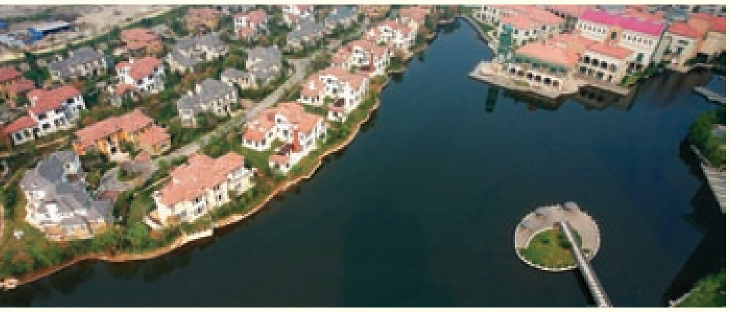
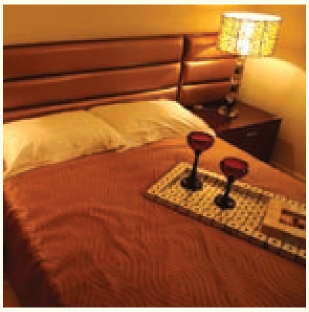
融創中國控股有限公司
SUNAC CHINA HOLDINGS LIMITED
（於開曼群島註冊成立的有限責任公司）
(incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2010 年度報告

至臻，致遠
PASSION FOR PERFECTION

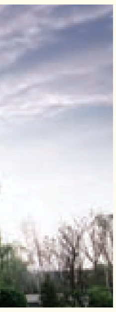

About SUNAC
關於融創

SUNAC China Holdings Limited ("SUNAC") is an integrated residential and commercial property developer. To date, the Company has engaged in project developments in the Bohai-rim, South Jiangsu and Chengdu-Chongqing regions, which are currently in different phases and has covered a diverse range of property types, such as high-rise and mid-rise residences, detached villas, retail properties, offices and parking spaces.

The Company focuses on high-end property development and management business. Guided by its brand positioning as "To perfect, to reach far", the Company has long been providing high-end products to customers. With the aim of becoming leader of real estate industry in China, the Company's pursuit of high product and service quality never ends. It is always committed to providing desirable, elegant life experience to its customers through quality products and services With its accurate judgment of market trends, keen in sights into consumer demands and emphasis on high product quality, the Company is ready to adopt cutting-edge concepts at the right time to design and develop its projects, and has created an advanced quality control and supervisory system.

融創中國控股有限公司(簡稱：融創)是一家專業從事住宅及商業地產綜合開發的企業。迄今，公司在環渤海、成渝和蘇南城市群擁有眾多處於不同發展階段的項目，產品涵蓋高端住宅、別墅、商業、寫字樓等多種物業類型。

公司專注於高端物業的開發和管理，以"至臻，致遠"為品牌方向，持之以恆的為客戶專注打造高端精品物業，立志成為對高端品質不懈追求的房地產行業領跑者。公司用心為客戶提供大氣舒放、貴氣質感、富有品質的高端生活體驗，不懈追求具有恆久價值的優質產品和用心週到的服務。

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sun Hongbin *(Chairman and Chief Executive Officer)*
Mr. Li Shaozhong
Mr. Wang Mengde
Mr. Chi Xun
Mr. Shang Yu

Non-executive Directors

Ms. Hu Xiaoling
Mr. Zhu Jia

Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice
Mr. Li Qin
Mr. Ma Lishan

JOINT COMPANY SECRETARIES

Mr. Huang Shuping
Mr. Ngai Wai Fung
(resigned with effect from 13 December 2010)
Ms. Ma Sau Kuen Gloria
(appointed with effect from 13 December 2010)

AUTHORIZED REPRESENTATIVES

Mr. Wang Mengde
Mr. Ngai Wai Fung
(resigned with effect from 13 December 2010)
Ms. Ma Sau Kuen Gloria
(appointed with effect from 13 December 2010)

AUDIT COMMITTEE

Ms. Kan Lai Kuen, Alice *(Chairman)*
Mr. Li Qin
Mr. Ma Lishan

REMUNERATION COMMITTEE

Ms. Kan Lai Kuen, Alice *(Chairman)*
Mr. Sun Hongbin
Mr. Li Qin
Mr. Ma Lishan

NOMINATION COMMITTEE

Mr. Sun Hongbin *(Chairman)*
Ms. Kan Lai Kuen, Alice
Mr. Li Qin
Mr. Ma Lishan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

3/F, Building A3, Magnetic Plaza
Binshuixi Road, Nankai District
Tianjin 300381
PRC

REGISTERED OFFICE

Landmark Square
3rd Floor
64 Earth Close
P.O. Box 30592
Grand Cayman KY1-1203
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG SHARE REGISTRAR

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

LEGAL ADVISERS

As to Hong Kong law and U.S. law:
Paul, Hastings, Janofsky & Walker

As to Cayman Islands law:
Conyers Dill & Pearman

As to PRC law:
Jun He Law Offices
Jincheng Tongda & Neal Law Firm

COMPLIANCE ADVISOR

Anglo Chinese Corporate Finance, Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of China

STOCK CODE

1918

COMPANY'S WEBSITE

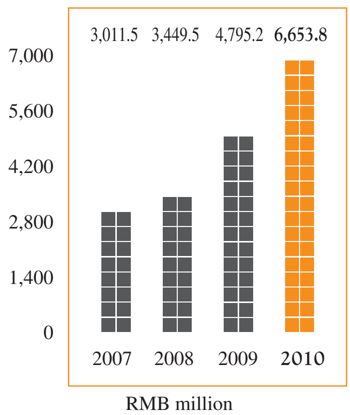
www.sunac.com.cn

Financial Summary

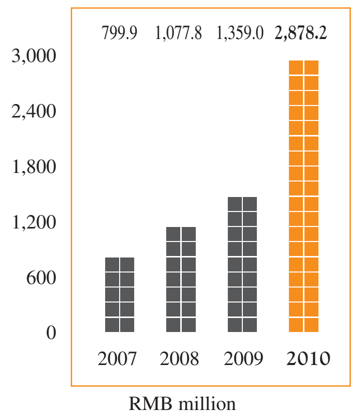
CONSOLIDATED RESULTS

	2010	2009	2008	2007
Revenue (RMB million)	6,653.8	4,795.2	3,449.5	3,011.5
Gross profit (RMB million)	2,878.2	1,359.0	1,077.8	799.9
Gross margin (%)	43.3%	28.3%	31.2%	26.6%
Profit for the year (RMB million)	1,541.0	871.0	476.9	213.0
Profit attributable to owners of the parent (RMB million)	1,542.2	825.1	495.6	174.4
Cash and cash equivalents (including restricted cash) (RMB million)	4,249.0	1,936.0	869.9	877.6

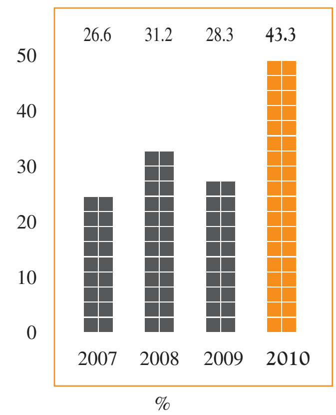
Revenue



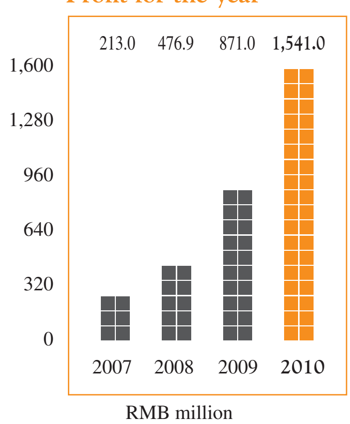
Gross Profit



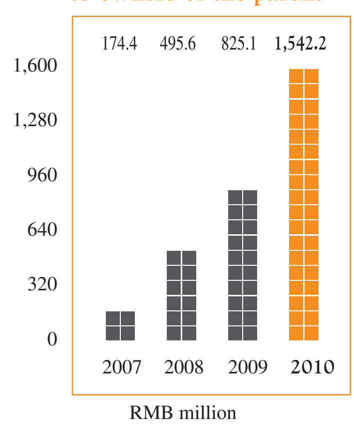
Gross Margin



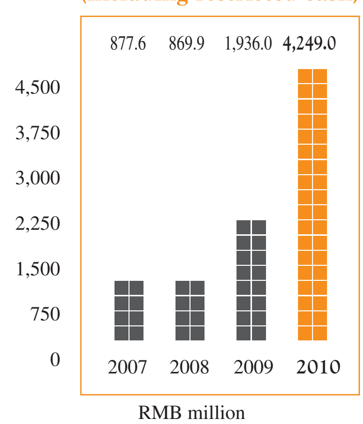
Profit for the year



Profit Attributable to owners of the parent



Cash and Cash Equivalents (including restricted cash)



Schedule of Principal Properties

Project summary as at 31 December 2010

Project	Location	Type of property product	Total site area (sq.m.)	Estimated aggregate GFA (sq.m.)	Estimated saleable/ Rentable GFA (sq.m.)	Interest attributable to us	Estimated completion time
Magnetic Capital	Tianjin	High-rise apartments, retail properties, offices, serviced apartments and parking spaces	460,840	1,240,733	1,179,522	100%	June 2015
Mind-Land International	Tianjin	High-rise apartments, detached villas, retail properties and parking spaces	497,501	809,734	745,676	100%	December 2013
Central of Glorious	Tianjin	High-rise apartments, townhouses, retail properties and parking spaces	14,608	64,738	62,977	100%	October 2012
Joy Downtown	Tianjin	Retail properties	25,234	56,615	55,960	100%	June 2006
Sunac Huafu	Tianjin	High-rise apartments, retail properties and parking spaces	70,633	256,735	256,735	100%	December 2014
East Fairyland	Beijing	Mid-rise apartments, retail properties and parking spaces	54,502	166,481	144,276	25%	November 2010
West Chateau	Beijing	Mid-rise apartments, retail properties and parking spaces	190,665	419,181	336,543	35%	September 2013
Changping Project	Beijing	High-rise apartments, mid-rise apartments, retail properties and parking spaces	63,940	132,549	103,541	60%	November 2012
Olympic Garden	Chongqing	High-rise and mid-rise apartments, townhouses, detached villas, retail properties and parking spaces	1,727,668	2,503,046	2,061,486	100%	June 2015
Asia Pacific Enterprise Valley	Chongqing	High-rise apartments, offices, retail properties and parking spaces	121,688	766,573	618,416	85%	November 2014
Swan Lake	Wuxi	High-rise and mid-rise apartments, townhouses, retail properties and parking spaces	733,889	1,361,342	1,256,924	100%	December 2014
Dream of City	Wuxi	High-rise and mid-rise apartments, townhouses, retail properties and parking spaces	570,182	1,033,090	945,659	100%	December 2014
Sunac 81	Suzhou	Townhouses, detached villas and retail properties	133,434	101,117	77,999	100%	December 2012
Royal Garden	Yixing	High-rise apartments, townhouses, detached villas, retail properties and parking spaces	268,945	463,325	393,164	100%	December 2014
Total			**4,933,729**	**9,375,258**	**8,238,879**		

Schedule of Principal Properties

Projects newly acquired by the Company in January 2011

Project	Location	Type of property product	Total site area (sq.m.)	Estimated aggregate GFA (sq.m.)	Estimated saleable/ Rentable GFA (sq.m.)	Interest attributable to us	Estimated completion time
Binhai New District Project	Tianjin	High-rise apartments, mid-rise apartments, townhouses, retail properties and parking spaces	121,412	304,454	309,289	100%	December 2012
University Town Project	Tianjin	High-rise and mid-rise apartments, townhouses, retail properties and parking spaces	268,425	715,136	710,769	100%	December 2014
Sunac Lushan	Chongqing	High-rise apartments, townhouses, retail properties and parking spaces	179,293	375,494	319,546	100%	December 2013
Total			**569,130**	**1,395,084**	**1,339,604**		

I. Completed Properties

Project	Location	Aggregate GFA (sq.m.)	Saleable/ rentable GFA (sq.m.)	Aggregate GFA unsold/ held for rental (sq.m.)	Saleable/ rentable GFA unsold/ held for rental (sq.m.)
Magnetic Capital	Tianjin	983,296	926,647	196,019	184,726
Mind-Land International	Tianjin	656,818	635,632	45,876	44,396
Joy Downtown	Tianjin	56,615	55,960	14,119	13,956
East Fairyland	Beijing	166,481	144,276	4,407	3,819
Olympic Garden	Chongqing	1,267,275	1,033,550	102,175	83,331
Asia Pacific Enterprise Valley	Chongqing	270,073	217,734	14,304	11,532
Swan Lake	Wuxi	634,623	584,540	72,898	67,145
Dream of City	Wuxi	369,081	341,385	38,527	35,636
Sunac 81	Suzhou	22,773	18,379	1,455	1,174
Total		**4,427,036**	**3,958,103**	**489,780**	**445,715**

II. Properties under Development

Project	Location	Estimated aggregate GFA (sq.m.)	Estimated saleable/ rentable GFA (sq.m.)	Estimated saleable/ rentable GFA not pre-sale/ held for rental (sq.m.)
Magnetic Capital	Tianjin	136,879	134,800	128,992
Mind-Land International	Tianjin	103,985	87,667	82,311
Central of Glorious	Tianjin	64,738	62,977	57,549
West Chateau	Beijing	233,339	199,939	199,939
Olympic Garden	Chongqing	346,896	289,781	222,345
Asia Pacific Enterprise Valley	Chongqing	165,312	129,741	49,585
Swan Lake	Wuxi	178,989	172,421	216,797
Dream of City	Wuxi	98,900	97,068	68,912
Sunac 81	Suzhou	78,344	59,620	46,465
Royal Garden	Yixing	39,000	25,971	25,971
Total		**1,446,382**	**1,259,984**	**1,098,867**

Schedule of Principal Properties

III. Properties to be Constructed (3 Projects newly acquired in January 2011 included)

Project	Location	Estimated aggregate GFA (sq.m.)	Estimated saleable/ rentable GFA (sq.m.)
Magnetic Capital	Tianjin	120,557	118,075
Mind-Land International	Tianjin	48,931	22,377
Binhai New District Project*	Tianjin	304,454	309,289
University Town Project*	Tianjin	715,136	710,769
Sunac Huafu	Tianjin	256,735	256,735
West Chateau	Beijing	185,842	136,604
Changping Project	Beijing	132,549	103,541
Olympic Garden	Chongqing	888,875	738,155
Asia Pacific Enterprise Valley	Chongqing	331,188	270,941
Sunac Lushan*	Chongqing	375,494	319,546
Swan Lake	Wuxi	547,730	499,963
Dream of City	Wuxi	565,109	507,206
Royal Garden	Wuxi	424,325	367,193
Total		**4,896,925**	**4,360,395**

* Projects acquired in January 2011.

Chairman's Statements

Dear Shareholders,

In 2009, the Company devoted its efforts to listing. During our listing preparation process, we expected our profit for 2009 to be RMB814 million, and we also proposed to acquire 10% equity interests in Tianjin Sunac Ao Cheng Investment Co., Ltd. ("Sunac Ao Cheng"), 49% equity interests in Wuxi Sunac Real Estate Co., Ltd. ("Wuxi Sunac Real Estate"), and additional 1 or 2 pieces of land, with the funds raised in listing. The reason that we did not purchase any land in 2009 when we had sufficient funds was we considered that the land market in 2009 was too hot. Besides, local governments had increased the land supply, which would be available in the market in the first half of 2010. Further, as a result of the overheated real estate market, the government's macro-economic control is expected. Therefore, acquiring land in 2010 would render us better opportunities than that in 2009. Although the listing was unsuccessful, we still have realized a profit of RMB825 million in 2009. Even without any proceeds from the listing, we have acquired 10% equity interests in Sunac Ao Cheng, 49% equity interests in Wuxi Sunac Real Estate, and 2 pieces of land for Royal Garden and Sunac Huafu, having completed our commitment to investors in the listing process.

During the listing in 2010, we projected the profit for the year to be RMB1,460 million. In answering why we chose to list under the most rigorous economic environment in the history, we considered that, when the PRC Government wanted to guarantee the land supply for affordable housing in first three quarters , the land supply for commodity properties between 2010 end and early 2011 would be released accordingly. Also, after considering the determination of the central government in regulating the property industry, we believed that the end of 2010 would be the best chance to acquire land and the funds raised would be used to acquire proper land in several existing target cities. In 2010, we exceeded our profit forecast, with a profit after tax for the year of RMB1,540 million. In the meantime, we, once again, seized the opportunity to have acquired land for Beijing Changping Project, Tianjin Binhai New District Project, Tianjin University Town Project, and Chongqing Sunac Lushan Project at appropriate prices. Among which, the land for Beijing Changping Project was acquired under the cooperation with Beijing Zhuzong Real Estate Development Co., Ltd. through a bidding process, while land for Tianjin Binhai New District Project and Tianjin University Town Project were acquired at the minimum prices.

In 2009 and 2010, we have achieved our operating objectives, demonstrating our precise estimation of the market and our strong ability of implementation.

In 2011, the PRC Government has implemented a series of more stringent macro-control measures. We consider that all these tightening policies imposed by the government, particularly the property-purchasing limitation and the target of constructing 10 million affordable houses a year, and together with the accountability mechanism to provide stability of housing prices, will have great impact to the real estate market. We will apply a prudent cash flow management, especially for achieving our preset goals of sales. Also, we believe that we will be able to meet targets for profit of this year. Meanwhile, we believe that the rigorous implementation of macro-control policy will also give rise to good investment opportunities in land market in this year. On the premise of ensuring the safety of cash flow, we will capitalise on favourable opportunities to acquire suitable quality lands in cities that we currently have operations.

