million	Outstanding principal and interest amount USD Million	Remaining maturity
Senior Notes, including:	25,626.05	5,800.54	
– Tranche A	2,813.40	507.50	1.8/2.8 years
– Tranche B	2,554.69	507.81	2.8/3.8 years
– Tranche C	5,112.94	1,016.25	3.8 years
– Tranche D	6,650.69	1,525.31	4.8 years
– Tranche E	6,009.25	1,526.25	5.8 years
– Tranche F	2,485.08	717.42	6.8 years
Convertible bonds	1,348.37	830.29	8.8 years

As at 31 December 2023, the Company remeasured the remaining derivative components of the convertible bonds, the mandatory convertible bonds and the shareholder mandatory convertible bonds at their fair values. As a result, the Group recognised changes in fair value on derivative financial instruments of RMB1.30 billion in "other income and gains" for the year ended 31 December 2023 (note 29). Refer to note 4(A) for the valuation techniques and significant inputs used in the fair value measurement of these derivative instruments.

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. 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	805,448	6.80%	9.3 years
01 April 2020	2,975,744	4.78%	5.7 years
27 May 2020	3,155,184	5.60%	6.5 years
19 January 2021	1,573,619	6.80%	5.9 years
02 April 2021	2,019,047	7.00%	5.7 years
	10,529,042		

(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 dates	Principal and extended interest amount RMB'000	Interest rate	Maturity
22 January 2016	25,299	6.80%	10.9 years
13 June 2016	1,444,609	7.00%	9.5 years
10 June 2020	1,000,000	6.50%	6.0 years
11 September 2020	1,325,252	6.48%	5.3 years
29 June 2021	290,206	7.00%	5.5 years
	4,085,366		

24 Borrowings *(Continued)*

(D) SHORT-TERM BORROWINGS

As at 31 December 2023, the Group had not repaid borrowings of approximately RMB109.06 billion in aggregate according to their scheduled repayment dates, and as a result, non-current borrowings of RMB32.86 billion in aggregate might be demanded for early repayment. These borrowings have been reclassified as current liabilities as at 31 December 2023 accordingly. In addition, current portion of long-term borrowings classified as current borrowings of approximately RMB8.78 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 RMB37.28 billion, the Group had not repaid borrowings in principal amount of RMB116.71 billion in aggregate according to their scheduled repayment dates. As a result, total borrowings in principal amount of approximately RMB43.55 billion in aggregate might be demanded for early repayment.

(E) LONG-TERM BORROWINGS

(i) The Group's long-term borrowings as at 31 December 2023 were repayable as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Between 1 and 2 years	**37,846,781**	19,138,673
Between 2 and 5 years	**45,259,040**	22,213,463
Over 5 years	**13,528,041**	3,590,881
	96,633,862	44,943,017

The weighted-average interest rate for the year ended 31 December 2023 was 7.55% (2022: 7.62%) 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 2023, the fair values of Senior Notes, Corporate Bonds, Private Bonds and Convertible Bonds amounted to RMB3.50 billion, RMB2.47 billion, RMB1.29 billion and RMB0.45 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 and convertible bonds were within level 1 of the fair value hierarchy and the fair values of Corporate Bonds and Private Bonds were within level 2 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 2023 RMB'000	31 December 2022 RMB'000
6 months or less	**13,887,987**	18,360,028
7 – 12 months	**27,038,975**	28,854,519
Over 12 months	**20,300,694**	13,677,341
	61,227,656	60,891,888

(iv) As at 31 December 2023, the Group's borrowings of RMB273.54 billion (2022: RMB278.44 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.

(v) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 December 2023 RMB'000	31 December 2022 RMB'000
RMB	**240,437,396**	221,989,882
USD	**35,717,867**	74,813,247
HKD	**1,678,310**	1,616,088
	277,833,573	298,419,217

25 Derivative financial instruments

	31 December 2023 RMB'000	31 December 2022 RMB'000
Financial liabilities		
Mandatory convertible bond (note 24(A))	**1,813,012**	–
Shareholder mandatory convertible bond (note 24(A))	**295,133**	–
	2,108,145	–

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.