Chairman's Statements

Through our years of strong commitment in maintaining a high-end property strategy, we strive to focus on the development of our selected four areas, Beijing, Tianjin, Chongqing and South Jiangsu. With our continuous realization and delivery of exquisite properties in these cities, the image of Sunac, being a high-end property developer, gains recognitions from clients in our existing markets. Meanwhile, focusing on these four regions will enable us to make more precise market projection and have a deeper understanding of our clients' needs.

The grand debut and sale of West Chateau project in this year will deliver another high-end project with extraordinary quality that filled with our dedications. It is a long-expected project of the Company. We welcome all of you to have a visit to our meticulous West Chateau project.

Sun Hongbin
Chairman and Chief Executive Officer

1 March 2011

Revenue

Sunac China Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") are focusing on development of real estate properties in five cities of China, namely Beijing, Tianjin, Chongqing, Wuxi and Suzhou. For the year ended 31 December 2010 (the "Reporting Period"), the revenue of our Group was substantially generated from sales of residential and commercial properties. Only a minor portion was derived from rental of investment properties located in Tianjin and the income from property management services business which was newly acquired in late March 2010.

Our revenue increased by RMB1,858.6 million, or 38.8%, from RMB4,795.2 million in 2009 to RMB6,653.8 million in 2010.

The following table shows certain details of sales:

	For the year ended 31 December			
	2010		2009	
	RMB'000	%	RMB'000	%
Sales of properties	**6,593,575**	**99.1**	4,777,031	99.6
Property-management service income	**40,952**	**0.6**	–	–
Rental income from investment properties	**19,232**	**0.3**	18,182	0.4
Total	**6,653,759**	**100**	4,795,231	100
Total gross floor area ("GFA") delivered (sq.m)	**711,521**		707,902	
Average selling prices ("ASP") per sq.m sold (RMB)	**9,267**		6,748	

This increase was due primarily to a 37.3% increase in the ASP per sq.m. sold from RMB6,748 per sq.m. in 2009 to RMB9,267 per sq.m. in 2010 as a result of (i) our general upgrade of property quality and (ii) the sale and delivery of products with high unit prices, such as offices in Phase 2 of Magnetic Capital Project, serviced apartments in Phase 3 of Magnetic Capital Project, and townhouses in Phase 6 of Olympic Garden Project. The total GFA delivered increased slightly by 0.5% from approximately 707,902 sq.m. in 2009 to approximately 711,521 sq.m. in 2010.

Cost of sales

Cost of sales comprises the costs we incur directly in relation to our property development activities as well as our leasing and property management operations.

Our cost of sales increased by RMB339.4 million, or 9.9%, from RMB3,436.2 million in 2009 to RMB3,775.6 million in 2010. This increase was primarily attributable to an 8.2% increase in average cost per sq.m. sold from RMB4,849 per sq.m. in 2009 to RMB5,246 per sq.m. in 2010, which was due primarily to (i) an increase in construction costs incurred in connection with our general upgrade of property quality, (ii) higher unit costs associated with higher-priced products such as serviced apartments and townhouses, and (iii) a general increase in construction cost as a result of inflation.

Gross profit

As a result of the foregoing, our gross profit increased significantly by RMB1,519.2 million from RMB1,359.0 million in 2009 to RMB2,878.2 million in 2010, representing a gross profit margin increase from 28.3% to 43.3%. This increase in gross profit margin primarily reflected the premium pricing of our upgraded properties and the generally higher margins of higher-priced products such as commercial properties, serviced apartments and townhouses.

Selling and marketing costs

Our selling and marketing costs increased by RMB40.8 million, or 60.0%, from RMB68.0 million in 2009 to RMB108.8 million in 2010. This increase in selling and marketing costs was mainly due to an increase in advertisement and promotion costs relating to the pre-sale of activities and stronger branding efforts in 2010.

Administrative expenses

Our administrative expenses increased by RMB42.2 million, or 37.1%, from RMB113.6 million in 2009 to RMB155.8 million in 2010. This increase in administrative expenses was due primarily to (i) increased staff costs as a result of increases in both average headcount and salary levels in 2010 compared to 2009 and (ii) various expenses incurred in moving our office in Chongqing and establishing a new local office to operate the Royal Garden project in Wuxi.

Other income

Our other income increased by RMB2.3 million, or 5.7%, from RMB40.6 million in 2009 to RMB42.9 million in 2010. This increase in other income was principally attributable to an increase in interest income of RMB13.6 million, which was due to a larger amount of average bank balance in 2010 as compared to 2009 and the proceeds from our initial public offering in 2010. Such increase was partially offset by a decrease of RMB12.0 million in investment income as a result of the repayment of certain entrusted loans in 2010 that were provided by Tianjin Sunac Zhidi Co., Ltd. ("Sunac Zhidi") to certain of our jointly controlled entities and associates.

Other expenses

Our other expenses decreased by RMB5.8 million, or 75.9%, from RMB7.6 million in 2009 to RMB1.8 million in 2010. This decrease in other expenses was due primarily to a RMB3.9 million decrease in compensation in connection with delivery of properties. We recorded compensation in connection with delivery of properties in the amount of RMB0.9 million in 2010, compared to RMB4.7 million in 2009. The decrease in other expenses was also due to a RMB2.1 million decrease in penalty charges from RMB2.1 million in 2009 to RMB19,000 in 2010.

Operating profit

As a result of the foregoing, our operating profit increased significantly by RMB1,387.5 million from RMB1,267.1 million in 2009 to RMB2,654.6 million in 2010. Our operating margin increased from 26.4% in 2009 to 39.9% in 2010.

Finance costs, net

Our net finance costs increased by RMB73.5 million, or 64.9%, from RMB113.3 million in 2009 to RMB186.8 million in 2010. This increase in net finance costs was mainly attributable to an increase in interest expenses on our total borrowings from RMB169.0 million in 2009 to RMB366.2 million in 2010, which was due primarily to (i) a larger amount of average borrowings to primarily finance our increased property development activities in 2010 and (ii) a higher weighted average effective interest rate in 2010 primarily because of the higher interest rates of certain non-bank borrowings obtained in 2010. Capitalized interest increased from RMB99.1 million in 2009 to RMB236.2 million in 2010 primarily because of our increased property development activities in 2010.

Share of profit of jointly controlled entities

Our share of profit of jointly controlled entities increased significantly by RMB26.7 million from RMB23.1 million in 2009 to RMB49.8 million in 2010. This increase principally represented an increase in profit of Chongqing Yuneng Real Estate (Group) Co., Ltd. ("Chongqing Yuneng Real Estate") in 2010, resulting primarily from the delivery of properties in Phase 3 of the Asia Pacific Enterprise Valley project in 2010.

Share of profit of associates

Our share of profit of associates decreased by RMB85.5 million, or 51.8%, from RMB164.9 million in 2009 to RMB79.4 million in 2010. This decrease was due primarily to a decrease in profit of Beijing Shouchi Yuda Real Estate Development Co., Ltd. ("Shouchi Yuda") in 2010 as the total GFA completed and delivered for its East Fairyland project in 2010 was lower than that in 2009, which was in line with the project development plan.

Profit

As a result of the foregoing, profit of the Group increased by RMB670.0 million or 76.9%, to RMB1,541.0 million for the Reporting Period, from RMB871.0 million for the same period in 2009. Between these periods, net profit margin of the Group increased from 18.2% to 23.2%.

The following table shows the profit attributable to owners of the parent and non-controlling interests respectively as of the dates indicated:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Profit for the year	**1,540,991**	871,044
Attributable to:		
Owners of the parent	**1,542,161**	825,062
Non-controlling interests	**(1,170)**	45,982
	1,540,991	871,044

Cash position

We operate in a capital intensive industry and have historically financed, and expect to continue to finance, our working capital, capital expenditures and other capital requirements through proceeds from the pre-sale and sale of properties, borrowings from commercial banks and other parties, capital contributions from shareholders and new share issuances. Our short-term liquidity requirements relate to servicing our debt and funding our working capital requirements, and our sources of short-term liquidity include cash balances, proceeds from pre-sales and sales of properties and new loans. Our long-term liquidity requirements relate to funding the development of our new property projects and repaying our long-term debt, and our sources of long-term liquidity include loans, capital contributions from shareholders and share issuances.

The Group's cash and cash equivalents (including restricted cash) increased by RMB2,313.0 million or 119.5%, to RMB4,249.0 million as of 31 December 2010, from RMB1,936.0 million as of 31 December 2009.

The Group had net cash used in operating activities of RMB1,577.8 million in 2010. Our net cash used in operating activities in 2010 was primarily attributable to (i) our profit before income tax of RMB2,597.1 million, which was adjusted mainly to account for finance costs of RMB186.8 million and our share of profit from associates and jointly controlled entities of RMB129.3 million, and (ii) changes in working capital representing a cash outflow of RMB3,922.4 million. Such changes in working capital consisted mainly of (i) a RMB3,234.1 million increase in properties under development and completed properties held for sale, which was due primarily to payment for land grant fees in respect of the Sunac Huafu Project and Royal Garden Project for an aggregate amount of RMB2,950.0 million and for our increased property development activities in 2010, and (ii) a RMB733.6 million decrease in trade and other payables, which was due primarily to the recognition of revenue from pre-sales for properties delivered in 2010.

The Group have sufficient working capital and financial resources which provide great support for our regular operation.

Borrowing and collateral

The Group had total borrowings of RMB5,692.7 million as of 31 December 2010 compared to RMB2,671.4 million as of 31 December 2009. The borrowings were increased by RMB3,021.3 million, from 2009 to 2010 which was due to (i) the increase of the projects development loans amounted to RMB2,081.3 million after deduction of repayment, (ii) Yixing Sunac Dongjiu Real Estate Co., Ltd. ("Yixing Sunac Dongjiu") financing amounted to RMB600.0 million from Rongde Asset Management Company Limited ("Rongde"), the minority of Yixing Sunac Dongjiu, (iii) and the part of Wuxi equity purchase loan amounted to RMB340.0 million.

As at 31 December 2010, the Group's borrowings of RMB3,653 million were jointly secured by the Group's certain properties under development, completed properties held for sale and investment properties totalling RMB3,088 million, borrowings of RMB600 million were jointly secured by the Group's certain properties under development and completed properties held for sale totalling RMB669 million and equity interests of certain subsidiaries of the Group, borrowings of RMB690 million were secured by the Group's equity interests of certain subsidiaries, and a borrowing of RMB700 million was guaranteed by a third party.

Net debt to total assets ratio and Gearing ratio

Net debt to total assets ratio is calculated as net debt divided by total assets. Net debt is calculated as total borrowings (including current and long-term borrowings) less cash and cash equivalents. As at 31 December 2010, the net debt to total assets ratio of the Group is 9.2%, compared to 7.6 % as of 31 December 2009. The increase was due to the increased borrowings in the Reporting Period. Gearing ratio is calculated as net debt divided by total capital. Total capital is calculated as total equity plus net debt. As of 31 December 2010, the gearing ratio of the Group is 24%, compared to 28% as of December31, 2009. The decrease was due to the increased total capital in the year ended 31 December 2010.

Interest rate risk

Our income and operating cash flows are substantially independent from changes in market interest rates. We have no significant interest-bearing assets. Our exposure to changes in interest rates is mainly attributable to our long-term borrowings. Borrowings at variable rates expose us to cash flow interest-rate risk.

Borrowings issued at fixed rates expose us to fair value interest-rate risk. As of 31 December 2010, if interest rates on bank borrowings had been 1.0% higher or lower with all other variables held constant, our profit would have been lower or higher by RMB28.8 million.

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

	At 31 December 2010 RMB'million	At 31 December 2009 RMB'million
Floating rates		
Less than 12 months	**519**	413
1 to 5 years	**2,536**	1,239
Sub-total	**3,055**	1,652
Fixed rates		
Less than 12 months	**549**	264
1 to 5 years	**2,089**	755
Sub-total	**2,638**	1,019
Total	**5,693**	2,671

We do not use any interest rate swaps to hedge our exposure to interest rate risk. We analyze our interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

Foreign exchange risk

We conduct our business principally in Renminbi. As of 31 December 2010, all or substantially all of our assets and liabilities were denominated in Renminbi. Depending on the timing of the conversion of proceeds from this offering into Renminbi, an appreciation of the Renminbi against the U.S. dollar would be likely to adversely affect the amount of Renminbi proceeds we receive from this offering. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service the Notes and any other foreign currency-denominated debts. We have not adopted formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the year under review.

Contingent Liabilities

We have arranged bank financing for certain purchasers of our property units and provided guarantees to secure the obligations of such purchasers for repayment of their mortgage loans. As of 31 December 2010 the amount is RMB3,769.6 million compared with RMB1,459.7 million as of 31 December 2009.

Such guarantees generally terminate upon the earlier of (i) the issuance to the purchasers of the property ownership certificate, which generally takes place within an average period of two to three years after completion of the guarantee registration, and (ii) the satisfaction of obligations under the mortgage loans by the purchasers. Our guarantee period starts from the dates of grant of the mortgages.

Biographies of Directors and Senior Management

Executive Directors

Sun Hongbin, aged 47, is our founder, Chairman and Chief Executive Officer. Mr. Sun has 15 years of experience in the property sector in China. Mr. Sun is primarily responsible for leading our strategic planning and business development. Together with other members of the senior management, Mr. Sun also oversees all key aspects of our operations, including financial management, land acquisitions as well as project development. Mr. Sun obtained a master's degree in engineering from Tsinghua University in 1985. He also completed an advanced management program at Harvard Business School in 2000.

Prior to founding our Company, Mr. Sun established Sunco (China) Real Estate Network Group in 1995 (順馳（中國）不動產網絡集團有限公司), which is a large chain property agency company in China, and is its chief executive officer. From 1995 to 2004, Mr. Sun established and was a non-executive director of another group of property development business in China operated under Sunco China. Sunco China was restructured in 2006 in view of the capital needs of its business and disposed of a substantial part of its assets between 2006 and 2007. Mr. Sun currently retains only a 5.26% indirect interest in a company that holds certain assets previously controlled by Sunco China. In connection with the disposal of a company by Sunco China and another company controlled by Mr. Sun, between 2007 and 2010, Mr. Sun was involved in certain legal proceedings in Hong Kong and is currently engaged in mediation to resolve the remaining disputes. In addition, in connection with Mr. Sun's employment as a manager at the corporate department of Beijing Legend Computer Group Co., currently known as Legend Holdings Limited, from 1987 to 1990, Mr. Sun was convicted in the PRC court in 1992 of misappropriation of funds in the amount of RMB130,000 but such conviction was subsequently held by the retrial court to be erroneous and was overturned in 2003. For more information on Mr. Sun's experience with Sunco China and his previous proceedings and current disputes, see "Risk Factors-Risks Relating to Our Business-Sun Hongbin, our controlling shareholder, is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions; we may be adversely affected by legal proceedings involving Mr. Sun." set out in the prospectus of the Company dated 24 September 2010.

Li Shaozhong, aged 47, is an executive Director of our Company and our Executive President. Mr. Li has 20 years of experience working at property development and construction companies in major cities in China, such as Shanghai and Tianjin, and has been with us since 2003. Mr. Lee has been serving as our Executive President since 2009 and is responsible for managing our day-to-day business. He served as our Vice President from 2007 to 2009 and as the general manager of Sunac Ao Cheng from 2003 to 2007. Mr. Li is a senior engineer. He graduated from the Graduate School of Tianjin University with a master's degree in engineering in 1987 and obtained his doctorate degree in management in March 2007.

Wang Mengde, aged 39, is an executive Director of our Company and has been serving as our Chief Financial Officer and Vice President and general manager of the finance department since 2006. Mr. Wang has 12 years of experience in the property sector in China. Prior to joining us, Mr. Wang was the chief operations officer and chief financial officer of Sunco China from 2005 to 2006 and the general manager of a subsidiary of Sunco China in the East China region from 2003 to 2005. From 1997 to 1999, Mr. Wang worked at Tianjin Samsung Wool Textile Co., Ltd., where he was in charge of corporate finance and accounting management. Mr. Wang graduated from Nankai University with a bachelor's degree in auditing in 1997.

Chi Xun, aged 37, is an executive Director of our Company. Mr. Chi has 12 years of experience in real estate development and sales management. Mr. Chi has been serving as the general manager of Sunac Zhidi since 2005 and was the deputy general manager of Sunac Zhidi from 2004 to 2005. Prior to joining us, Mr. Chi worked at various property companies where he was responsible for project development, design and sales. Mr. Chi graduated from Harbin Institute of Technology in 1997 with a bachelor's degree in architecture.

Shang Yu, aged 31, is an executive Director of our Company. Mr. Shang has 11 years of experience in the property sector in China. Mr. Shang has been serving as the general manager of Chongqing OG since 2006 and was the deputy general manager of Sunac Ao Cheng and Chongqing OG from 2003 to 2004. Mr. Shang received a master's degree in business administration from the China Europe International Business School in 2008 and a bachelor's degree in property development and management from Tianjin Institute of Urban Construction in 2001.

Non-executive Directors

Ms. Hu Xiaoling, aged 40, is a non-executive Director of our Company and various subsidiaries of our Company. She is also currently a managing director of CDH III Management Company Limited (the management company of CDH China Fund III L.P.) and a non-executive director of Belle International Holdings Limited, whose shares are listed on the Stock Exchange. Ms. Hu has previously worked in the direct investment division of the China International Capital Corporation Limited and Arthur Andersen Certified Public Accountants. She is a Fellow of the Association of Chartered Certified Accountants. Ms. Hu graduated from Beijing Jiaotong University (previously known as Northern Jiaotong University) with a bachelor's degree in economics and a master's degree in economics. Ms. Hu joined our Group in November 2007.

Mr. Zhu Jia, aged 48, is a non-executive Director of our Company. Mr. Zhu is a Juris Doctorate degree holder from Cornell Law School and currently a managing director of Bain Capital Asia, LLC. Mr. Zhu has solid and extensive experience in a broad range of cross border mergers and acquisitions as well as international financing transactions involving Chinese companies. Before joining Bain Capital Asia, LLC in 2006, he was the chief executive officer of the China business of Morgan Stanley Asia Limited. He is also a non-executive director of each of Sinomedia Holding Limited and GOME Electric Appliances Holding Limited, the shares of which are listed on the Stock Exchange.

Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice, aged 56, is an independent non-executive Director. Ms. Kan is a controlling shareholder and managing director of Asia Investment Management Limited and Asia Investment Research Limited, both of which are licensed corporations under the Securities and Futures Ordinance. She is an investment advisor licensed under the Securities and Futures Ordinance to carry out regulated investment advisory activities. She has over 20 years of experience in corporate finance and is experienced in both the equity and debt markets.

She held senior positions in various local and international banks and financial institutions formerly. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a Fellow of the CPA Australia, and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a Fellow of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of each of Regal Hotels International Holdings Limited, Shougang Concord International Enterprises Company Limited, G-Vision International (Holdings) Limited, Sunway International Holdings Limited, Shimao Property Holdings Limited and China Energine International (Holdings) Limited, the shares of which are listed on the Stock Exchange. Ms. Kan was an independent non-executive director of Shougang Concord Technology Holdings Limited, a company listed on the Stock Exchange, from September 2004 to June 2010. Ms. Kan joined our Company in August 2009.

Mr. Li Qin, aged 70, is an independent non-executive Director of our Company. He is also the chairman of the supervisors committee of Legend Holdings Limited, the controlling shareholder of Lenovo Group Limited (a listed company on the Main Board of the Stock Exchange). Mr. Li has extensive experience in business management, formulation of comprehensive business plans and strategies and their implementation. Mr. Li graduated from Beijing Institute of Mechanical Engineering (北京機械學院) (presently known as the Xi'an University of Technology (西安理工大學)) with a bachelor's degree in Automatic Control Engineering in 1965. From 1965 to 1984, Mr. Li worked for the Technological Research Institute of Chinese Academy of Sciences. At the end of 1984, he co-founded New Technology Development Company (the predecessor of the Legend Group Limited). From 2001 to December 2007, Mr. Li was also the chairman of Digital China Holdings Limited, a company which was spun-off in 2001 from Lenovo Group Limited (whose shares are listed on the Main Board of the Stock Exchange). In 1992, Mr. Li was awarded "Outstanding Entrepreneur of Private Enterprises" by the Committee of Science and Technology of China and in the same year, he was also named as China's Outstanding Middle-Youth Scientist. In 1994, Mr. Li was awarded "Excellent Entrepreneur in High-Technology Industry" by the Beijing Municipal Science & Technology Commission. In 2000, he was also awarded as the "Municipal Model Worker of Beijing." Mr. Li joined our Company in August 2009.

Mr. Ma Lishan, aged 59, is an independent non-executive Director of our Company. Mr. Ma graduated from Beijing Foreign Studies University with a bachelor's degree in 1975. Mr. Ma served in various managerial positions in the PRC food and edible oils industries and has extensive experience in corporate management. Mr. Ma served as an executive director of China Foods Limited (中國食品有限公司) (formerly known as "China Foods Holdings Limited (中國食品發展集團有限公司)" and "COFCO International Limited (中國糧油國際有限公司)"), whose shares are listed on the Main Board of the Stock Exchange since January 1996. From May 1997 to June 2003, Mr. Ma served as the managing director of China Foods Limited and was the managing director of COFCO International Limited between April 2002 and June 2003. In 2000, Mr. Ma served as the deputy general manager of China Foods Import and Export (Group) Co., Ltd. (中國糧油食品進出口（集團）有限公司). From June 2003 to July 2005, Mr. Ma served as the deputy managing director of COFCO (Hong Kong) Limited (中國糧油食品集團（香港）有限公司). Mr. Ma was an executive director of Sino Resources Limited from 7 June 2008 to 16 January 2009 whose shares are listed on the Stock Exchange. He also serves as an executive director, Chairman and Chief Executive Officer of Hao Tian Resources Group Limited and an independent non-executive director of Silver Base Group Holdings Limited, the shares of both companies are listed on the Stock Exchange. Mr. Ma joined our Company in August 2009.

Senior Management

Ms. Ma Zhixia, aged 38, is our Vice President and General Manager of our Sales Management Department. She is in charge of and is involved in sales management, market positioning, product design and cost management. In addition, she is responsible for making and revising our Group's management workflow. Ms. Ma graduated from the department of economics of Nankai University with a bachelor's degree in economics in 1995. Ms. Ma joined our Group in December 2003. Since then, she served as the deputy general manager and general manager of Sunac Zhidi and was in charge of the Mind-Land International and Joy Downtown projects. Since July 2005, Ms. Ma has been the Vice President of our Group. During her service to our Group, Ms. Ma was responsible for setting up the operation centre, cost management division and the contract approval division. She is also responsible for cost control, approval of contracts, procurement and coordinating business process of the Group.

Mr. Chen Hengliu, aged 56, is our Vice President and General Manager of the General Management Department. He is responsible for human resources, legal affairs and administration. Mr. Chen received a bachelor's degree in science from the department of physics of Beijing Normal University in 1982 and a master's degree in science from the Post-graduate School of Chinese Academy of Sciences in 1985. Mr. Chen joined our Group in November 2006. Prior to joining our Group, Mr. Chen worked for Lenovo Group Limited, China Sciences Group (Holding) Co., Ltd. (中科實業集團（控股）有限公司) and Sina.com Technology (China) Co., Ltd.

Mr. Niu Shilu, aged 54, is the General Manager of our Quality Control Department. Mr. Niu graduated from the Harbin Institute of Architectural Engineering (presently known as the Harbin Institute of Technology) in 1982 with a bachelor's degree in industrial and civil engineering. After he graduated, Mr. Niu worked for the Tianjin Construction Engineering Group (the "TCE Group") between 1982 and 2006 and served as head foreman and production technology officer of area 2 of No.4 Construction Engineering Company of the TCE Group. He had also served as the chief engineer of Tianjin Architectural Engineering Project Management Corporation and became the general manager of Tianjin Huatai Project Management Corporation (the predecessor of Tianjin Architectural Engineering Project Management Corporation). Mr. Niu joined our Group in February 2006. Since then, he has been the deputy manager of the operations centre of our Company, deputy general engineering manager of Sunac Ao Cheng, manager of the engineering department and is currently the general manager of the project management department of our Group.

Mr. Tian Qiang, aged 33, is the General Manager of Wuxi Sunac Real Estate. Mr. Tian graduated from the Tianjin Institute of Urban Construction in 1999 with a bachelor's degree in engineering specializing in construction project management. After graduation, Mr. Tian served as a sales manager, deputy general sales manager, general manager and deputy general manager between 2002 and 2007 of Sunco China, a company engaged in the business of property development in the PRC. Mr. Tian joined our Group in May 2007 and served as the deputy general manager of Tianjin Xiangchi. In December 2007, Mr. Tian became the general manager of Wuxi Sunac Real Estate.

Mr. Jing Hong, aged 49, is the General Manager of Beijing Shougang Sunac Real Estate Development Co., Ltd ("Shougang Sunac"). Mr. Jing graduated from the Beijing Jiaotong University (previously known as Northern Jiaotong University) in 1984 with a bachelor's degree in engineering. From 1991 to 2002, Mr. Jing served as assistant president of the Lenovo Group Limited, whose shares are listed on the Main Board of the Stock Exchange and deputy director of the president's office of Legend Holdings Limited (the controlling shareholder of the Lenovo Group Limited, whose shares are listed on the Main Board of the Stock Exchange). From October 2002 to 2006, Mr. Jing served as vice president of Sunco China, a company engaged in the business of property development in the PRC. Mr. Jing has extensive experience in real estate development. He joined our Group in January 2007. Since then, he has been the general manager of Shougang Sunac and is responsible for overall business operations.

Biographies of Directors and Senior Management

Mr. Lu Peng, aged 34, is the General Manager of Chongqing Yuneng. Mr. Lu graduated from the School of Material Science of the Tianjin University in 1999, specializing in welding technique and equipment. After joining our Group in 2003, Mr. Lu served as the deputy general manager of Sunac Zhidi, where he was responsible for research and development. He had also served as the general manager of Chongqing Olympic Garden Real Estate Development Co., Ltd. ("Chongqing OG"). He is currently the general manager of Chongqing Yuneng and is responsible for land acquisition, company operations and communications with shareholders.

Ms. Min Feng, aged 40, is the Chairman of Wuxi Sunac Real Estate. Ms. Min graduated from the Department of Chinese Language and Literature of Tianjin Normal University with a bachelor's degree. From September 1992 to January 2000, she served as a reporter and editor of Tianjin Daily News. From February 2000 to March 2006, Ms. Min was a general manager and chairman of a subsidiary of Sunco China and vice president of Sunco China, a company engaged in the business of property development in the PRC. Ms. Min served as the chairman and general manager of Wuxi Sunac Real Estate from March 2006 to November 2007. Ms. Min has been the chairman of Wuxi Sunac Real Estate since December 2007.

Mr. Huang Shuping, aged 30, is the assistant to the president, the general manager in our finance management department and a joint company secretary of our Company. Mr. Huang is responsible for our corporate finance and shareholder management affairs. Mr. Huang previously served in various positions such as director of the capital management department and general manager of the capital operations centre. During his term of service, Mr. Huang has assisted us in completing two rounds of private equity funding and was also one of the key coordinators of our listing on the Hong Kong Stock Exchange. Prior to joining us in 2007, Mr. Huang was an assistant to the president of Sunco China with responsibilities in capital management from 2005 to 2007 and a project manager of the assets management department of the Capital Securities Co., Ltd. from 2004 to 2005. Mr. Huang graduated from Xiamen University with a bachelor's degree in economics in 2003. He received a master's degree from the University of Liverpool in finance in 2004.

Ms. Ma Sau Kuen Gloria, aged 52, is a joint company secretary of the Company. Ms. Ma is a director and Head of Registration and Compliance Services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Ms. Ma has almost 30 years of experience in corporate secretarial work that includes acting as company secretary for companies listed on The Stock Exchange of Hong Kong Limited, setting up companies in different jurisdictions such as Hong Kong, Cayman Islands and British Virgin Islands. She also has extensive knowledge and experience in corporate restructuring and legal compliance issues. Ms. Ma holds a master degree in Business Administration from the University of Strathclyde, Scotland, and is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ma was appointed as the joint company secretary of the Company on 13 December 2010.

Report of the Directors

The board (the "Board") of directors (the "Directors") of the Company is pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Group is an integrated residential and commercial property developer with a focus on large-scale, medium to high-end property developments in selected cities in China.

An analysis of the Group's revenue and operating results for the year by principal activities is set out in note 23 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement of the Group on page 46.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 April 2011 to 29 April 2011 (both days inclusive), during which period no transfer of shares will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Property, Plant and Equipment

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

Borrowings

Details of borrowings are set out in note 22 to the consolidated financial statements of the Group.

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

As at 31 December 2010, the distributable reserve of the Company amounted to approximately RMB3,162.5 million.

Financial Summary

A financial summary of the Group is set out on page 4 of this annual report.

FINAL DIVIDENDS

The Board did not recommend the payment of final dividend for the year ended 31 December 2010.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2010, revenue attributable to the largest customer of the Group amounted to approximately 0.7% of the total revenue in the year and the five largest customers of the Group accounted for 2.0% of the Group's revenue in the year.

For the year ended 31 December 2010, purchases attributable to the largest supplier of the Group amounted to approximately 5.2% of the total purchases in the year and the five largest suppliers of the Group accounted for 13.8% of the Group's purchases in the year.

So far as the Board is aware, neither the Directors, their 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.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 19 to the consolidated financial statements of the Group.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Sun Hongbin (appointed on 27 April 2007)
Mr. Li Shaozhong (appointed on 23 November 2007)
Mr. Wang Mengde (appointed on 23 November 2007)
Mr. Chi Xun (appointed on 17 July 2009)
Mr. Shang Yu (appointed on 17 July 2009)

Non-executive Directors

Ms. Hu Xiaoling (appointed on 23 November 2007)
Mr. Zhu Jia (appointed on 30 September 2009)

Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice (appointed on 20 August 2009)
Mr. Li Qin (appointed on 20 August 2009)
Mr. Ma Lishan (appointed on 20 August 2009)

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

In accordance with articles 83 and 84 of the Articles of Association of the Company, Mr. SUN Hongbin, Mr. LI Shaozhong, Mr. WANG Mengde, Mr. CHI Xun, Mr. SHANG Yu, Ms. HU Xiaoling, Mr. ZHU Jia, Ms. KAN Lai Kuen, Alice, Mr. LI Qin and Mr. MA Lishan shall retire from office and being eligible, have offered themselves for re-election as Directors at the forthcoming annual general meeting.

PARTICULARS OF DIRECTORS' SERVICE CONTRACTS

Executive Directors

Each of the executive Directors has entered into a service contract with the Company under which he agreed to act as executive Director for an initial term of three years with effect from the 7 October 2010 ("Listing Date"). Either party has the right to give not less than three months' written notice 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 and welfare benefits provided under the relevant PRC laws and regulations. The aggregate amount of annual salary of the five executive Directors is RMB4,870,000.

Non-executive Directors

Each of the non-executive Directors has entered into an appointment letter with the Company. Each of the appointments is for an initial term of two years commencing from the Listing Date. No fees are payable to the non-executive Directors under the appointment letters.

Independent Non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with the Company. Each of the appointments is for an initial term of two years commencing from the date of his/her first becoming a Director of the Company. The aggregate amount of annual fees payable to our independent non-executive Directors under the appointment letters is HK$900,000.

None of the Directors has entered into any 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 Ms. Kan Lai Kuen. Alice, Mr. Li Qin and Mr. Ma Lishan to be independent.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the directors and those of the five highest paid individuals of the Group for the year ended 31 December 2010 are set out in note 30 to the consolidated financial statements of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director 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 2010, none of the directors of the Company are considered to be in businesses which compete or are 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 section headed "Share Option 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 spouse 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 other body corporate.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS AND DIRECTORS

Mr. Sun 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 (for its own and on behalf of all members of the Group) that he or it may not, and shall 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 our 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 our 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 A or a 45% equity interest in APEV Property Management ("APEV Interest") or any 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 aggregate shareholding held by the relevant Covenantors and/or his or its associates at all times; and

(ii) the total number of the relevant 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:

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

(b) that if Mr. Sun (through Tianjin Ying Xin Xin Heng Investment Consultancy Limited ("Yingxin Xinheng")) 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 detailing all information reasonably necessary for the Company to consider whether to pursue the Business Opportunity ("Offer Notice").

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 per cent. or more of the entire issued share capital of the Company or otherwise cease to be our Controlling Shareholder; or (ii) the Shares shall cease to be listed and traded on the Stock Exchange (except for suspension of trading of the Shares on the Stock Exchange due to any reason).

Our independent non-executive Directors have reviewed, for the period from the Listing Date to 31 December 2010, 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.

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 2010, 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 39 "Related party transactions" to the consolidated financial statements of the Group.

SHARE OPTION SCHEMES

During the year ended 31 December 2010, save as disclosed herein, no share option schemes have been adopted by the Company. Accordingly, save as disclosed herein, no share option was granted, exercised, cancelled or had lapsed during the year ended 31 December 2010. All options granted under the Pre-IPO Share Option Scheme remained outstanding as at 31 December 2010.

Pre-IPO Share Option Scheme

As disclosed in the Company's prospectus dated 24 September 2010, the Company adopted the Pre-IPO Share Option Scheme on 9 September 2010 ("Option Scheme Adoption Date"). The purpose of the Pre-IPO Share Option Scheme is to provide an incentive for the employees of the Company, our subsidiaries and associated project companies to work with commitment towards enhancing the value of the Company and its Shares for the benefit of our Shareholders. The principal terms and conditions of the Pre-IPO Share Option Scheme are set out as below:

(a) the subscription price per Share under the Pre-IPO Share Option Scheme is at a discount of 20% to the Offer Price;

(b) the total number of Shares which may be issued upon the exercise of all Pre-IPO Share Options is 51,080,000 Shares, representing approximately 1.67% of the total issued share capital of the Company immediately following the completion of the issue of 2,230,000,000 Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of the Company ("Capitalization Issue") and our global offering ("Global Offering") (on the basis that the option granted by the Company to the international underwriters pursuant to the international underwriting agreement, which if exercised would have required the Company to allot and issue up to an aggregate of 112,500,000 additional shares, representing 15% of the number of shares initially available under our global offering ("Over-allotment Option") was not exercised, but assuming that the options under the pre-IPO share option schemes of the Company have been exercised in full);

(c) the Pre-IPO Share Option Scheme and the grant of Pre-IPO Share Options are conditional upon the Listing Committee of the Stock Exchange approving the listing of, and permission to deal in, the Shares which may be issued upon the exercise of the Pre-IPO Share Options and the commencement of dealing in the Shares on the Stock Exchange. Such approval has already been granted as at the date of this annual report;

(d) save for options which have been conditionally granted (details of which are set out below), no further options will be offered or granted as the right to do so will end upon the completion of the Global Offering;

(e) the Pre-IPO Share Options are valid for four years commencing from the Option Scheme Adoption Date;

(f) the Pre-IPO Share Options may not be exercised until after the expiry of a period of one year commencing on the Option Scheme Adoption Date; and

(g) the Pre-IPO Share Options granted to each grantee shall vest in accordance with the following schedule:

Vesting period	**Percentage of the options**
Upon the first anniversary date of the Option Scheme Adoption Date	30%
Upon the second anniversary date of the Option Scheme Adoption Date	an additional 30% (i.e. up to 60%)
Upon the third anniversary date of the Option Scheme Adoption Date	an additional 40% (i.e. up to 100%)

The Pre-IPO Share Options, once vested, shall be exercisable within a period of three years from the first anniversary of the Option Scheme Adoption Date.