As at 31 December 2023, the outstanding principal amounts of mandatory convertible bonds and shareholders mandatory convertible bonds amounted to USD0.85 billion and USD0.14 billion, respectively

26 Provisions

	31 December 2023 RMB'000	31 December 2022 RMB'000
Provisions for litigations (note 36(B))	**3,397,757**	1,082,947
Provisions for financial guarantee provided to joint ventures and associates (i)	**84,632**	58,802
Provisions for financial guarantee on mortgage (i)	**7,394**	50,326
	3,489,783	1,192,075

(i) Note 3.1(B) sets out the details about the calculation of the allowance for financial guarantee.

27 Expenses by nature

	2023 RMB'000	2022 RMB'000
Costs of properties sold	**132,544,336**	72,209,201
Value-added tax surcharges	**288,291**	896,767
Staff costs (note 28)	**5,917,553**	6,017,696
Net impairment losses on properties	**11,519,476**	11,905,530
Depreciation and amortisation (i)	**3,584,039**	3,189,150
Advertisement and promotion costs	**3,340,940**	3,056,373
Net impairment losses on financial assets (note 3.1 (B))	**2,524,972**	2,470,295
Professional service expenses	**371,976**	618,758
Auditors' remunerations (ii)		
– Audit services	**21,690**	21,690
– Non-audit services	**160**	160

(i) Depreciation and amortisation expense of RMB2.83 billion (for the year ended 31 December 2022: RMB2.38 billion) has been charged to "cost of sales" for the year ended 31 December 2023.

(ii) For the year ended 31 December 2023, 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

	2023 RMB'000	2022 RMB'000
Wages and salaries	**4,767,594**	4,806,825
Pension costs	**921,204**	812,555
Staff welfare	**190,288**	224,730
Share award granted to directors and employees (note 22)	**38,467**	173,586
	5,917,553	6,017,696

For the year ended 31 December 2023, the five individuals whose emoluments were the highest in the Group were all from Sunac Services. The emoluments to the five individuals during the year are as follows:

	2023 RMB'000
Wages and salaries	**7,112**
Discretionary bonus	**4,273**
Social insurance expenses, housing benefits and other employee benefits	**788**
Share award expenses	**6,399**
	18,572

29 Other income and gains

	2023 RMB'000	2022 RMB'000
Gains from offshore debt restructuring	**31,511,766**	–
Gains from disposal of subsidiaries	**1,605,570**	534,781
Interest income (i)	**1,523,303**	2,829,342
Net fair value gains on derivative financial instruments	**1,299,322**	–
Gains from disposal of joint ventures and associates	**617,249**	466,278
Net gains on disposal of financial assets at FVPL	**24,858**	–
Net changes in fair value gains on financial assets at FVPL	**–**	354,870
Others	**1,951,391**	1,602,476
	38,533,459	5,787,747

(i) Details of interest income are as follows:

	2023 RMB'000	2022 RMB'000
Interest income from related companies (note 42)	**1,452,655**	2,626,231
Other interest income	**70,648**	203,111
	1,523,303	2,829,342

30 Other expenses and losses

	2023 RMB'000	2022 RMB'000
Impairment provisions for PP&E	**11,602,617**	–
Net fair value losses on investment properties (note 8)	**3,946,872**	583,199
Provision for litigation	**2,314,810**	913,731
Losses from disposal of joint ventures and associates	**2,058,293**	4,161,174
Net fair value losses on financial assets at FVPL	**1,427,380**	–
Losses from disposal of subsidiaries	**1,220,115**	3,963,282
Losses from disposal of PP&E, investment properties, right-of-use assets and intangible assets	**929,341**	861,371
Impairment provision for goodwill and other intangible assets	**779,052**	472,167
Donations	**23,510**	16,546
Losses on project demolition	**–**	126,261
Losses from disposal of financial assets at FVPL	**–**	108,903
Losses on derivative financial instruments	**–**	77,983
Others	**771,662**	473,574
	25,073,652	11,758,191