A Pre-IPO Share Option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option (except that the grantee may nominate a nominee, of which the grantee is the sole beneficial owner, in whose name the Shares issued pursuant to the Pre-IPO Share Option Scheme may be registered). Any breach of the foregoing by the grantee shall entitle the Company to cancel any outstanding option or any part thereof to the extent not already exercised.

As of the date of this annual report, options to subscribe for an aggregate of 51,080,000 Shares, representing approximately 1.67% of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (on the basis that the Over-allotment Option was not exercised but assuming that the options under the pre-IPO share option schemes of the Company have been exercised in full), have been conditionally granted to 121 grantees, for nominal consideration of HK$1.00 paid by each grantee, under the Pre-IPO Share Option Scheme. The exercise price per Share shall be equal to HK$2.784, being 80% of the offer price of the Company's Shares in the initial public offering.

Particulars of the grantees under the Pre-IPO Share Option Scheme and the number of options granted to them are set forth below:

Name of the grantee	Position	Number of Shares to be issued upon exercise of all options	Percentage of Shares in issue upon exercise of all options[1]
Directors			
Mr. Sun Hongbin	Chairman, Chief Executive Officer and executive Director of the Company	3,600,000	0.12%
Mr. Li Shaozhong	Executive President and executive Director of the Company	3,600,000	0.12%
Mr. Chi Xun	Executive Director of the Company	3,600,000	0.12%
Mr. Wang Mengde	Vice President, Chief Financial Officer, executive Director and authorized representative of the Company	3,300,000	0.11%
Mr. Shang Yu	Executive Director of the Company	3,300,000	0.11%
Senior management			
Mr. Jing Hong	General manager of Shougang Sunac	3,600,000	0.12%
Mr. Tian Qiang	General manager of Wuxi Sunac Real Estate	3,300,000	0.11%
Mr. Lu Peng	General manager of Chongqing Yuneng	3,000,000	0.1%
Ms. Ma Zhixia	Vice President and general manager of our sales management department	3,000,000	0.1%
Mr. Chen Hengliu	Vice President and general manager of the general management department	2,700,000	0.09%
Ms. Min Feng	Chairman of Wuxi Sunac Real Estate	1,300,000	0.043%
Mr. Huang Shuping	Assistant to the president, general manager in the corporate finance management department and one of our joint company secretaries	360,000	0.012%
Mr. Niu Shiliu	General manager of our quality control department	350,000	0.012%
Sub-total: 13 grantees		35,010,000	1.144%
108 other employees		16,070,000	0.525%
Total		**51,080,000**	**1.669%**

(1) The percentage is calculated based on the number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (on the basis that the Over-allotment Option was not exercised but assuming that the options under the pre-IPO share option schemes of the Company have been exercised in full).

Except for our Directors listed in the table above, none of the grantees under the Pre-IPO Share Option Scheme is a connected person of the Group. The weighted average value of options granted during the year has been disclosed in note 19 of the financial statements.

The Binomial valuation model was used to estimate the fair value of the option. It is one of the commonly used models to estimate the fair value of an option which can be exercised before the expiry of the option period. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Employees' Share Award Scheme

To provide an incentive for the employees of the Company, our subsidiaries and associated project companies to work with commitment towards enhancing the value of the Company and its Shares for the benefit of the Shareholders and to attract suitable personnel for the further development of our business, we adopted the Employees' Share Award Scheme on 9 September 2010, details of which were disclosed in the Company's prospectus dated 24 September 2010. On 1 March 2011, the Board approved (subject to the review and approval by the Stock Exchange) certain amendments to the Employees' Share Award Scheme. However, on 8 March 2011, the Company understood from the Stock Exchange that such employees' share award scheme has lapsed and was no longer effective given the conditions in such scheme have not been fully fulfilled. No award has been made under such scheme before it lapsed.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 31 December 2010, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, are set out below:

(i) Interest in Shares of our Company and/or associated corporation

Name of Director	Nature of Interest	Relevant company (including associated corporations)	Number of shares of the relevant company[1]	Approximate percentage of interest in the relevant company
Mr. Sun Hongbin	Interest in a controlled corporation[2]	Our Company	1,555,578,451 (L)	51.85%
	Beneficial interest	Sunac International[3] Investment Holding Ltd ("Sunac International")	1	100%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) Mr. Sun is the beneficial owner of 100% of the issued share capital of Sunac International and is deemed to be interested in the Shares held by Sunac International.

(3) Sunac International is our holding company and therefore an "associated corporation" of our Company within the meaning of Part XV of the SFO.

(ii) Interest in the underlying shares of our Company

Name of Director	Nature of Interest	Name of Shares	Approximate percentage of interest in our company
Mr. Sun Hongbin	Beneficial interest	3,600,000	0.12%
Mr. Li Shaozhong	Beneficial interest	3,600,000	0.12%
Mr. Chi Xun	Beneficial interest	3,600,000	0.12%
Mr. Wang Mengde	Beneficial interest	3,300,000	0.11%
Mr. Shang Yu	Beneficial interest	3,300,000	0.11%

Save as disclosed herein, as at 31 December 2010, none of the Directors and chief executives of the Company, or their respective associates, 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 under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 31 December 2010, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares of the Company:

Name of Shareholders	Nature of Interest/ Capacity	Number of Shares or underlying Shares[1]	Approximate percentage of shareholding
Sunac International	Beneficial interest	1,555,578,451 (L)	51.85%
Bain Capital Sunac Limited	Beneficial interest	300,336,637 (L)	10.01%
Bain Capital Asia Integral Investors, L.P.[2]	Interest in a controlled corporation	300,336,637 (L)	10.01%
Bain Capital Asia Fund, L.P.[3]	Interest in a controlled corporation	300,336,637 (L)	10.01%
Bain Capital Partners Asia, L.P.[4]	Interest in a controlled corporation	300,336,637 (L)	10.01%

Name of Shareholders	Nature of Interest/ Capacity	Number of Shares or underlying Shares[1]	Approximate percentage of shareholding
Bain Capital Investors, LLC[5]	Interest in a controlled corporation	300,336,637 (L)	10.01%
CDH Aurora Limited ("CDH") [6]	Beneficial interest	255,200,737 (L)	8.51%
CDH China Fund III, L.P.[6]	Interest in a controlled corporation	255,200,737 (L)	8.51%
CDH III Holdings Company Limited[6]	Interest in a controlled corporation	255,200,737 (L)	8.51%
China Diamond Holdings III, L.P.[6]	Interest in a controlled corporation	255,200,737 (L)	8.51%
China Diamond Holdings Company Limited[6]	Interest in a controlled corporation	255,200,737 (L)	8.51%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) Bain Capital Asia Integral Investors, L.P. owns 99.48% of the shares in Bain Capital Sunac Limited.

(3) Bain Capital Asia Fund, L.P. owns 94.45% of the partnership interests in Bain Capital Asia Integral Investors, L.P.

(4) Bain Capital Partners Asia, L.P. is the general partner and owns 0.10% of the partnership interest in Bain Capital Asia Fund, L.P.

(5) Bain Capital Investors, LLC is the general partner of, and owns 0.10% of the partnership interest in, Bain Capital Partners Asia, L.P. and Bain Capital Asia Integral Investors, L.P.

(6) CDH, a limited liability company incorporated in the BVI, is a wholly owned subsidiary of CDH China Fund III, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands focused on private equity investments in China. The general partner of CDH China Fund III, L.P. is CDH III Holdings Company Limited, a limited liability company organized and existing under the laws of the Cayman Islands. China Diamond Holdings III, L.P. is the holding company of CDH III Holdings Company Limited, and China Diamond Holdings Company Limited is the general partner of China Diamond Holdings III, L.P. Each of CDH China Fund III, L.P., CDH III Holdings Company Limited, CDH III Holdings Company Limited, China Diamond Holdings III, L.P. and China Diamond Holdings Company Limited is deemed to be interested in the Shares held by CDH under the SFO.

Save as disclosed herein, as at 31 December 2010, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the period commencing on the Listing Date to 31 December 2010, neither the Company nor any of its subsidiaries had redeemed, purchased or sold any of the Shares of the Company.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was listed on the Stock Exchange on 7 October 2010. The net proceeds from the Company's issue of new shares (after deducting the underwriting commission and listing expenses) amounted to approximately HK$2,479 million. For the year ended 31 December 2010, HK$360 million of the net proceeds has been utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" contained in the prospectus of the Company dated 24 September 2010.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2010, the Group had a total of 1,987 employees in Hong Kong and the PRC. For the year ended 31 December 2010, the staff cost of the Group was approximately RMB83.2 million.

The employees' remuneration policy 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 once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered for the entitlement of annual bonus according to certain performance conditions and appraisal results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff.

The Pre-IPO Share Option Scheme adopted by the Company on 9 September 2010 serves to provide incentives for, among others, our employees to work with commitment for the Company, details of which are disclosed from page 27 to page 29 of this report. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the year ended 31 December 2010.

The emoluments of the Directors are firstly reviewed by the Remuneration Committee of the Board and then approved by the Board, having regard to the Director's skill, knowledge, involvement in the Company'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.

SUBSEQUENT EVENTS

Details of significant events after 31 December 2010 are set out in note 42 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

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

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. PricewaterhouseCoopers. A resolution for the reappointment of PricewaterhouseCoopers as the Company's auditor is to be proposed at the forthcoming annual general meeting of the Company.

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

Hong Kong, 1 March 2011

Corporate Governance Report

Introduction

Sunac China Holdings Limited (the "Company") is committed to achieving high standards of corporate governance and understands the importance of improving transparency to shareholders, rigorous risk management and accountability. The Board believes that corporate governance of high standard and great efficiency will bring the Company a better result and reciprocate the shareholders with long term benefits.

The Company's shares commenced trading on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 October 2010(the "Listing Date"). Subsequent to the listing, the Company has complied with the adopted code provisions (the "Code") set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the following:

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company have not been segregated as required by the provision A.2.1 of the Code.

Mr. Sun Hongbin is the Chairman and Chief Executive Officer of the Company. Mr. Sun has extensive experience in property industry and is responsible for: (i) making strategic decisions on the Group's business developments and operations; and (ii) making significant decisions on the Group's daily business operations. The board of Directors of the Company (the "Board") considers that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. With rigorous corporate governance practice, the Board can assure the balance between authorities and responsibilities. The Board comprises five executive Directors (including Mr. Sun), two non-executive directors and three independent non-executive Directors, reflecting the independence of the Board.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the guidelines in respect of transactions in securities by Directors. Having made specific enquiries to all Directors, each of Directors confirmed that trading in relevant securities, if any, has complied with the required standards set out in the Model Code from the Listing Date to 31 December 2010 (the "Relevant Period").

The Board

The Board comprises ten Directors, including five executive Directors, namely Mr. Sun Hongbin, Mr. Li Shaozhong, Mr. Wang Mengde, Mr. Chi Xun, and Mr. Shang Yu; two non-executive Directors, namely Ms. Hu Xiaoling and Mr. Zhu Jia; and three independent non-executive Directors, namely Ms. Kan Lai Kuen, Alice, Mr. Li Qin, and Mr. Ma Lishan. The Directors' respective biographical information is set out on pages 18 to 20. Pursuant to the Listing Rules, Ms. Kan Lai Kuen, Alice possesses appropriate financial management expertise. The Company has received the annual confirmation of independence from each of the independent non-executive Directors. The Company is of the view that all the independent non-executive Directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules. Save for Mr. Sun Hongbin who is the Chairman and Chief Executive Officer of the Company, there is no financial, business, family or other significant/relevant relationship among the members of the Board.

Each of the executive Directors has entered into a service contract with the Company, for a term of three years from 7 October 2010. Each of the non-executive Directors has been appointed from 7 October 2010, for a term of two years. Each of the independent non-executive Directors has been appointed from 7 October 2010, for a term of two years.

The Board assumes the responsibility of leadership and control of the Company, and supervises and approves significant decisions regarding financial performance, strategic development objectives and operations 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. In addition, the Board has established various Board committees and has delegated various duties to the Board committees, including the Audit Committee (the "Audit Committee"), the Remuneration Committee (the "Remuneration Committee"), and the Nomination Committee (the "Nomination Committee") (together, the "Board Committees"). All the Board Committees perform their distinct roles in accordance with their respective terms of reference.

Board Meetings

The Board conducts at least four regular meetings a year. At least a 14-day notice will be given to all Directors before convening the Board meeting. All related information will be submitted to the Directors at least three days in advance.

From the Listing Date to 31 December 2010, the Board convened two meetings in total, and the individual attendance of each Director during the period is set out as follows:

Name of Director	Attendance/Number of meetings held
Executive Directors	
Mr. Sun Hongbin *(Chairman)*	1/2
Mr. Li Shaozhong *(Executive President)*	1/2
Mr. Wang Mengde *(Chief Financial Officer)*	2/2
Mr. Chi Xun	2/2
Mr. Shang Yu	1/2
Non-executive Directors	
Ms. Hu Xiaoling	1/2
Mr. Zhu Jia	1/2
Independent Non-executive Directors	
Ms. Kan Lai Kuen, Alice	2/2
Mr. Li Qin	0/2(note)
Mr. Ma Lishan	2/2

Note: The dates of several scheduled Board meetings have conflicted with the schedule of other businesses of Mr. Li Qin. However, Mr. Li Qin has notified the Board through the Chairman, Mr. Sun Hongbin, and has expressed his opinion on matters discussed at the Board meetings, so as to ensure full compliance of his authorities and responsibilities as an independent non-executive Director.

In addition, all Directors of the Company approved the followings matters through written resolutions:

- Change of joint company secretary and authorized representative of the Company;
- Release of the pledges of shares in all of our BVI subsidiaries; and
- Acquisition of relevant interests in Chongqing Yuneng Sunac and APEV Property Management.

Furthermore, annual results of the Group for the year ended 31 December 2010 have been approved by the Board of the Company.

Audit Committee

The Company established the Audit Committee on 9 September 2010 in compliance with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review completeness of the Company's policies and procedures on internal control and to review financial statements of the Group. The Audit Committee comprises three independent non-executive Directors, namely Ms. Kan Lai Kuen, Alice, Mr. Li Qin, and Mr. Ma Lishan. Ms. Kan Lai Kuen, Alice acts as the Chairman of the Audit Committee.

From the Listing Date to 31 December 2010, the Audit Committee convened one meeting in total, and the individual attendance of each member during the period is set out as follows:

Name of Member	Attendance/Number of meetings held
Ms. Kan Lai Kuen, Alice	1/1
Mr. Li Qin	0/1
Mr. Ma Lishan	1/1

At the above meeting, members of the Audit Committee have reviewed the interim financial report, the interim results announcement as well as financial and internal control of the Company and have discussed with our auditor about the tasks it performed. The annual results of the Company for the year ended 31 December 2010 have been reviewed by the Audit Committee.

The Audit Committee has reviewed the remuneration of our auditor for 2010 and has recommended the Board to re-appoint PricewaterhouseCoopers as our auditor for 2011, subject to approval by shareholders at the forthcoming annual general meeting.

Remuneration Committee

The Company established the Remuneration Committee on 9 September 2010 with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration of the Directors and senior management as well as to evaluate and make recommendations on employee benefit arrangements. The Remuneration Committee comprises one executive Director, namely Mr. Sun Hongbin, and three independent non-executive Directors, namely Ms. Kan Lai Kuen, Alice, Mr. Li Qin, and Mr. Ma Lishan. Ms. Kan Lai Kuen, Alice acts as the Chairman of the Remuneration Committee.

As the Company was listed on the Stock Exchange on 7 October 2010, no meeting of the Remuneration Committee was held for the year ended 31 December 2010.

Nomination Committee

The Company established the Nomination Committee on 9 September 2010 in compliance with the Listing Rules. The primary duties of the Nomination Committee are to identify and to nominate suitable candidates for Directors and senior management. Criteria adopted by the Committee in considering whether the relevant personnel are suitable for Directors include their qualifications, experience, expertise and knowledge as well as provisions of the Listing Rules. The Nomination Committee comprises one executive Director, namely Mr. Sun Hongbin, and three independent non-executive Directors, namely Ms. Kan Lai Kuen, Alice, Mr. Li Qin, and Mr. Ma Lishan. Mr. Sun Hongbin acts as the Chairman of the Nomination Committee.

As the Company was listed on the Stock Exchange on 7 October 2010, and the existing Directors were appointed before the listing, no meeting of the Nomination Committee was held for the year ended 31 December 2010.

Auditor's Remuneration

During the year, the remunerations paid or payable to PricewaterhouseCoopers in respect of its statutory audit services are RMB2 million. During the year, our auditor did not provide any non-audit services.

Accountability and Audit

The Directors acknowledge their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year ended 31 December 2010 which give a true and fair view of the state of affairs of the Group and of the results and cash flow for the period. 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 and reasonable, informed and prudent judgment of the Board and the management. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company 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 is set out in the section headed "Independent Auditor's Report" on page 41-42 of this report.

Internal Control

The Company continues to adopt best practices and industry standards for corporate governance and internal control and draw on our senior management's expertise and experience to facilitate our operations.

The Board is responsible for maintaining an effective internal control system and reviews the effectiveness and the operational performance of the Group's internal control system. The Company leverages on the expertise offered by internal and external professionals to develop its internal control system. The annual review has considered the adequacy of resources, qualification and experiences of staff of the Company's accounting and financial function, and their training programmes and budget.

In addition to the annual internal control review performed regularly by the Internal Control department (the "Internal Control Department") of the Company, the Company has engaged Protiviti Shanghai Co., Ltd. (a third-party internal control advisor specializing in risk management advisory and internal control related services) to continuingly review and strengthen the Company's internal control system. The Audit Committee and the Board of the Company will regularly review the Company's performance and its internal control system, further strengthen its internal management and clarify the terms of references of each operating unit, so as to ensure an ordered operation with high efficiency and a rapid response to market conditions.