31 Finance income and expenses

	2023 RMB'000	2022 RMB'000
Finance expenses:		
Interest expenses	**25,890,731**	24,784,091
Interest expenses for lease liabilities	**50,896**	56,936
Less: capitalised finance costs	**(20,993,805)**	(18,904,659)
	4,947,822	5,936,368
Net exchange losses	**1,352,039**	6,847,848
	6,299,861	12,784,216
Finance income:		
Interest income on bank deposits	**(239,153)**	(781,485)
	6,060,708	12,002,731

The capitalisation rate used to determine the amount of the interests incurred eligible for capitalisation in 2023 was 7.24% (2022: 7.54%) per annum.

32 Income tax expenses/(credits)

	2023 RMB'000	2022 RMB'000
Corporate income tax ("CIT")		
– Current income tax	**5,899,927**	4,851,022
– Deferred income tax	**(5,317,565)**	(8,847,639)
	582,362	(3,996,617)
Land appreciation tax ("LAT")	**4,695,208**	2,584,993
	5,277,570	(1,411,624)

32 Income tax expenses/(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:

	2023 **RMB'000**	2022 RMB'000
Loss before income tax	**(5,133,920)**	(31,303,603)
Income tax calculated at the PRC tax rate 25% (2022: 25%)	**(1,283,480)**	(7,825,901)
Impact of gains from offshore debt restructuring	**(7,877,941)**	–
Difference in overseas tax rates	**1,251,238**	2,301,931
Difference in tax rates change	**(31,022)**	(47,054)
LAT	**(1,173,802)**	(646,248)
Tax effect of amounts which are not deductible in calculating taxable income:		
– Entertainment expenses	**16,251**	18,590
– Staff welfare	**133,125**	18,588
– Penalty	**1,124**	1,155
– Others	**1,548,086**	751,878
Effects of share of profits of investments accounted for using equity method, net	**(715,192)**	(682,975)
Tax on temporary differences for which no DTA were recognised	**3,598,639**	1,857,178
Tax on losses for which no DTA were recognised	**1,559,914**	771,892
Utilisation of tax losses with no DTA recognition	**(118,185)**	(176,365)
Write-off of tax timing difference for which DTA was recognised in prior years	**4,313,720**	24,120
Dividends tax for distributable profits of PRC subsidiaries	**(640,113)**	(363,406)
	582,362	(3,996,617)

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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.

Income tax expenses/(credits) 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 2023 was 25% (2022: 25%).

(A) CIT *(Continued)*

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 2023 RMB'000	31 December 2022 RMB'000
Unused tax losses for which no deferred tax asset has been recognised	**11,855,239**	6,493,896
Potential tax benefit	**2,963,810**	1,623,474

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 RMB2,964 million (2022: RMB1,623 million) in respect of accumulated losses amounting to RMB11,855 million (2022: RMB6,494 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 RMB152 million, RMB98 million, RMB2,407 million, RMB2,958 million and RMB6,240 million, as at 31 December 2023 will expire respectively in 2024, 2025, 2026, 2027 and 2028.

(C) UNRECOGNISED TEMPORARY DIFFERENCES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Temporary differences for which DTA have not been recognised	**47,987,341**	33,592,786
Unrecognised DTA	**11,996,835**	8,398,196

As of 31 December 2023, the Group had deductible temporary differences of RMB47.99 billion (2022: RMB33.59 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.

32 Income tax expenses/(credits) *(Continued)*

(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).