Relationship with Shareholders and Investors

The management of the Company believes that an effective and proper investor relationship plays a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company has adopted a stringent internal management system to provide a true, accurate, complete and timely disclosure of relevant information pursuant to the requirements of relevant laws and regulations in order to ensure all shareholders have equal access to information. To strive for effective communication and transparency of the Company, the respective person-in-charge has frequent contacts with our shareholders and investors through various channels such as internet, telephone and email.

Since its listing on 7 October 2010, the Company has been visited frequently by prospect investors who were interested in the Group's real estate projects. The Company has also introduced its development strategy and recent business development to the investors in large investment forums. On-site visits to the projects of the Company have been arranged for the fund managers and the analysts from Hong Kong and overseas. The Company endeavors to create opportunities for investment-related communication and to provide the latest development of the Company as well as information of the PRC real estate sector to the market in time. As such, investors' understanding of, and confidence in, the Company can be enhanced.

Information Disclosure

The Company discloses information in compliance with the securities regulations of the Stock Exchange, 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, accurate, truthful and complete, thereby enabling our shareholders, the investors as well as the public to make rational and informed decisions.

Independent Auditor's Report

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF SUNAC CHINA HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 116, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, 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 a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 March 2011

Consolidated Balance Sheet

As at 31 December 2010

		As at 31 December	
		2010	2009
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	17,932	8,863
Investment properties	8	583,500	583,500
Intangible assets	9	308,873	282,061
Investment in jointly controlled entities	10	178,540	128,712
Investment in and loan to associates	11	459,315	511,392
Deferred income tax assets	12	228,335	53,734
Available-for-sale financial assets	13	–	800
		1,776,495	1,569,062
Current assets			
Properties under development	14	8,032,371	4,495,379
Completed properties held for sale	15	1,009,898	1,312,832
Amounts due from related parties	39(d)	7	109,446
Other receivables	16	681,773	294,524
Restricted cash	17	291,056	512,134
Cash and cash equivalents	18	3,957,952	1,423,832
		13,973,057	8,148,147
Total assets		15,749,552	9,717,209
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Ordinary shares	19	259,112	1,762
Share premium	19	1,783,783	–
Other reserves	20	165,226	121,245
Retained earnings		2,455,840	1,247,758
		4,663,961	1,370,765
Non-controlling interests		–	500,343
Total equity		4,663,961	1,871,108

Consolidated Balance Sheet

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	4,625,113	1,994,390
Long-term payable		131,868	107,335
Deferred income tax liabilities	12	210,678	215,941
		4,967,659	2,317,666
Current liabilities			
Trade and other payables	21	2,446,814	2,188,202
Advanced proceeds from customers		1,422,258	2,456,477
Amounts due to related parties	39(d)	450,104	–
Current income tax liabilities		731,136	206,792
Borrowings	22	1,067,620	676,964
		6,117,932	5,528,435
Total liabilities		11,085,591	7,846,101
Total equity and liabilities		15,749,552	9,717,209
Net current assets		7,855,125	2,619,712
Total assets less current liabilities		9,631,620	4,188,774

The notes on pages 50 to 116 are an integral part of these consolidated financial statements.

The financial statements on pages 43 to 116 were approved by the Board of Directors on 1 March 2011 and were signed on its behalf.

Sun Hongbin	**Wang Mengde**
Director	*Director*

Balance Sheet

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	40	1,413,497	1,403,984
Current assets			
Amount due from subsidiaries		234,592	–
Other receivables	16	26	15,280
Cash and cash equivalents	18	1,805,707	4,571
		2,040,325	19,851
Total assets		3,453,822	1,423,835
Equity			
Equity attributable to owners of the parent			
Ordinary shares	19	259,112	1,762
Share premium	19	1,783,783	–
Other reserves	20	1,426,536	1,417,023
Accumulated losses		(47,822)	(4,452)
Total equity		3,421,609	1,414,333
LIABILITIES			
Current liabilities			
Other payables		23,722	–
Amount due to subsidiaries		8,491	331
Amount due to a related party		–	9,171
Total liabilities		32,213	9,502
Total equity and liabilities		3,453,822	1,423,835
Net current assets		2,088,112	10,349
Total assets less current liabilities		3,421,609	1,414,333

The notes on pages 50 to 116 are an integral part of these consolidated financial statements.

The financial statements on pages 43 to 116 were approved by the Board of Directors on 1 March 2011 and were signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

Consolidated Income Statement-by Function of Expense

For the year ended 31 December 2010

		Year ended 31 December	
		2010	2009
	Note	RMB'000	RMB'000
Revenue	23	6,653,759	4,795,213
Cost of sales	25	(3,775,608)	(3,436,190)
Gross profit		2,878,151	1,359,023
Gain from fair value of investment properties, net	24	–	56,655
Selling and marketing costs	25	(108,799)	(67,961)
Administrative expenses	25	(155,819)	(113,618)
Other income	27	42,915	40,615
Other expenses	28	(1,840)	(7,632)
Operating profit		2,654,608	1,267,082
Finance costs, net	31	(186,756)	(113,263)
Share of profit of jointly controlled entities	10	49,828	23,119
Share of profit of associates	11	79,443	164,943
Profit before income tax		2,597,123	1,341,881
Income tax expenses	32	(1,056,132)	(470,837)
Profit for the year		1,540,991	871,044
Attributable to:			
Owners of the parent		1,542,161	825,062
Non-controlling interests		(1,170)	45,982
		1,540,991	871,044
Basic earnings per share (RMB)	33	0.64	0.37
Diluted earnings per share (RMB)	33	0.64	0.37
Dividends	34	191,182	–

The notes on pages 50 to 116 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

		Year ended 31 December	
		2010	2009
	Note	RMB'000	RMB'000
Profit for the year		1,540,991	871,044
Gain recognised directly in equity			
– Gain from fair value of available-for-sale financial assets	13	–	365
Total comprehensive income for the year		1,540,991	871,409
Attributable to:			
Equity owners of the parent		1,542,161	825,390
Non-controlling interests		(1,170)	46,019
Total comprehensive income for the year		1,540,991	871,409

The notes on pages 50 to 116 are an integral part of these consolidated financial statements.

Consolidated Statement of Change in Equity

For the year ended 31 December 2010

	Attributable to owners of the parent						
	Ordinary shares RMB'000	Share premium RMB'000	Other reserves (Note 20) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009	7	–	114,920	422,696	537,623	538,606	1,076,229
Profit for the year	–	–	–	825,062	825,062	45,982	871,044
Capitalisation of reserve	8	–	(8)	–	–	–	–
Repurchase and cancellation of US$ shares	(15)	–	15	–	–	–	–
Issue of shares	1,762	–	(1,762)	–	–	–	–
Acquisition of non-controlling interests	–	–	8,626	–	8,626	(84,186)	(75,560)
Redemption of available-for-sales financial assets	–	–	(874)	–	(874)	(96)	(970)
Change in fair value	–	–	328	–	328	37	365
At 31 December 2009	1,762	–	121,245	1,247,758	1,370,765	500,343	1,871,108
Profit for the year	**–**	**–**	**–**	**1,542,161**	**1,542,161**	**(1,170)**	**1,540,991**
Acquisition of non-controlling interests (Note 20(a))	**–**	**–**	**(108,827)**	**–**	**(108,827)**	**(499,173)**	**(608,000)**
Dividends (Note 34)	**–**	**–**	**–**	**(191,182)**	**(191,182)**	**–**	**(191,182)**
Employees share option	**–**	**–**	**9,513**	**–**	**9,513**	**–**	**9,513**
Share issuance under global offering (Note 19(a))	**64,769**	**1,976,364**	**–**	**–**	**2,041,133**	**–**	**2,041,133**
Share issuance under capitalization issue (Note 19(a))	**192,581**	**(192,581)**	**–**	**–**	**–**	**–**	**–**
Appropriation of statutory reserves	**–**	**–**	**142,897**	**(142,897)**	**–**	**–**	**–**
Others	**–**	**–**	**398**	**–**	**398**	**–**	**398**
At 31 December 2010	**259,112**	**1,783,783**	**165,226**	**2,455,840**	**4,663,961**	**–**	**4,663,961**

The notes on pages 50 to 116 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	35	(1,250,117)	1,850,463
Income tax paid		(327,650)	(210,415)
Net cash (used in)/generated from operating activities		(1,577,767)	1,640,048
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	38	6,127	–
Payment of additional investment in a jointly controlled entity	10	(320,104)	(58,500)
Collection/(provision) of loans to an associate	11	131,520	(293,060)
Purchase of property, plant and equipment ("PPE")		(13,055)	(1,681)
Proceeds from disposal of PPE		3,138	1,164
Purchase of financial assets	12	(3,000)	(1,600)
Proceeds from disposals of financial assets		3,813	4,220
Net cash used in investing activities		(191,561)	(349,457)
Cash flows from financing activities			
Payment acquiring non-controlling interest		(626,736)	(197,525)
Payment of interests and other finance costs		(162,223)	(113,263)
Proceeds from borrowings		4,989,813	2,111,390
Repayments of borrowings		(1,968,434)	(2,025,110)
Guarantee deposits payments/(collection) for bank borrowings		221,078	(281,328)
Proceeds from issuance of ordinary shares on global offering	19	2,253,970	–
Payment of shares issuance costs	19	(212,837)	–
Payment of dividends		(191,183)	–
Net cash generated from/(used in) financing activities		4,303,448	(505,836)
Net increase in cash and equivalents		2,534,120	784,755
Cash and cash equivalents at beginning of year		1,423,832	639,077
Cash and cash equivalents at end of year		3,957,952	1,423,832

The notes on pages 50 to 116 are an integral part of these consolidated financial statements.

1 General Information

Sunac China Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in property development, property investment and property management services in the People's Republic of China (the "PRC"). The Company is an investment holding company.

The Company was incorporated in the Cayman Islands on 27 April 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its principal place of business is George Town, Grand Cayman KY1-1203, Cayman Islands. Second floor of Cayside Harbour Drive.

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 7 October 2010.

These financial statements are presented in thousands of units of Renminbi ("RMB'000") unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 1 March 2011.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

The Group has adopted the following new and amended HKFRS:

HKFRS (Amendments)	First annual improvement project (2008) published in October 2008 by the HKICPA
HKFRS (Amendments)	Second annual improvement project (2009) published in May 2009 by the HKICPA
HKFRS 1 (Revised)	First-time adoption of HKFRS
HKFRS 3 (Revised)	Business combinations
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Financial Instruments: Recognition and measurement – Eligible hedged items
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners
HKFRS 1 (Amendments)	First-time adoption of HKFRS – Additional exemptions for first-time adopters
HKFRS 2 (Amendments)	Share-based payment – Group cash-settled share-based payment transactions

The adoption of these standards, amendments and interpretations has no significant impact on the results and the financial positions of the Group.

The following standards, amendments and interpretations which have been issued and are not yet effective have not been early adopted by the Group:

HKFRS (Amendments)	Third annual improvement project (2010) published in May 2010 by the HKICPA
HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of rights issue
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
HKFRS 1 (Amendments)	Limited exemptions from comparative HKFRS 7 disclosures for first-time Adopters
HKAS 24 (Revised)	Related party disclosures (effective for annual periods beginning on or after 1 January 2011)
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HKFRS 9	Financial instruments

The Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the financial statements of the Group upon their initial application.

2 Summary of Significant Accounting Policies (continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of Significant Accounting Policies (continued)

2.2 Consolidation (continued)

(b) *Transaction with non-controlling interests*

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

(c) *Jointly controlled entities*

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. Interest in jointly controlled entities is incorporated in the consolidated financial statements using the equity method of accounting and is initially recognised at cost.

The Group's shares of the post-acquisition results in jointly controlled entities are recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of Significant Accounting Policies (continued)

2.2 Consolidation (continued)

(d) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the group's presentation currency.

2 Summary of Significant Accounting Policies (continued)

2.4 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (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:

(i) assets and liabilities for each balance sheet of the companies now comprising the Group are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement of the companies now comprising the Group are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

2 Summary of Significant Accounting Policies (continued)

2.5 Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. 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, 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. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

2 Summary of Significant Accounting Policies (continued)

2.6 Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Vehicles	5 years
Furniture and office equipment	5 years
Leasehold improvements	Over the lesser 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 (Note 2.10).

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised as "Other income" or "Other expenses" in the income statement.

2.7 Investment properties

Investment properties, principally comprising properties that are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related development costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation method such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually at each balance sheet date by independent valuers. Changes in fair values are recorded in the income statement as "(Loss)/gain from fair value of investment properties, net".

If an investment property becomes occupied by the owner or intended for sale in the ordinary course of business, it is reclassified as property, plant and equipment or completed properties held for sale, and its fair value at the date of reclassification becomes its cost for accounting purposes. Investment properties that are under construction are stated at fair value.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Rental income from investment properties are recognised in the income statement on a straight-line basis over their term of lease.

2 Summary of Significant Accounting Policies (continued)

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates or joint controlled entities is included in investments in associates or investment in joint controlled entities and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. 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 for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Trademark

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives as agreed in the agreement.

2.9 Land use rights

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 self-use are stated at cost and amortised over the use terms of 50 to 70 years using the straight-line method. Land use rights which are held for development for sales are inventories and measured at lower of cost and net realisable value. Land use rights are transferred to properties under development upon the commencement of development.

2 Summary of Significant Accounting Policies (continued)

2.10 Impairment of Investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2.11 Properties under development

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

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

Cost comprises development costs attributable to the unsold properties.

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

2 Summary of Significant Accounting Policies (continued)

2.13 Financial assets

2.13.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "Other receivables" and "cash and cash equivalents" in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless investment matures or management intends to dispose of it within twelve months of the reporting period.

2.13.2 Recognition and measurement

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. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets (except for unlisted equity investments that do not have quoted price in active market and whose fair value cannot be reliably measured) are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 Summary of Significant Accounting Policies (continued)

2.13 Financial assets (continued)

2.13.2 Recognition and measurement (continued)

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "Other (losses)/gains – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for- sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other 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 and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Restricted cash

Restricted cash represents guaranteed deposits as a part of the mortgage for the Group's bank loans. Such restrictions are released when the Group repays the bank loans.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Bank deposits which are restricted to use are not included in cash and cash equivalents.

2 Summary of Significant Accounting Policies (continued)

2.17 Share capital

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.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified 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.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the year of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least twelve months after the respective balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the year of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the year in which they are incurred.

Borrowing is derecognised when, and only when the obligation specified in the contract is discharged or cancelled or expires.

2.20 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Summary of Significant Accounting Policies (continued)

2.20 Current and deferred income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates 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 and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax 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 nor loss, it is not accounted for. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint controlled entities, and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

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 governments.

2 Summary of Significant Accounting Policies (continued)

2.22 Share-based payments

The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, 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 (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. 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 reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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 (nominal value) and share premium when the options are exercised.

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

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2 Summary of Significant Accounting Policies (continued)

2.23 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been 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 the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminating sales within the Group. Revenue is recognised as follows:

(a) *Sales of properties*

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and recoverability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets as advanced proceeds received from customers under current liabilities.

2 Summary of Significant Accounting Policies (continued)

2.24 Revenue recognition (continued)

(b) *Rental income*

Rental income from properties being let under operating leases is recognised on a straight line basis over the lease terms.

(c) *Service income*

Property management services income is recognised when the services are provided, the total amount of revenue and costs arising from provision of the services can be estimated reliably, and it is probable that the economic benefits associated with the transaction will flow in.

(d) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) *Government grants*

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

Government grants relating to costs are deferred and recognised in the income statement over the year necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(f) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2 Summary of Significant Accounting Policies (continued)

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the year of the lease.

(a) *The Group is the lessee*

Payment made under operating leases (net of any incentives received from the lessor), are charged to the income statement on a straight-line basis over the year of the lease.

(b) *The Group is the lessor*

Assets leased out under operating leases are included in investment properties in the balance sheet when the rest of the definition of an investment property is met.

2.26 Dividend distribution

Dividend distributions to the Company's shareholders are recognised as liabilities in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.27 Financial guarantee liabilities

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

3 Financial Risk Management

3.1 Financial risk factors

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

Risk management is carried out by a central management team under the supervision of the Chief Finance Officer with the assistance of the central treasury department. The central management team identifies, evaluates and manages financial risks in close co-operation with the Group's operating units.

(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 as at 31 December 2010 was primarily the proceeds from the global offering dominated in HK$. Considering the increase trend of RMB value in recent year, the Group has converted the most of the funds in HK$ into RMB to minimise the exchange loss risk. Accordingly, as at 31 December 2010, most of the operating entities' assets and liabilities were denominated in RMB. There was still RMB256 million denominated in HK$ as at 31 December 2010. The Group is keeping a timely monitoring and may carry out necessary actions, such as hedging program, to control the exchange risks.

(ii) Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. During the year ended 31 December 2010, the Group's borrowings were all denominated in Renminbi (year ended 31 December 2009: Renminbi).

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

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

	Floating rates			Fixed rates			Total
RMB'million	Less than 12 months	1 to 5 years	Sub-total	Less than 12 months	1 to 5 years	Sub-total	
Borrowings							
At 31 December 2010	519	2,536	3,055	549	2,089	2,638	5,693
At 31 December 2009	413	1,239	1,652	264	755	1,019	2,671

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

At 31 December 2010, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been lower/higher by RMB28.8 million.

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

(iii) Price risk

The Group is exposed to price risk because certain investments held by the Group are classified on the consolidated balance sheet as available-for-sale financial assets.

In the opinion of the Directors, the Group's exposure to price risk with regard to its investments is not significant since it is the Group's policy not to invest significant amounts that might have a detrimental impact to the Group's financial results and the Group only invests in such items from time to time. All investments must be approved by the senior management team before they may be entered into. As at 31 December 2010, the Group has no such investment items.

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(b) *Credit risk*

The Group is not exposed to credit risk on sales of properties as normally no credit is granted to its customers.

Lettings of commercial properties are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank and trade and other receivables.

Credit risk is managed by the central management team, together with the central treasury team. Credit risk arises from cash and cash equivalents, restricted cash deposited with banks, other receivables due from related parties and third parties, as well as credit exposures to commercial customers who let space in our investment properties. All residential and commercial property sales are paid for through up-front cash transactions and therefore do not generally present any credit exposure.

With respect to banks, the Group has recently introduced an informal policy whereby only the four largest State-owned banks in the PRC will be used for holding bank accounts. The Group is in the process of closing a number of bank accounts held with other smaller banks in the PRC.

Included in current assets as amount due from related parties. Management monitors the financial performance of those related parties to whom cash has been advanced and will take any necessary action to recover the amounts should concerns arise about the ability of the entity to repay the amounts due. To date, there have been instances of other receivables not being repaid in a timely manner but management does not expect any losses from non-performance to arise in respect of these balances.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in Note 37(a).

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 or have available funding through an adequate amount of available financing, including short-term and long-term bank borrowings to meet its construction commitments.

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances.

In RMB'million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Group				
At 31 December 2010				
Borrowings	1,068	2,135	2,490	5,693
Trade and other payables	1,880	567	–	2,447
At 31 December 2009				
Borrowings	677	1,276	718	2,671
Trade and other payables	2,188	–	–	2,188

3 Financial risk management (continued)

3.2 Capital risk management

In managing its capital risk, management considers capital to include paid up capital from equity holders and borrowings. The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for equity holders.

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 debt.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, project operating cash flows, projected capital expenditures and projected strategic investment opportunities.

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) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet, plus net debt.

The Group's general strategy is to maintain a gearing ratio of about 60% or less. The gearing ratios of the Group as at 31 December 2010 and 2009 were as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Total borrowings (Note 22)	5,692,733	2,671,354
Restricted cash (Note 17)	(291,056)	(512,134)
Cash and cash equivalents (Note 18)	(3,957,952)	(1,423,832)
Net debts	1,443,725	735,388
Total equity	4,663,961	1,871,108
Total capital	6,107,686	2,606,496
Gearing ratio	24%	28%

4 Fair Value Estimation

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments or estimated discount cash flows.

The nominal value less impairment provisions of other receivables and the nominal value of trade and other payables approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5 Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

5.1 Construction costs estimation for revenue recognition

In the Group, each project is divided into several phases according to the development and delivery plan. The Group recognise sales upon delivery of properties. Cost of sales including construction costs specific to the phases and common costs allocable to the phases are calculated based on management best estimation of the total development costs for the whole project and the allocation to each phase at the time when the properties are delivered.

5.2 Income taxes

The Group is subject to corporate income tax in the PRC. Significant judgement is required in determining the provision for income tax. 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 is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be 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.

5 Critical Accounting Estimates and Judgements (continued)

5.3 PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, since the implementation and settlement of these taxes 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 impact the income taxes and deferred income tax provisions in the years in which such taxes have been finalised with local tax authorities.

5.4 Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(a) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, derived from the term of any existing lease and other contract and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent professional valuers.

5.5 Provision for properties held for sale

The Group assesses the carrying amounts of properties held for sale based on the net realisable value of these properties, taking into account costs to completion based on past experience and net sales value 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.

5.6 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8(a). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

6 Segment Information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

Management regularly reviews the operating results by property development projects and the property management service business. As property development projects are all located in the PRC, their revenue are primarily derived from the sales of, and are related and subject to common risk and returns, all property development projects are aggregated into a single reportable segment in accordance with HKFRS 8 "Operating segments".

The analysis of the Group's revenue and results by segment is as follows:

	Year ended 31 December 2010		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
Total segment revenue	6,612,807	40,952	6,653,759
Cost of sales	(3,735,942)	(39,666)	(3,775,608)
Segment results	2,876,865	1,286	2,878,151
Segment income/(expenses):			
– Selling and marketing costs	(107,556)	(1,243)	(108,799)
– Administrative expenses	(149,080)	(6,739)	(155,819)
– Other income	41,868	1,047	42,915
– Other expenses	(1,812)	(28)	(1,840)
– Finance costs	(186,756)	–	(186,756)
– Share of profit of joint controlled entities	49,828	–	49,828
– Share of profit of associates	79,443	–	79,443
Profit/(loss) before income tax	2,602,800	(5,677)	2,597,123

6 Segment Information (continued)

	Year ended 31 December 2009		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
Revenue from external customers	4,795,213	–	4,795,213
Cost of sales	(3,436,190)	–	(3,436,190)
Segment results	1,359,023	–	1,359,023
Segment income/(expenses):			
– Gain from fair value of investment properties	56,655	–	56,655
– Selling and marketing costs	(67,961)	–	(67,961)
– Administrative expenses	(113,618)	–	(113,618)
– Other income	40,615	–	40,615
– Other expenses	(7,632)	–	(7,632)
– Finance costs	(113,263)	–	(113,263)
– Share of profit of joint controlled entities	23,119	–	23,119
– Share of loss of associates	164,943	–	164,943
Profit before income tax	1,341,881	–	1,341,881

7 Property, Plant and Equipment

	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2009				
Costs	18,185	11,065	2,308	31,558
Accumulated depreciation	(10,293)	(7,875)	(735)	(18,903)
Net book amount	7,892	3,190	1,573	12,655
Year ended 31 December 2009				
Opening net book amount	7,892	3,190	1,573	12,655
Additions	1,503	493	–	1,996
Disposals	(586)	(470)	–	(1,056)
Depreciation	(2,312)	(1,682)	(738)	(4,732)
Closing net book amount	6,497	1,531	835	8,863
At 31 December 2009				
Costs	15,836	9,930	1,576	27,342
Accumulated depreciation	(9,339)	(8,399)	(741)	(18,479)
Net book amount	6,497	1,531	835	8,863
Year ended 31 December 2010				
Opening net book amount	6,497	1,531	835	8,863
Additions	9,033	3,880	537	13,450
Acquisition of subsidiaries	–	1,308	330	1,638
Disposals	(668)	(350)	(4)	(1,022)
Depreciation	(2,144)	(1,439)	(738)	(4,321)
Depreciation of acquisition of subsidiaries	–	(676)	–	(676)
Closing net book amount	12,718	4,254	960	17,932
At 31 December 2010				
Costs	19,596	8,858	2,436	30,890
Accumulated depreciation	(6,878)	(4,604)	(1,476)	(12,958)
Net book amount	12,718	4,254	960	17,932

Depreciation charges of the Group for each of the year ended 31 December 2010 and 2009 were expensed in selling and administrative expenses in the consolidated income statements.

8 Investment Properties

	Year ended 31 December 2010 RMB'000	2009 RMB'000
At beginning of year	583,500	433,000
Transfer from completed properties held for sale	–	93,845
Gain from fair value measurement (Note 24)	–	56,655
At end of year	583,500	583,500

The following amounts have been recognised in the income statement:

	Year ended 31 December 2010 RMB'000	2009 RMB'000
Rental income (Note 23)	19,232	18,182

The investment properties were re-valued as at 31 December 2010 by an independent professional valuer, DTZ Debenham Tie Leung Ltd. (as at 31 December 2009: DTZ Debenham Tie Leung Ltd.) The valuations were performed based on current prices in an active market for all properties.

The Group's interests in investment properties are all located in the PRC and are stated at their carrying values as analysed as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	583,500	583,500

8 Investment Properties (continued)

Some of the investment properties are leased to tenants under long-term operating leases. Minimum rentals receivable under non-cancellable operating leases of investment properties not recognised in the financial statements are as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Within 1 year	15,620	14,640
Later than 1 year but no later than 5 years	77,565	62,830
Later than 5 years	146,536	178,437
	239,721	255,907

As at 31 December 2010, certain investment properties with balance totalling RMB154 million were pledged as collaterals for the Group's borrowings (as at 31 December 2009: RMB154 million) (Note 22).

9 Intangible Assets

	31 December 2010 RMB'000	31 December 2009 RMB'000
Goodwill (Note (a))	291,023	258,261
Trademark (Note (b))	17,850	23,800
	308,873	282,061

(a) Goodwill

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Beginning of year	258,261	258,261
Acquisition of subsidiary	32,762	–
End of year	291,023	258,261

9 Intangible Assets (continued)

(a) Goodwill (continued)

The goodwill addition during the year ended 31 December 2010 arose from the acquisition of the subsidiary namely Tianjin Sunac Property Management Co. Ltd. ("Sunac Property Management") on 20 March 2010. The goodwill is mainly attributable to the future appreciation of the related property projects from the value added services provided by current management team in Sunac Property Management (Note 38).

An operating entity level summary of the goodwill allocation is presented as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Chongqing Olympic Garden Real Estate Development Co. Ltd. ("Chongqing OG")	48,308	48,308
Wuxi Sunac Real Estate Co. Ltd. ("Wuxi Sunac Real Estate")	85,708	85,708
Wuxi Sunac City Construction Co. Ltd. ("Wuxi Sunac City")	124,245	124,245
Sunac Property Management	32,762	–
	291,023	258,261

The discount rate of 15% was used for the analysis of each cash-generating unit in the operating entities as at 31 December 2010 (as at 31 December 2009: 13%).

9 Intangible Assets (continued)

(b) Trademark

Trademark represents the cost of the right for Chongqing OG to use the name "Olympic Garden", which was acquired from China Sports Industry Group Co. Ltd. on 30 June 2004. According to the agreement, Chongqing OG can use the trademark until the completion of the development of the related project which is expected by 2013.

	RMB'000
Year ended 31 December 2009	
Cost	
At 1 January 2009	58,136
Amortisation	
At 1 January 2009	(28,386)
Charged for the year	(5,950)
At 31 December 2009	(34,336)
Net book value	
At 31 December 2009	23,800
Year ended 31 December 2010	
Cost	
At 1 January 2010	58,136
Amortisation	
As at 1 January 2010	(34,336)
Charged for the year	(5,950)
At 31 December 2010	(40,286)
Net book value	
At 31 December 2010	17,850

10 Investment in Jointly Controlled Entities

	31 December 2010 RMB'000	31 December 2009 RMB'000
Equity investment in jointly controlled entities	178,540	128,712

An analysis of movement of the equity investment in jointly controlled entities is as follows:

	Year ended 31 December 2010	
	2010 RMB'000	2009 RMB'000
Beginning of year	128,712	47,093
Investment in Chongqing Yuneng	–	58,500
Share of profits	49,828	23,119
End of year	178,540	128,712

As at 31 December 2010, the Group has 45% equity interest in an unlisted PRC entity, Chongqing Yuneng Sunac Real Estate Co. Ltd. ("Chongqing Yuneng") (as at 31 December 2009: 45%). The Group has joint control over Chongqing Yuneng with other investors.

Investment in jointly controlled entities as at 31 December 2010 includes goodwill of RMB14.1 million (as at 31 December 2009: RMB14.1 million).

Chongqing Yuneng has disposed its subsidiary, Chongqing Shangshan Real Estate Co., Ltd. ("Chongqing Shangshan"), to third parties at the consideration of RMB21.2 million on 22 December 2010.

There are no contingent liabilities relating to the Group's interests in jointly controlled entities, and no contingent liabilities of the ventures themselves as at 31 December 2010 (as at 31 December 2009: nil).

The Group's interests in Chongqing Yuneng and Chongqing Shangshan for the year ended 31 December 2010 are as follows:

	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Profit/ (loss) RMB'000	Interest %
Chongqing Yuneng	PRC	698,661	539,767	334,603	50,455	45
Chongqing Shangshan	PRC	–	–	–	(627)	44.55

11 Investment in and Loan to Associates

	31 December 2010 RMB'000	31 December 2009 RMB'000
Equity investment in associates	297,775	218,332
Entrusted loan to an associate (Note (a))	161,540	293,060
	459,315	511,392

Note:

(a) On 4 December 2008, the Group's subsidiary, Tianjin Sunac Zhidi Co. Ltd. ("Sunac Zhidi") entered into an agreement with the third party investor of Shougang Sunac, Beijing Shougang Real Estate Development Co. Ltd. ("Beijing Shougang Real Estate"), about investment in a new property project named West Chateau in Shougang Sunac. According to the agreement, the funds are provided by Sunac Zhidi and Beijing Shougang Real Estate in form of loans to Shougang Sunac at the ratio of 20% and 80% respectively. It was also agreed that from the commencement of West Chateau project, 65% and 35% of the net profits from the project are attributable to Beijing Shougang Real Estate and Sunac Zhidi respectively. Up to 31 December 2010, no revenue has been accounted for on West Chateau project.

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

	Year ended 31 December 2010 RMB'000	Year ended 31 December 2009 RMB'000
Beginning of year	218,332	53,389
Share of profit	79,443	164,943
End of year	297,775	218,332

As at 31 December 2010, the Group has a 50% equity interest in an unlisted PRC entity, Beijing Shougang Sunac Real Estate Development Co. Ltd. ("Shougang Sunac"). Shougang Sunac is treated as an associate of the Group because the other equity holder of Shougang Sunac has casting vote at board meetings in the event that the Directors of Shougang Sunac cannot reach a majority decision. Shougang Sunac has a wholly owned subsidiary namely Beijing Shouchi Yuda Real Estate Development Co. Ltd. ("Shouchi Yuda").

Sunac Zhidi acquired a 50% equity interest in Shougang Sunac from Sunco Land (Beijing) Real Estate Development Co. Ltd. ("Sunco Land") in August 2007. According to the agreement with Sunco Land, the consideration for this acquisition is 50% of dividends distributable from Shougang Sunac attributable to the existing project named East Fairyland in Shouchi Yuda. The present value of the related future payable for the consideration is included in long-term payable.

11 Investment in and Loan to Associates (continued)

On 19 January 2010, Sunco Land brought an arbitration claim against Sunac Zhidi in connection with the acquisition. Sunco Land claimed for an immediate payment of RMB161 million as 50% of the Group's profit share from the East Fairyland project to Sunco Land and other claims representing in aggregate approximately RMB3.53 million. Such amount is based on Sunco Land's own estimation.

On 13 September 2010, Sunco Land withdrew the arbitration claims, and Sunac Zhidi and Sunco Land are currently seeking to resolve the dispute with the mediation support of a working group of the Tianjin Municipality. Our Controlling Shareholders have agreed to indemnify us against any amount paid or payable by us in excess of 25% of the distributable net profit from the East Fairyland project.

As at 31 December 2010, the Company estimated that the amount of dividends from the entire East Fairyland project distributable to Sunco Land, when the project is completed, will be RMB142 million, the present value of which has already been provided in the consolidated balance sheet since the acquisition date. Further, with support of a legal opinion, the Directors are of the view that the Group is not obliged to pay Sunco Land before Shougang Sunac declares and pays dividends.

Investment in associates as at 31 December 2010 includes goodwill of RMB7.4 million. (as at 31 December 2009: RMB7.4 million).

The Group's interests in its associates for the year ended 31 December 2010 are as follows:

	Country of incorporation	Assets	Liabilities	Revenue	Profit/ (loss)	Interest
		RMB'000	RMB'000	RMB'000	RMB'000	%
Shougang Sunac	PRC	951,550	961,485	–	(16,658)	35
Shouchi Yuda	PRC	536,170	243,696	373,611	96,101	50

12 Deferred Income Tax

	31 December 2010 RMB'000	31 December 2009 RMB'000
Deferred income tax assets recoverable:		
– within 12 months	18,993	20,086
– after 12 months	209,342	33,648
	228,335	53,734
Deferred income tax liabilities to be settled:		
– within 12 months	33,727	39,096
– after 12 months	176,951	176,845
	210,678	215,941

12 Deferred Income Tax (continued)

(a) Deferred income tax assets

The movements in deferred income tax assets and liabilities are as follows:

	Payments and accruals pending receipt of appropriate tax documents RMB'000	Unpaid land appreciation tax RMB'000	Deductible tax loss RMB'000	Total RMB'000
At 1 January 2009	29,738	–	22,637	52,375
Charged to the income statement	3,791	–	(2,432)	1,359
At 31 December 2009	33,529	–	20,205	53,734
(Charged)/credited to the income statement	(279)	177,254	(2,374)	174,601
At 31 December 2010	33,250	177,254	17,831	228,335

(b) Deferred income tax liabilities

	Fair value surplus of properties on acquisitions RMB'000	Fair value surplus on investment properties RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	179,804	9,978	–	189,782
(Credited)/charged to the income statement	(37,817)	13,764	50,212	26,159
At 31 December 2009	141,987	23,742	50,212	215,941
(Credited)/charged to the income statement	(33,015)	–	25,820	(7,195)
Acquisition of subsidiary (Note 38)	–	1,932	–	1,932
At 31 December 2010	108,972	25,674	76,032	210,678

13 Available-for-sale Financial Assets

	31 December 2010 RMB'000	31 December 2009 RMB'000
Beginning of year	800	1,773
Subscription	3,000	1,600
Redemption	(3,800)	(2,938)
Change in fair value	–	365
End of year	–	800

Available-for-sale financial assets represent certain subscribed investment funds to invest in domestic fund market and are stated at fair value at balance sheet dates.

14 Properties under Development

	31 December 2010 RMB'000	31 December 2009 RMB'000
Comprising:		
Land use rights	5,942,332	3,022,612
Construction costs	1,947,164	1,421,399
Capitalised financial costs	142,875	51,368
	8,032,371	4,495,379

The properties under development are all located in the PRC.

As at 31 December 2010, certain properties under development with balances totalling RMB3,500 million were pledged as collaterals for the Group's borrowings (as at 31 December 2009: RMB1,459 million) (Note 22).

15 Completed Properties Held for Sale

	31 December 2010 RMB'000	31 December 2009 RMB'000
Completed properties held for sale, gross	1,041,898	1,326,832
Less: Provision for loss on realisable value	(32,000)	(14,000)
Completed properties held for sale, net	1,009,898	1,312,832

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

As at 31 December 2010, certain completed properties held for sale with balances totalling RMB103 million were pledged as collaterals for the Group's borrowings (as at 31 December 2009: RMB408 million) (Note 22).