	2023	2022
Loss attributable to owners of the Company (RMB'000)	**(7,968,963)**	(27,669,007)
Weighted-average number of ordinary shares in issue (thousand)	**5,651,547**	5,434,024
Adjusted for shares repurchased for share award scheme (thousand)	**(76,325)**	(76,325)
Weighted-average number of ordinary shares for basic loss per share (thousand)	**5,575,222**	5,357,699

(B) DILUTED

For the years ended 31 December 2023 and 2022, 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 (USED IN)/GENERATED FROM OPERATIONS

	Note	2023 RMB'000	2022 RMB'000
Loss before income taxes		**(5,133,920)**	(31,303,603)
Adjustments for:			
– Finance costs		**26,693,636**	31,009,087
– Gains from offshore debt restructuring	29	**(31,511,766)**	–
– Interest income	29	**(1,523,303)**	(2,829,342)
– Net fair value (gains)/losses on derivative financial instruments	29, 30	**(1,299,322)**	77,983
– Net (gains)/losses from disposal of subsidiaries	29, 30	**(385,455)**	3,428,501
– Net (gains)/losses from disposal of financial assets at FVPL	29, 30	**(24,858)**	108,903
– Provision for impairment of PP&E	30	**11,602,617**	–
– Net fair value losses on investment properties	30	**3,946,872**	583,199
– Provision for litigations	30	**2,314,810**	913,731
– Net losses from disposal of joint ventures and associates	29, 30	**1,441,044**	3,694,896
– Net fair value losses/(gains) on financial assets at FVPL	29, 30	**1,427,380**	(354,870)
– Losses from disposal of PP&E, investment properties, land use rights and other intangible assets	30	**929,341**	861,371
– Provision for impairment of goodwill and other intangible assets	30	**779,052**	472,167
– Net impairment losses on financial assets	27	**2,524,972**	2,470,295
– Depreciation		**3,374,925**	2,934,252
– Amortisation of intangible assets		**209,114**	254,898
– Value of employee services	28	**38,467**	173,586
– Share of profits of joint ventures and associates, net	11	**(2,860,769)**	(2,731,900)
– Dividends from financial assets at FVPL		**–**	(15,789)
Changes in working capital:			
– Restricted cash		**5,990,939**	17,524,571
– PUDs and CPHFS, net		**69,305,085**	20,313,008
– Inventories		**423,366**	(133,586)
– Trade and other receivables and prepayments		**2,079,327**	2,148,335
– Contract costs		**2,039,931**	224,444
– Contract liabilities		**(134,949,740)**	(24,699,303)
– Trade and other payables		**26,526,859**	(3,486,083)
– Amount due to/from related companies, net		**1,671,353**	39,614
Cash (used in)/generated from operations		**(14,370,043)**	21,678,365

34 Cash flow information *(Continued)*

(B) NON-CASH TRANSACTIONS

Except for those disclosed elsewhere in the consolidated financial statements, major non-cash activities include:

- Offshore debt restructuring (note 24 (A)).
- Settlements to certain suppliers of approximately RMB11.38 billion by the Group's CPHFS.

(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	**2023** **RMB'000**	2022 RMB'000
Cash and cash equivalents	19	**7,056,374**	11,601,128
Borrowings – repayable within one year	24	**(181,199,711)**	(253,476,200)
Borrowings – repayable after one year	24	**(96,633,862)**	(44,943,017)
Lease liabilities	9	**(571,619)**	(646,658)
Net debt		**(271,348,818)**	(287,464,747)
Cash and cash equivalents	19	**7,056,374**	11,601,128
Gross debt – fixed interest rates	3	**(217,177,536)**	(238,173,987)
Gross debt – variable interest rates	3	**(61,227,656)**	(60,891,888)
Net debt		**(271,348,818)**	(287,464,747)