As at 31 December 2010, the Group is in the process of applying for the ownership certificate in respect of the completed car parks of RMB234 million. The Directors consider that the title of car parks will be obtained in due course upon the completion of certain procedures in 2012 with no additional cost to the Group.

16 Other Receivables

	The Group		The Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000	31 December 2010 RMB'000	31 December 2009 RMB'000
Prepayment for 40% equity interest in Chongqing Yuneng	320,104	–	–	–
Guarantee deposits for new land use right biding	160,000	–	–	–
Prepaid taxes	123,079	189,431	–	–
Deposits for guarantee to customers' bank loans	33,861	33,488	–	–
Prepayment for property projects	26,201	31,702	–	–
Others	18,528	39,903	26	15,280
	681,773	294,524	26	15,280

As at 31 December 2010 and 2009, the fair value of other receivables approximated their carrying amounts.

The carrying amounts of the Group's other receivables are all denominated in RMB.

17 Restricted Cash

Restricted cash primarily represents guaranteed deposits for the mortgage loan facilities granted by banks to the Group. Such restrictions are to be released when the bank loans are repaid.

18 Cash and Cash Equivalents

	The Group		The Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000	31 December 2010 RMB'000	31 December 2009 RMB'000
Cash at bank and in hand				
– Denominated in RMB	3,696,651	1,418,164	1,782,363	–
– Denominated in HKD	256,364	2,356	20,716	1,783
– Denominated in USD	4,937	3,312	2,628	2,788
	3,957,952	1,423,832	1,805,707	4,571

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.

19 Share Capital and Share Premium – Group and Company

Share capital

	Note	Number of shares	Ordinary shares	
				Equivalent to
		(thousands)	HK$'000	RMB'000
Authorised:				
Ordinary shares of HK$0.01 each				
As at 31 December 2009 and 31 December 2010		10,000,000	1,000,000	
Issued:				
Ordinary shares of HK$0.1 each				
As at 31 December 2009		20,000	2,000	1,762
Shares issued under the capitalization issue on 7 October 2010	(a)	2,230,000	223,000	192,581
Shares issued under the Global Offering on 7 October 2010	(a)	750,000	75,000	64,769
As at 31 December 2010		3,000,000	300,000	259,112

Share premium

		RMB'000
Shares issuance under the Global Offering	(a)	2,189,201
Share issuance under the capitalization issue	(a)	(192,581)
Shares issuance costs		(212,837)
As at 31 December 2010		1,783,783

Notes:

(a) Pursuant to the resolutions passed in a meeting of the shareholders on 9 September 2010, the Company allotted and issued a total of 2,230,000,000 shares credited as fully paid at par to the holders of shares on the register of members of the Company at 8:10 a.m. on 7 October 2010 (being the Listing Date) in proportion to their respective shareholdings by way of capitalization of the sum of HK$223,000,000 standing to the credit of the share premium account of the Company. The shares allotted and issued under these resolutions rank pari passu in all respects with the existing shares.

On 7 October 2010, the Company completed its global offering by issuing 750,000,000 shares of HK$0.1 each at a price of HK$3.48 per shares. The Company's shares were then listed on the Main Board of the Stock Exchange of Hong Kong Limited.

19 Share Capital and Share Premium – Group and Company (continued)

Notes: (continued)

(b) Share-based payments

(1) Pre-IPO share option schemes

On 9 September 2010 (the "Adoption Date"), the Company adopted the Pre-IPO Share Option Scheme and the Employees' Share Award Scheme. On 1 March 2011, the Board of Directors has approved certain amendments to the Employees' Share Award Scheme, subject to the review and approval by the Stock Exchange of Hong Kong (the "HKSE").

(i) Under the Pre-IPO Share Option Scheme, the Company has conditionally granted to 121 grantees options to subscribe for up to 51,080,000 shares, representing approximately 1.67% of the total number of ordinary shares in issue on fully diluted basis (assuming the options pursuant to the Pre-IP0 share option schemes have been exercised in full). Such options will vest in accordance with the following schedule: 30% upon the first anniversary of the Adoption Date, an additional 30% upon the second anniversary and an additional 40% upon the third anniversary. The options are conditional on the employees' service in the Group as at the exercise dates. A grantee may exercise any vested portion of his or her options prior to the end of a period of four years from the Adoption Date, at a subscription price per share equal to 80% of the offer price of the Company's shares in the initial public offering (i.e., 80% of HK$3.48); and

(ii) Under the Employees' Share Award Scheme, as amended on 1 March 2011 subject to the review and approval by the HKSE, the Company granted the options to subscribe for up to 10,144,000 ordinary shares ("Option Shares"), representing approximately 0.33% of the total number of ordinary shares currently in issue on a fully diluted basis (assuming the options pursuant to the Pre-IP0 share option schemes have been exercised in full), to the scheme trustee Darson Management (PTC) Limited, a company wholly owned by Wang Mengde, the Chief Financial Officer of the Company. The scheme trustee will, upon the Company's request, award selected employees the rights to acquire Option Shares from the scheme trustee ("Awards") at a subscription price equal to 80% of the offer price of the shares in the initial public offering (i.e., 80% of HK$3.48). These Awards may be granted at any time during a period of four years commencing on the Adoption Date.

Subject to certain terms and conditions, a selected employee may exercise any vested portion of his or her Awards (other than Final Awards (as defined below)) at any time prior to the end of a period of 47 months from the Adoption Date. Upon the exercise of the Awards by the selected employees to acquire a certain number of Option Shares, the scheme trustee will exercise its option (in part or in full) to require the Company to issue and allot such Option Shares. However, if there is any Award granted but not exercised by the end of 47 months from the Adoption Date ("Award Balance"), the Company may instruct the scheme trustee to re-grant such amount of Award(s) not exceeding the Award Balance ("Final Awards") to any employees selected by the Group within one month preceding the fourth anniversary of the Adoption Date (i.e., the 48th month from the Adoption Date) in accordance with the terms of the Employees' Share Award Scheme. The Company may, instead of granting Final Awards, instruct the scheme trustee to directly exercise its option in such amount representing awards of up to the Award Balance on behalf of selected employees within one month proceeding the fourth anniversary date of the Adoption Date, sell the shares so allotted to the scheme trustee, and award the relevant portion of the sale proceeds to such selected employees in accordance with our instructions.

As at 31 December 2010, the Group has not decided the selected employees to be granted share options under this awards scheme. Therefore, there is no accounting impact recognised in the consolidated financial statements of the year.

19 Share Capital and Share Premium – Group and Company (continued)

Notes: (continued)

(b) Share-based payments (continued)

(2) Post-IPO share option scheme

On 1 March 2011, the Company's Directors approved the adoption of a Post-IPO Share Option Scheme, subject to shareholders' approval at the next annual general meeting and approval from the HKSE. Under this option scheme, the Company may grant to selected directors and employees options to subscribe for up to 3% of the total number of ordinary shares in issue as at the date of the Annual General Meeting (the "AGM Approval Date") during a period of three years commencing on the AGM Approval Date. Such options will vest in accordance with the following schedule: 1% of total number of ordinary shares upon the first anniversary of the AGM Approval Date, an additional 1% of total number of ordinary shares upon the second anniversary and an additional 1% of total number of ordinary shares upon the third anniversary (collectively the "Vesting Dates").

Subject to certain terms and conditions, a selected employee may exercise any vested portion of his or her options at the prices determined by the Board of Directors and no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheet issued by the HKSE on the offer date, (ii) the average closing prices of the shares as stated in the daily quotations sheets issued by the HKSE for the five days immediately preceding the offer dates, and (iii) the nominal value of the shares, in accordance with the following schedule: 30% of such options during the first year of each Vesting Dates, an additional 30% of such options during the second year of each Vesting Dates and an additional 40% of such options during the third year of each Vesting Dates.

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

Movement in the number of share options and their related weighted average exercise prices are as follows:

	2010		2009	
	Average price in HK$ per share	Options (thousand)	Average price in HK$ per share	Options (thousand)
At 1 January	–	–	–	–
Granted	2.78	51,080	–	–
At 31 December	2.78	51,080	–	–

As at 31 December 2010, no share options are exercisable (2009: nil).

The weighted average fair value of options granted during the year determined using the Binominal valuation model was HK$1.62 per option. The significant input into the model were weighted average share price of HK$3.58 at the grant date, exercise price of HK$2.86, volatility of 57%, dividend yield of 1.85%, an expected option life of four years and an annual risk-free interest rate of 0.91%. The expected volatility is determined by calculating the historical volatility of the price of listed companies with similar business to the Group. The expected dividend yield is determined by the Directors based on the expected future performance and dividend policy of the Group. The amortisation of share option of RMB9.5 million was recognised as staff costs in the consolidated income statements. (Note 29).

20 Other Reserves

		The Group				
	Note	Other reserves RMB'000	Merger Reserve RMB'000	Statutory Reserve RMB'000	Financial guarantee reserve (Note 37(b) RMB'000	Total RMB'000
Year ended 31 December 2009						
At 1 January 2009		1,387,107	(1,423,109)	151,271	(349)	114,920
Capitalisation of reserve		(8)	–	–	–	(8)
Repurchase and cancellation of US$ shares		15	–	–	–	15
Issue of shares		(1,762)	–	–	–	(1,762)
Acquisition of non-controlling interest		8,626	–	–	–	8,626
Redemption of available-for-sale financial assets		(874)	–	–	–	(874)
Change in fair value of available-for-sale financial assets		328	–	–	–	328
At 31 December 2009		1,393,432	(1,423,109)	151,271	(349)	121,245
Year ended 31 December 2010						
Acquisition of non-controlling interests	(a)	(108,827)	–	–	–	(108,827)
Employees share options	19(b)	9,513	–	–	–	9,513
Transfer		(349)	–	–	349	–
Appropriation of statutory reserve		–	–	142,897	–	142,897
Others		398	–	–	–	398
At 31 December 2010		1,294,167	(1,423,109)	294,168	–	165,226

20 Other Reserves (continued)

		The Company		
		Other reserves	Financial guarantee reserve (Note 37(b))	Total
	Note	RMB'000	RMB'000	RMB'000
Year ended 31 December 2009				
At 1 January 2009		1,419,127	(349)	1,418,778
Capitalisation of reserve		(8)	–	(8)
Repurchase and cancellation of US$ shares		15	–	15
Issue of shares		(1,762)	–	(1,762)
At 31 December 2009		1,417,372	(349)	1,417,023
Year ended 31 December 2010				
Employees share options	19(b)	9,513	–	9,513
Transfer		(349)	349	–
At 31 December 2010		1,426,536	–	1,426,536

Note:

(a) Other reserves

On 11 March 2010, Sunac Zhidi acquired the outstanding 49% equity interest of Wuxi Sunac Real Estate owned by third party non-controlling investor at a consideration of RMB608 million. The difference between the consideration and the carrying value of the non-controlling interest is recorded in equity.

(b) 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 common 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 Company's production operation; or to increase the capital of the Company.

Upon approval by a resolution of an equity holders' general meeting, the Company may convert this reserve into share capital, but the amount of this reserve remaining unconverted must not be less than 25% of the registered capital.

20 Other Reserves (continued)

Note: (continued)

(b) Statutory reserves (continued)

Those 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 revised 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 year, 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.

21 Trade and Other Payables

	31 December 2010 RMB'000	31 December 2009 RMB'000
Trade payables (Note (a))	1,498,202	1,208,498
Notes payable	–	362,222
Other payables	156,426	252,134
Payroll and welfare payables	23,316	16,979
Other taxes payable	768,870	348,369
	2,446,814	2,188,202

Note (a):

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

	31 December 2010 RMB'000	31 December 2009 RMB'000
Within 90 days	686,900	683,415
90-180 days	55,431	10,830
180-365 days	188,802	80,551
Over 365 days	567,069	433,702
	1,498,202	1,208,498

22 Borrowings

	31 December 2010 RMB'000	31 December 2009 RMB'000
Non-current		
Secured, borrowed from:		
– Banks (note (i))	3,580,113	2,071,873
– Other financial institutions (note (i))	1,237,620	333,620
– Third party	600,000	–
Unsecured, borrowed from:		
– Banks (note (i))	4,000	–
	5,421,733	2,405,493
Less: Current portion of long-term borrowings	(796,620)	(411,103)
	4,625,113	1,994,390
Current		
Secured, borrowed from banks	225,000	100,000
Unsecured, borrowed from:		
– Other financial institutions	46,000	46,000
– Third parties	–	119,861
Current portion of long-term borrowings	796,620	411,103
	1,067,620	676,964
Total borrowings	5,692,733	2,671,354

Note (i):

As at 31 December 2010, the Group's borrowings of RMB3,653 million (as at 31 December 2009: RMB2,505 million) were jointly secured by the Group's certain properties under development, completed properties held for sale and investment properties totalling RMB3,088 million (as at 31 December 2009: RMB2,021 million), borrowings of RMB600 million were jointly secured by the Group's certain properties under development and completed properties held for sale totalling RMB669 million and equity interests of certain subsidiaries of the Group. (Note 8, Note 14 and Note 15), borrowings of RMB690 million (as at 31 December 2009: nil) were secured by the Group's equity interests of certain subsidiaries, and a borrowing of RMB700 million (as at 31 December 2009: nil) was guaranteed by a third party.

22 Borrowings (continued)

(a) Long-term borrowings

The Group's borrowings as at 31 December 2010 were repayable as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Within 1 year	796,620	411,103
Between 1 and 2 years	2,134,300	1,275,590
Between 2 and 5 years	2,490,813	718,800
	5,421,733	2,405,493

The weighted average effective interest rates for the year ended 31 December 2010 was 7.41% (year ended 31 December 2009: 6.70%).

(b) The exposure of the Group's borrowings with variable interest rates to interest-rate changes and the contractual reprising dates are as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000
6 months or less	340,000	803,103
6-12 months	2,715,113	848,800
	3,055,113	1,651,903

(c) As at 31 December 2010, the Group had the following committed undrawn banking facilities:

	31 December 2010 RMB'000	31 December 2009 RMB'000
– Expiring within one year	1,040,000	2,568,647
– Expiring beyond one year	–	150,000
	1,040,000	2,718,647

(d) The carrying amounts of all the Group's borrowings are denominated in RMB and approximate their fair value.

23 Revenue

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Sales of properties	6,593,575	4,777,031
Rental income	19,232	18,182
Property management service income	40,952	–
	6,653,759	4,795,213

24 Gain from Fair Value of Investment Properties, Net

	Year ended 30 December	
	2010 RMB'000	2009 RMB'000
Fair value gains	–	56,655
Fair value losses	–	–
	–	56,655

25 Expenses by Nature

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Cost of properties sold:		
– Land use rights costs	747,027	878,190
– Construction costs	2,395,537	2,128,620
– Capitalised interests	231,884	166,413
– Business tax (Note 26)	358,149	259,287
– Other costs	43,011	3,680
Staff costs (Note 29)	83,230	55,063
Advertisement and promotion costs	70,196	38,428
Office and travel expenses	32,284	20,086
Other tax expenses	21,439	15,483
Impairment provision for car parks	18,000	14,000
Depreciation and other amortisation	10,271	10,682
Entertainment expense	10,913	8,278
Consulting expenses	7,040	3,568
Others	11,245	15,991
Total cost of sales, selling and marketing costs and administrative expenses	4,040,226	3,617,769

26 Business Tax

The PRC companies now comprising the Group are subject to business taxes on their revenues at the following rates:

Category	Tax rate
Sales of properties	5%
Rental income of investment properties	5%
Property management services	5%

27 Other Income

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Investment income from loans to associates and jointly controlled entities	18,621	30,645
Interest income	18,504	4,918
Government grants	–	4,079
Others	5,790	973
	42,915	40,615

28 Other Expenses

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Compensation to customers	853	4,731
Penalty charges	19	2,110
Others	968	791
	1,840	7,632

29 Staff Costs

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Wages and salaries	76,199	57,518
Pension costs	4,449	4,260
Other social security costs	6,630	5,665
Staff welfare	5,563	3,042
Share option amortisation (Note 19 (b))	9,513	–
	102,354	70,485
Less: Staff costs capitalised in properties under development	(19,124)	(15,422)
Charged to income statements (Note 25)	83,230	55,063

30 Directors' and Senior Management's Emoluments

(a) Directors' and senior management's emoluments

The Directors' emoluments are set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits including pension	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010:							
Sun Hongbin	–	1,348	–	–	–	–	1,348
Li Shaozhong	–	947	–	–	55	–	1,002
Wang Mengde	–	896	–	–	55	–	951
Chi Xun	–	873	–	–	55	–	928
Shang Yu	–	806	–	–	55	–	861
Year ended 31 December 2009:							
Sun Hongbin	–	876	–	–	–	–	876
Li Shaozhong	–	822	–	–	52	–	874
Wang Mengde	–	548	–	–	52	–	600
Chi Xun	–	568	–	–	52	–	620
Shang Yu	–	736	–	–	52	–	788

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in the year ended 31 December 2009 and 2010 include 5 and 5 directors respectively, whose emoluments are reflected in Note 30 (a) above. No emoluments payable to the remaining individuals in the year ended 31 December 2009 and 2010.

(c) In the year ended 31 December 2010, no director or any of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, or as compensation for loss of office (year ended 31 December 2009: nil).

31 Finance Costs, Net

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Interest expenses on:		
– Bank borrowings	188,275	137,642
– Borrowings from non-bank financial institutions	95,642	18,268
– Borrowings from third parties	82,305	13,084
	366,222	168,994
Other finance costs	56,764	43,344
	422,986	212,338
Less: Capitalised interests	(236,230)	(99,075)
	186,756	113,263

The capitalisation rate used to determine the amount of the interest incurred eligible for capitalisation in 2010 was 4.86% (2009: 3.93%).