34 Cash flow information *(Continued)*

(C) NET DEBT RECONCILIATION *(Continued)*

	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 2022	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	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)**
Cash flows	**(4,802,616)**	**7,221,453**	**(26,529,484)**	**101,110**	**(19,206,921)**	**(24,009,537)**
Changes arising from disposal of subsidiaries (note 41)	**236,412**	**2,720,140**	**1,023,380**	**–**	**3,743,520**	**3,979,932**
Effect of offshore debt restructuring (note 24(A))	**–**	**62,334,896**	**(24,731,812)**	**–**	**37,603,084**	**37,603,084**
Acquisition – leases	**–**	**–**	**–**	**(73,685)**	**(73,685)**	**(73,685)**
Disposal – leases	**–**	**–**	**–**	**47,614**	**47,614**	**47,614**
Foreign exchange adjustments	**21,450**	**–**	**(1,452,929)**	**–**	**(1,452,929)**	**(1,431,479)**
Net debt as at 31 December 2023	**7,056,374**	**(181,199,711)**	**(96,633,862)**	**(571,619)**	**(278,405,192)**	**(271,348,818)**

35 Commitments

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Contracted but not provided for		
– PUDs and CPHFS	**149,486,540**	175,969,065
– PP&E	**7,294,107**	8,472,346
– Investment properties	**658,045**	660,288
– Right-of-use assets	**83,421**	268,991
	157,522,113	185,370,690

(B) EQUITY INVESTMENTS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Contracted but not provided for	**574,766**	772,273

36 Contingent liabilities

(A) FINANCIAL GUARANTEE

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	**79,981,823**	102,094,067

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

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

In addition, the Group had provided guarantees for certain joint ventures and associates for their borrowings amounted to RMB32.39 billion (2022: RMB31.52 billion) together with the equity investment partners on pro rata basis.

(B) LITIGATION

Up to the date of approval of these consolidated financial statements, various parties have filed litigation against the Group for the settlement of unpaid borrowings, outstanding construction and daily operation payables, delayed delivery of projects and other matters. Among them, there were about 330 cases with individual amounts exceeding RMB50 million, and the aggregated amounts of these cases amounted to approximately RMB125 billion, which mainly includes unpaid borrowings and outstanding construction payables. The Directors have assessed the impact of the litigation on the consolidated financial statements for the year ended 31 December 2023 and accrued provisions in the Group's consolidated financial statements. The Group is also actively negotiating with the relevant creditors and seeking various ways to resolve these litigation.

37 Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Current –		
PUDs	**263,342,723**	142,187,739
CPHFS	**54,679,857**	13,588,761
Restricted cash	**–**	551,000
Total current assets pledged as security	**318,022,580**	156,327,500
Non-current –		
PP&E	**54,379,848**	37,315,627
Investment properties	**21,707,461**	22,387,226
Right-of-use assets	**10,361,235**	5,300,981
Financial assets at FVPL	**9,558,755**	10,523,016
Total non-current assets pledged as security	**96,007,299**	75,526,850

As at 31 December 2023, the seized assets of the Group totalled RMB110.96 billion, which certain assets involved in pledges.

38 Financial instruments by category

	31 December 2023 RMB'000	31 December 2022 RMB'000
Financial assets at amortised cost		
– Trade and other receivables	**52,869,283**	59,502,284
– Restricted cash	**17,566,748**	25,940,546
– Cash and cash equivalents	**7,056,374**	11,601,128
– Amounts due from related companies	**70,393,635**	63,422,584
Financial assets at FVPL	**12,025,629**	14,115,975
	159,911,669	174,582,517
Financial liabilities at amortised costs		
– Borrowings	**277,833,573**	298,419,217
– Amounts due to related companies	**46,758,490**	42,876,511
– Trade and other payables	**269,416,711**	247,688,380
– Lease liabilities	**571,619**	646,658
Financial liabilities at FVPL		
– Derivative financial instruments	**2,108,145**	–
	596,688,538	589,630,766

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

Pursuant to the offshore debt restructuring described in note 24(A), the offshore creditors of the Company discharged proportion of existing debts in exchange for the transfer of the existing 14.7% of Sunac Services shares, which resulted in the increase in non-controlling interest of the Group amounted to RMB1.18 billion and net increase in other reserves attributable to the owners of the Company of RMB4.32 billion.

In addition to 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 RMB1.10 billion and net decrease in net assets attributable to the owners of the Company of RMB0.41 billion. The net consideration was totalled RMB1.51 billion.

40 Asset acquisition

During the year ended 31 December 2023, the Group acquired equity interests of several property development companies from third parties, at a total consideration of RMB3.80 billion. Substantially all consideration was settled by offsetting amounts due to relevant counterparties. 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	1,082,162
Goodwill disposed	(1,427)
Fair value of the remaining equity interest held by the Group at disposal	1,960,463
Less: carrying value of the disposed subsidiaries	(2,655,743)
Net gains from disposal of subsidiaries	385,455

41 Disposal of subsidiaries *(Continued)*

(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	3,130,906
Right-of-use assets	720,092
Intangible assets	248,881
Investments accounted for using the equity method	811,653
DTA	308,357
Current assets	
PUDs	14,103,860
CPHFS	1,196,481
Inventories	16,375
Restricted cash	513,482
Cash and cash equivalents	115,849
Other current assets	5,286,560
Non-current liabilities	
Borrowings	(1,023,380)
DTL	(48,924)
Current liabilities	
Borrowings	(2,720,140)
Other current liabilities	(17,942,445)
Net assets	4,717,607
Less: non-controlling interests	(2,061,864)
Carrying value of the equity owned by the Group	2,655,743

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 2023	352,261
Cash of the subsidiaries disposed	(115,849)
Net cash impact	236,412

(D) The Group disposed of 54% interest in a subsidiary, principally engaged in property development for the year ended 31 December 2023. The disposal resulted a loss on control over the entity. As a result, net assets of RMB0.58 billion (mainly consisted of PUDs and CPHFS total amount of RMB4.34 billion and contract liabilities of RMB3.03 billion) and non-controlling interest of RMB1.48 billion were derecognised as at the date of disposal. The gains on disposal of the entity amounted to RMB0.90 billion for the year ended 31 December 2023.

The Group disposed of 35.7% interest in a subsidiary, principally engaged in operation of culture and tourism assets at a consideration of RMB0.12 billion for the year ended 31 December 2023. The disposal resulted a loss on control over the entity and the Group has held 34.3% remaining interest in that entity since then and accounted for it as an investment in a joint venture. As a result, net assets of RMB1.53 billion (mainly consisted of PP&E and right-of-use assets) were derecognised and an investment in a joint venture of RMB1.30 billion was recognised as at the date of disposal. The loss on disposal of the entity amounted to RMB0.10 billion for the year ended 31 December 2023.

Except the above, the Group had no individually material disposals for the year ended 31 December 2023.

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 (paid to)/received from related parties

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cash paid to joint ventures and associates	**(5,674,818)**	(46,044,311)
Cash received from joint ventures and associates	**7,958,446**	52,166,705
	2,283,628	6,122,394

(ii) Rendering of services and interest income

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Nature of transaction		
Joint ventures:		
– Interest income	**1,073,306**	2,192,347
Associates		
– Interest income	**379,349**	433,884

Interest income is charged at interest rates as specified in note 42(D) on the outstanding balances.

Except for above transactions, the Group provides property management services, fitting and decoration services to the related companies which the income are charged at rates in accordance with respective contracts.

42 Related party transactions *(Continued)*

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries and other short-term benefits	**15,651**	27,322
Share Award Scheme	**6,938**	62,571
	22,589	89,893

(D) RELATED PARTIES BALANCES

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Amounts due from joint ventures		
– Interest free	**53,306,044**	39,888,120
– Interest bearing	**9,058,814**	15,058,697
– Interest receivables	**4,597,965**	3,714,672
– Trade receivables	**2,011,882**	4,863,362
	68,974,705	63,524,851
Less: loss allowance (note 3.1(B))	**(5,637,749)**	(4,505,618)
	63,336,956	59,019,233
Amounts due from associates		
– Interest free	**3,583,081**	1,062,935
– Interest bearing	**2,784,234**	2,686,223
– Interest receivables	**1,185,183**	815,646
– Trade receivables	**44,032**	174,706
	7,596,530	4,739,510
Less: loss allowance (note 3.1(B))	**(539,851)**	(336,159)
	7,056,679	4,403,351
Amounts due to joint ventures	**39,345,890**	33,217,022
Amounts due to associates	**7,217,600**	6,331,787
Amounts due to immediate controlling shareholder and key managements	**195,000**	3,327,702
	46,758,490	42,876,511
Shareholder mandatory convertible bond (note 24(A) and 25)	**295,133**	–

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 3.75% to 14.00% per annum for the year ended 31 December 2023 (2022: 2% to 14%).