32 Income Tax Expenses

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Corporate income tax charge ("CIT")	549,584	307,219
– Current income tax	731,380	282,419
– Deferred income tax	(181,796)	24,800
Land appreciation tax ("LAT")	506,548	163,618
	1,056,132	470,837

32 Income Tax Expenses (continued)

(a) CIT

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Profit before income tax	2,597,123	1,341,881
Income tax calculated at statutory rate	649,281	335,471
LAT deduction	(126,637)	(40,904)
Income not subject to tax	(32,318)	(47,015)
Non-deductible expenses	14,405	9,455
Others	44,853	50,212
	549,584	307,219

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.

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the year ended 31 December 2010 based on existing legislations, interpretations and practices.

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 Mainland China. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of their earnings generated from 1 January 2008.

(b) LAT

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

33 Earnings Per Share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2010	2009
Profit attributable to owners of the parent (RMB'000)	1,542,161	825,062
Weighted average number of ordinary shares in issue (thousand)	2,424,658	2,250,000

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issues assuming the exercise of the share options.

	Year ended 31 December	
	2010	2009
Profit attributable to owners of the parent (RMB'000)	1,542,161	825,062
Weighted average number of ordinary shares in issue (thousand)	2,424,658	2,250,000
Adjusted for Share options (thousand)	1,512	–
Weighted average number of ordinary shares for diluted earnings per share (thousand)	2,426,170	2,250,000

34 Dividends

On 10 May 2010, the Board declared an interim cash dividend of US$28.0 million (equivalent to RMB191.1 million) payable only to the Controlling shareholder Sunac International Investment Holdings Limited ("Sunac International"). The two other Shareholders at the time, Bain Capital and DB London, agreed to waive their rights to the interim cash dividend declared on 10 May 2010. The purpose of the declaration of such interim cash dividend was to facilitate the payment of interest on the Exchangeable Bonds by Sunac International to the Bondholders. Bain Capital and DB London as Shareholders agreed to waive their entitlement to the interim cash dividend because they as Bondholders would be entitled to their portions of interest payment made by Sunac International. The Company paid the interim cash dividend on 11 June 2010, using funds originally distributed by Sunac Zhidi out of its profit for the year ended 31 December 2008.

No dividend was declared by the Company in 2009.

35 Cash (Used in)/Generated from Operations

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Profit before income taxes	2,597,123	1,341,881
Adjustments for:		
– Finance costs	186,756	113,263
– Gain on disposal of property, plant and equipment ("PPE")	(2,116)	(108)
– Gain on disposal of financial assets	(13)	(1,570)
– Gain from fair value change of investment properties, net	–	(56,655)
– Amortisation of intangible assets	5,950	5,950
– Depreciation	4,321	4,732
– Share of profit from associates and jointly control entities	(129,271)	(188,062)
– Amortization of share options	9,513	–
Changes in working capital		
– Properties under development and completed properties held for sale, net	(3,234,056)	1,202,092
– Other receivables	45,303	181,311
– Trade and other payables	(733,627)	(752,196)
– Financial guarantee liabilities	–	(175)
Cash (used in)/generated from operations	(1,250,117)	1,850,463

35 Cash (Used in)/Generated from Operations (continued)

In the cash flow statement, proceeds from sale of PPE comprise:

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Net book amount (Note 7)	1,022	1,056
Gains on disposal of PPE	2,116	108
Proceeds from disposal of PPE	3,138	1,164

36 Commitments

(a) Property development expenditure at the balance sheet date but not yet incurred is as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Property development expenditure		
– Contracted but not provided for	1,322,599	1,313,951
– Authorised but not contracted for	13,782,381	10,162,313
	15,104,980	11,476,264
New land use right acquisition		
– Authorised but not contracted for (Note i)	575,460	–
	15,680,440	11,476,264

Note i On 21 December 2010, the Group's subsidiary, Sunac Zhidi, and a third party, Beijing Real Estate Development, have jointly secured the acquisition of a land use right in Beijing through an open tendering process. The consideration of the acquisition is RMB959.1 million. Sunac Zhidi and Beijing Real Estate Development will contribute RMB575.5 million and RMB383.6 million representing 60% and 40% of the total purchase price, respectively. Up to the date of approval of these financial statements, the Group was arranging for the signing of the relevant acquisition contracts.

36 Commitments (continued)

(b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of certain office buildings under non-cancellable operating leases contracts are payable in the following periods:

	31 December 2010 RMB'000	31 December 2009 RMB'000
No later than 1 year	1,749	1,119
Later than 1 year and no later than 5 years	–	1,026
	1,749	2,145

37 Financial Guarantee

(a) Guarantee on mortgage facilities

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

	31 December 2010 RMB'000	31 December 2009 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	3,769,624	1,459,718

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 two to three years from the completion of the guarantee registration; 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 and therefore the financial guarantee measured at fair value is immaterial.

37 Financial Guarantee (continued)

(b) Guarantee for exchangeable bonds

On 26 October 2007, Sunac International, the immediate holding company of the Company's issued US$200 million 7% Senior Exchangeable Bonds due 2010 ("Exchangeable Bonds"), which were partly guaranteed by the Company's investments in its subsidiaries as collateral for Mr. Sun.

The relevant financial guarantee liability, together with its corresponding credit to the equity reserve, was initially recognised at its fair value in 2007, as such guarantee qualified as a "Financial Guarantee Contract" under HKAS 39 and HKFRS 4. The fair value of such guarantee on 26 October 2007 was US$47,830 (equivalent to RMB349,000) as valued by an independent professional valuer, DTZ Debenham Tie Leung Ltd. The liability has been fully amortised as of 31 December 2010.

On 7 October 2010, the financial guarantee provided by the Company has been released.

(c) There was no corporate guarantee provided to the Group's subsidiaries in respect of bank borrowings as at 31 December 2010 (as at 31 December 2009: nil). The Directors consider the subsidiaries to be sufficiently financially resourced to settle their obligations.

38 Business Combination

Acquisition of Sunac Property Management

On 20 March 2010, the wholly owned subsidiary of the Group, Sunac Zhidi, acquired 100% equity interest of Sunac Property Management from a third party for a consideration of RMB0.1 million. Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	100
Less: Fair value of net assets acquired – shown as below	32,662
Goodwill	32,762

38 Business Combination (continued)

Acquisition of Sunac Property Management (continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Cash and cash equivalents	6,127	6,127
Property, plant and equipment	962	962
Trade and other receivables	4,339	4,339
Goodwill	–	13,259
Trade and other payables	(33,281)	(33,281)
Advances proceeds from customers	(8,705)	(8,705)
Current income tax liabilities	(172)	(172)
Deferred tax liabilities	(1,932)	–
Net assets	(32,662)	(17,471)

Purchase consideration settlement by cash	
Cash and cash equivalents in subsidiary acquired	6,127
Cash inflow on acquisition	6,127

39 Related Party Transactions

The Group is controlled by Sunac International Investment Holdings Ltd. ("Sunac International"), which owns 51.85% of the Company's shares. The remaining 48.15% of the shares are widely held. The ultimate controlling party of the Group is Mr. Sun Hongbin.

(a) Name and relationship with related parties

Name	Relationship
Mr. Sun Hongbin	The controlling equity holder and the director of the Company
Sunac International	Equity holder of the Company and controlled by Mr. Sun Hongbin
Shougang Sunac	Associate
Shouchi Yuda	Associate
Chongqing Yuneng	Jointly controlled entity

39 Related Party Transactions (continued)

(b) Transactions with related parties

During the year ended 31 December 2010, the Group had the following significant transactions with related parties:

	The Group Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Receiving/(provision) of funds:		
Chongqing Yuneng	503,550	58,500
Shougang Sunac	131,520	(293,060)
Dividends to Sunac International	191,182	–

	The Company Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Dividends to Sunac International	191,182	–

In the opinion of the Directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

In addition, the financial guarantee provided by the Company to Sunac International's exchangeable bonds has been disclosed in Note 37(b).

(c) Key management compensation

Key management mainly represent the Company's executive directors, their compensation have been disclosed in Note 30 of the financial statements.

39 Related Party Transactions (continued)

(d) Related party balances

	31 December 2010 RMB'000	31 December 2009 RMB'000
Amounts due from related parties		
– Shouchi Yuda	–	56,000
– Chongqing Yuneng	–	53,446
– Shougang Sunac	7	–
Amounts due to a related party		
– Chongqing Yuneng	450,104	–

As at 31 December 2010, amounts due from/to related parties are unsecured, have no fixed terms of repayment, and are cash advances in nature. The funds were used to fund the respective property projects.

40 Investments in Subsidiaries

(a) Investments in subsidiaries

	The Company	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Investments, at cost	74	74
Quasi-equity loans	1,403,910	1,403,910
Share options	9,513	–
	1,413,497	1,403,984

40 Investments in Subsidiaries (continued)

Particulars of the subsidiaries of the Group as at 31 December 2010 are set out below:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest 31 December 2009 Directly	Indirectly	31 December 2010 Directly	Indirectly	Principal activities
Incorporated in the British Virgin Islands:							
Sunac Real Estate Investment Holdings Ltd.	2 January 2007	US$10,000	100%	–	100%	–	Investment holding
Qiwei Real Estate Investment Holdings Ltd.	6 June 2007	US$1	100%	–	100%	–	Investment holding
Yingzi Real Estate Investment Holdings Ltd.	31 August 2007	US$1	100%	–	100%	–	Investment holding
Jujin Real Estate Investment Holdings Ltd.	6 September 2007	US$1	100%	–	100%	–	Investment holding
Dingsheng Real Estate Investment Holdings Ltd.	6 September 2007	US$1	100%	–	100%	–	Investment holding
Zhuoyue Real Estate Investment Holdings Ltd.	13 September 2007	US$1	100%	–	100%	–	Investment holding
Incorporated in Hong Kong:							
Sunac Property Investment Holdings Ltd.	10 September 2007	HK$1	–	100%		–	Investment holding
Qiwei Property Investment Holdings Ltd.	10 September 2007	HK$1	–	100%		–	Investment holding
Yingzi Property Investment Holdings Ltd.	10 September 2007	HK$1	–	100%		–	Investment holding
Jujin Property Investment Holdings Ltd.	14 September 2007	HK$1	–	100%		100%	Investment holding
Dingsheng Property Investment Holdings Ltd.	14 September 2007	HK$1	–	100%		100%	Investment holding
Zhuoyue Property Investment Holdings Ltd.	20 September 2007	HK$1	–	100%		100%	Investment holding

40 Investments in Subsidiaries (continued)

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest 31 December 2009 Directly	31 December 2009 Indirectly	31 December 2010 Directly	31 December 2010 Indirectly	Principal activities
Incorporated in the PRC:							
Tianjin Sunac Real Estate Investment Management Co. Ltd.	6 February 2007	RMB460 million	–	100%	–	100%	Investment holding
Tianjin Qiwei Real Estate Investment Management Co. Ltd.	20 July 2007	RMB225 million	–	100%	–	100%	Investment holding
Tianjin Yingzihuijin Property Management Ltd.	26 September 2007	RMB220 million	–	100%	–	100%	Investment holding
Tianjin Jujin Property Management Ltd.	31 October 2007	RMB200 million	–	100%	–	100%	Investment holding
Tianjin Dingsheng Juxian Property Management Ltd.	31 October 2007	RMB200 million	–	100%	–	100%	Investment holding
Tianjin Zhuo Yue Property Management Ltd.	31 October 2007	US$15 million	–	100%	–	100%	Investment holding
Sunac Zhidi	31 January 2003	RMB900 million	–	100%	–	100%	Real estate development and investment
Tianjin Sunac Ao Cheng Investment Co. Ltd.	25 February 2003	RMB222 million	–	100%	–	100%	Real estate development and investment
Chongqing OG	24 April 2004	RMB180 million	–	100%	–	100%	Real estate development and investment
Tianjin Sunac Mingxiang Investment Development Co. Ltd.	6 April 2010	RMB10 million	–	–	–	100%	Real estate development and investment
Tianjin Xiangchi Investment Co. Ltd.	25 September 2006	RMB160 million	–	100%	–	100%	Real estate development and investment
Wuxi Sunac Real Estate	27 February 2004	RMB204.1 million	–	51%	–	100%	Real estate development and investment
Suzhou Chunshen Lake Property Development Co. Ltd.	8 February 2005	RMB140 million	–	51%	–	100%	Real estate development and investment
Wuxi Sunac City	11 May 2005	RMB220 million	–	51%	–	100%	Real estate development and investment
Yixing Sunac Dongjiu Real Estate Co. Ltd.	9 March 2010	RMB400 million	–	–	–	100%	Real estate development and investment
Sunac Property Management	21 March 2010	RMB10 million	–	–	–	100%	Real Estate Property Management Services

40 Investments in Subsidiaries (continued)

Name	Date of incorporation/ acquisition	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest 31 December 2009 Directly	Indirectly	31 December 2010 Directly	Indirectly	Principal activities
Chongqing Sunac Business Operation Management Co., Ltd.	21 March 2010	RMB0.5 million	–	–	–	100%	Real Estate Property Management Services
Chongqing Sunac Property Management Co., Ltd.	21 March 2010	RMB5 million	–	–	–	100%	Real Estate Property Management Services
Sunac Zhidi (Tianjin) Business Operation Management Co. Ltd.	21 March 2010	RMB5 million	–	–	–	100%	Property management services
Jintan Sunac Plants and Flowers Co., Ltd.	14 July 2010	RMB0.5 million	–	–	–	100%	Service of maintenance plants and flowers for the property projects
Wuxi Sunac Investment Co., Ltd.	28 July 2010	RMB5 million	–	–	–	100%	Real estate development and investment
Beijing Sunac Construction Investment Real Estate Co., Ltd.	16 August 2010	RMB10 million	–	–	–	100%	Real estate development and investment

41 Financial Instruments by Category – Group and Company

(a) The Group

	Loans and receivables	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Assets as per balance sheet		
Available for sale financial assets	–	800
Other receivables excluding prepayments	18,528	39,903
Restricted cash	291,056	512,134
Cash and cash equivalents	3,957,952	1,423,832
	4,267,536	1,976,669

	Financial liabilities at amortised costs	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Liabilities as per balance sheet		
Borrowings	5,692,733	2,671,354
Trade and other payables excluding statutory liabilities	1,654,628	1,822,854
	7,347,361	4,944,208

41 Financial Instruments by Category – Group and Company (continued)

(b) The Company

	Loans and receivables	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Assets as per balance sheet		
Amount due from subsidiaries	234,592	–
Other receivables excluding prepayments	26	15,280
Cash and cash equivalents	1,805,707	4,571
	2,040,325	19,851

	Financial liabilities at amortised costs	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Liabilities as per balance sheet		
Other payables excluding statutory liabilities	23,722	–
Amount due to subsidiaries	8,491	331
Amount due to a related party	–	9,171
	32,213	9,502

42 Events after the Balance Sheet Date

(a) Acquisition of additional equity interest in jointly controlled entity, Chongqing Yuneng

Sunac Zhidi has entered into an agreement with Chongqing Yuneng Real Estate (Group) Co. Ltd. ("Chongqing Yuneng Real Estate"), one of the third party shareholders of Chongqing Yuneng to purchase an additional 40% equity interest in Chongqing Yuneng and a 40% equity interest in Chongqing Asia Pacific Enterprise Valley Property Management Co. Ltd. ("APEV Property Management") from Chongqing Yuneng Real Estate for cash considerations of RMB319,848,000 and RMB1 respectively. The transaction was completed in January 2011.

As disclosed in Note 10, the Group has a 45% equity interest in the jointly controlled entity, Chongqing Yuneng, as at 31 December 2010. Upon the completion of the above transaction, the Group obtained the control in Chongqing Yuneng and Chongqing Yuneng became an 85% owned subsidiary of the Group and APEV Property Management became a jointly controlled entity of the Group.

According to HKFRS 3 (revised) Business Combinations and supported by an independent valuation performed by DTZ Debenham Tie Leung Ltd., the Group preliminarily assessed that a gain of RMB181 million is to be recognised in the consolidated income statement for the year ending 31 December 2011 as a result of measuring at fair value its 45% equity interest in Chongqing Yuneng held before the business combination. Details of the preliminary assessment are as follows:

	RMB'000
Fair value of the 45% equity interest as at the acquisition date	359,829
Less: Carrying value of the investment in Chongqing Yuneng (Note 10)	(178,540)
Gain on re-measuring	181,289

Details of net assets of Chongqing Yuneng acquired and goodwill are as follows:

	RMB'000
Fair value of 45% equity interest of Chongqing Yuneng	359,829
Consideration for additional 40% equity interest of Chongqing Yuneng	319,848
	679,677
Less: Fair value of 85% net assets – shown as below	(678,760)
Goodwill	917

42 Events after the Balance Sheet Date (continued)

(a) Acquisition of additional equity interest in jointly controlled entity, Chongqing Yuneng (continued)

The fair value of the assets and liabilities arising from the acquisition are as follows:

	RMB'000
Cash and cash equivalents	280,580
Property, plant and equipment	2,249
Intangible assets	311
Properties under development and completed properties held for sale	1,311,423
Other receivables	100,417
Amount due from Sunac Zhidi	450,104
Deferred tax assets	1,421
Trade and other payables	(127,391)
Advances proceeds from customers	(701,464)
Borrowings	(303,710)
Current income tax liabilities	(66,918)
Deferred tax liabilities	(148,481)
Net assets	798,541
Less: Non-controlling interest	(119,781)
Fair value of total net assets owned by the Group	678,760

(b) Purchases of new land use rights after the balance sheet date

Subsequent to balance sheet date, the Group has secured the acquisitions of several pieces of land use rights in PRC through the open tendering processes. The aggregated consideration of the acquisitions approximate to RMB4,190.3 million will be financed by internal funds and external borrowings. As at the date of approval of these financial statements, the Group was arranging for the signing of the relevant acquisition contracts.

SUNAC 融創中國