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

Loans from key management were unsecured, interest-free and repayable on demand.

43 Dividends

No dividend was paid in 2023. No final dividend was recommended in respect of the year ended 31 December 2023.

44 Events after the consolidated balance sheet date

(A) RESTRUCTURING COOPERATION OF THE TARGET COMPANY

On 8 February 2024, Sunac Real Estate, Global Sunac Exhibition & Travel Group Co., Ltd. (環球融創會展文旅集團有限公司), Chengdu Minglu Enterprise Management Consulting Co., Ltd. (成都銘麓企業管理諮詢有限公司) (collectively, the "Sunac Parties"), Guotou Zhongdian (Xianyang) Science Park Co., Ltd.* (國投中電(咸陽)科技園有限公司) ("GTZD") and the relevant parties entered into an agreement, pursuant to which, GTZD agreed to take up 70% equity interest in and the debts of Sichuan Sancha Lake International Tourism Resort Co., Ltd. (四川三岔湖長島國際旅遊度假中心有限公司) (the "Target Company", a subsidiary of the Group) by way of the restructuring cooperation at the total consideration of approximately RMB3.97 billion. Upon completion of the above transactions, the Group no longer controls the Target Company and its results are not included into the consolidated financial statements of the Group.

(B) DISPOSAL OF SHIJIAZHUANG CENTRAL BUSINESS DISTRICT PROJECT

On 18 March 2024, Shijiazhuang Heya Real Estate Development Co., Ltd. (石家莊和雅房地產開發有限公司) ("Shijiazhuang Heya", an indirect wholly-owned subsidiary of the Company), Shijiazhuang Zhengtai Construction Development Co., Ltd. (石家莊正太建設發展有限公司) (the "Cooperation Partner") and Shijiazhuang Central Business District Development Co., Ltd. (石家莊市中央商務區開發有限公司) ("Central Business District", a joint venture of the Group) entered into an agreement, pursuant to which, the Cooperation Partner agreed to take up 80% equity interest in the Central Business District at the consideration of approximately RMB814 million. Immediately after completion of the disposal, Central Business District will cease to be a joint venture of the Group.

45 Balance sheet and reserve movement of the Company

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**25,723,961**	25,723,961
Current assets			
Amounts due from subsidiaries		**63,602,379**	60,396,652
Other receivables		**775**	910
Restricted cash		**–**	2,808
Cash and cash equivalents		**85,898**	70,408
		63,689,052	60,470,778
Total assets		**89,413,013**	86,194,739
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	**734,205**	466,030
Other reserves	(A)	**19,020,768**	11,406,294
Retained earnings/(accumulated losses)	(A)	**24,431,836**	(8,529,264)
Total equity		**44,186,809**	3,343,060
Liabilities			
Non-current liabilities			
Derivative financial instruments	25	**2,108,145**	–
Borrowings		**27,677,106**	–
		29,785,251	–
Current liabilities			
Borrowings		**1,392,358**	65,646,895
Other payables		**190,781**	4,678,404
Amounts due to subsidiaries		**13,857,814**	12,526,380
		15,440,953	82,851,679
Total liabilities		**45,226,204**	82,851,679
Total equity and liabilities		**89,413,013**	86,194,739

The balance sheet of the Company was approved by the Board of Directors on 27 March 2024 and were signed on its behalf.

Sun Hongbin
Director

Wang Mengde
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	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
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
Year ended 31 December 2023					
At 1 January 2023	**7,481,851**	**2,508,095**	**1,416,348**	**(8,529,264)**	**2,877,030**
Profit for the year	**–**	**–**	**–**	**32,961,100**	**32,961,100**
Share award scheme:					
– Value of employee services	**–**	**18,769**	**–**	**–**	**18,769**
Shares issued upon the conversion of the Convertible Bonds	**7,595,705**	**–**	**–**	**–**	**7,595,705**
At 31 December 2023	**15,077,556**	**2,526,864**	**1,416,348**	**24,431,836**	**43,452,604**

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 2023:						
Directors:						
Sun Hongbin	–	340	–	–	–	–
Wang Mengde	–	443	–	1,055	44	55
Jing Hong	–	673	–	762	63	94
Tian Qiang	–	876	–	762	162	180
Huang Shuping	–	686	–	469	46	77
Sun Zheyi	–	1,576	–	352	68	88
Chi Xun (Resigned on 13 April 2023)	–	100	–	–	42	85
Shang Yu (Resigned on 13 April 2023)	–	143	–	–	48	58
Poon Chiu Kwoh	405	–	–	–	–	–
Zhu Jia	405	–	–	–	–	–
Ma Lishan	360	–	–	–	–	–
Yuan Zhigang	360	–	–	–	–	–
Lam Wai Hon (Appointed on 20 November 2023)	41	–	–	–	–	–
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
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
Huang Shuping	–	696	–	3,345	39	72
Sun Zheyi	–	2,409	–	2,359	63	86
Poon Chiu Kwoh	387	–	–	–	–	–
Zhu Jia	387	–	–	–	–	–
Ma Lishan	344	–	–	–	–	–
Yuan Zhigang	344	–	–	–	–	–

(i) As at 31 December 2023, accumulated 9.77 million award shares have been granted to five executive Directors, of which 1.11 million award shares (accounting for 11%) have been released on 31 March 2020, 2.06 million award shares (accounting for 21%) have been released on 31 March 2021 and the remaining 6.60 million award shares (accounting for 68%) will be released after 2023.

46 Benefits and interests of directors *(Continued)*

For the years ended 31 December 2023 and 2022, 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 2023 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 2023 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 2023		31 December 2022		
			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

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 2023		31 December 2022		
			Directly	**Indirectly**	Directly	Indirectly	
Incorporated in Hong Kong, limited liability company:							
Lead Perfect (HK) Investment Limited	19 June 2018	USD333.33 million	–	**100%**	–	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
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

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 2023		31 December 2022		
			Directly	Indirectly	Directly	Indirectly	
Incorporated in the PRC, limited liability company: (Continued)							
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	RMB222 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%	Investment and operation culture and tourism project in Mainland China
Sunac (Shenzhen) Cultural Tourism Operation Management Co., Ltd.	25 October 2018	RMB2,000 million	–	**100%**	–	100%	Cultural and 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

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 2023		31 December 2022		
			Directly	**Indirectly**	Directly	Indirectly	
Incorporated in the PRC, limited liability company: (Continued)							
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
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	RMB4,000 million	**–**	**24%**	–	24%	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
Shanghai Mintou Real Estate Co., Ltd.	22 December 2020	RMB5 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 2023		31 December 2022		
			Directly	**Indirectly**	Directly	Indirectly	
Incorporated in the PRC, limited liability company: (Continued)							
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	RMB10 million	**–**	**100%**	–	100%	Real estate development in Mainland China
Shanxi Sunac Jiye Real Estate Development Co., Ltd.	1 July 2021	RMB70 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
Chengdu Rongchuang Yuxue Cultural Tourism Development Co., Ltd.	27 October 2020	RMB10 million	**–**	**100%**	–	100%	Investment and operation culture and tourism project in Mainland China
Guangzhou Bonski Tourism Development Co., Ltd.	28 August 2023	RMB1 million	**–**	**100%**	–	100%	Investment and operation culture and tourism project 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 2023, the directors of the Company considered that none of the subsidiaries had material non-controlling interests to the Group.

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