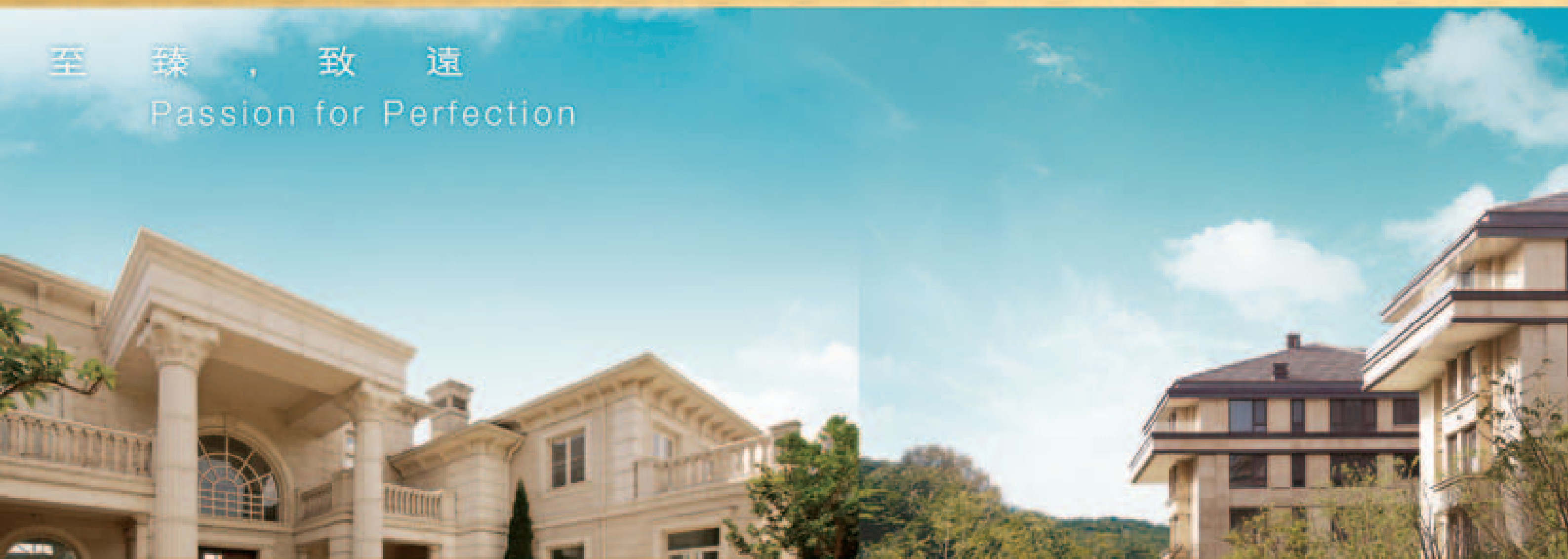
融創中國控股有限公司
SUNAC CHINA HOLDINGS LIMITED

（於開曼群島註冊成立的有限責任公司）
(incorporated in the Cayman Islands with limited liability)

Stock Code 股份代號：1918



ANNUAL REPORT 2012 年度報告

About SUNAC
關於融創

SUNAC China Holdings Limited (the "Company", "our Company" and its subsidiaries collectively referred to as the "Group") is an integrated residential and commercial property developer. To date, the Company has engaged in project developments in the five main regions of Beijing, Tianjin, Chongqing, Shanghai and Hangzhou 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, townhouses, retail properties, offices and car parks.

The Company focuses on high-end property development and management business. Guided by its brand positioning as "Passion for Perfection", the Company has long been providing high-end products to customers. With the aim of becoming leader of the real estate industry in China, the Company's pursuit of high-quality products and services never ends. It is always committed to providing a 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(簡稱為本公司，本公司及其附屬公司統稱為本集團)是一家專業從事住宅及商業地產綜合開發的企業。迄今，本公司在北京、天津、重慶、上海和杭州五大區域擁有眾多處於不同發展階段的項目，產品涵蓋高層及多層住宅、別墅、聯排別墅、商業、寫字樓及泊車位等多種物業類型。

本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。本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，不懈追求具有恒久價值的優質產品和用心週到的服務。基於對市場發展的精準判斷，對消費者需求的敏鋭洞悉，以及對高品質的不懈追求，本公司採用先進的設計理念和嚴格的管理監控體系，致力於不斷提升定位、產品規劃設計、建設和服務能力，提升專案綜合品質，打造精品項目。

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sun Hongbin *(Chairman and Chief Executive Officer)*
Mr. Wang Mengde
Mr. Li Shaozhong
Mr. Chi Xun
Mr. Shang Yu
Mr. Jing Hong
(appointed with effect from 3 July 2012)

Non-executive Directors

Ms. Hu Xiaoling
Mr. Zhu Jia

Independent Non-executive Directors

Mr. Poon Chiu Kwok
Mr. Li Qin
Mr. Ma Lishan
Mr. Tse Chi Wai
(appointed with effect from 19 December 2012)

JOINT COMPANY SECRETARIES

Mr. Huang Shuping
Ms. Ma Sau Kuen Gloria

AUTHORIZED REPRESENTATIVES

Mr. Wang Mengde
Ms. Ma Sau Kuen Gloria

AUDIT COMMITTEE

Mr. Poon Chiu Kwok *(Chairman)*
Mr. Li Qin
Mr. Ma Lishan
Mr. Tse Chi Wai
(appointed with effect from 19 December 2012)

REMUNERATION COMMITTEE

Mr. Poon Chiu Kwok *(Chairman)*
Mr. Sun Hongbin
Mr. Li Qin
Mr. Ma Lishan
Mr. Tse Chi Wai
(appointed with effect from 19 December 2012)

NOMINATION COMMITTEE

Mr. Sun Hongbin *(Chairman)*
Mr. Poon Chiu Kwok
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

10/F, Building C7, 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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

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

LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin
Paul, Hastings, Janofsky & Walker

As to Cayman Islands law:
Conyers Dill & Pearman

As to PRC law:
Jincheng Tongda & Neal Law Firm

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

1918

COMPANY'S WEBSITE

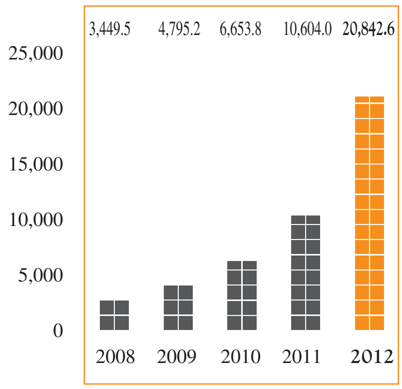
www.sunac.com.cn

Financial Summary

CONSOLIDATED RESULTS

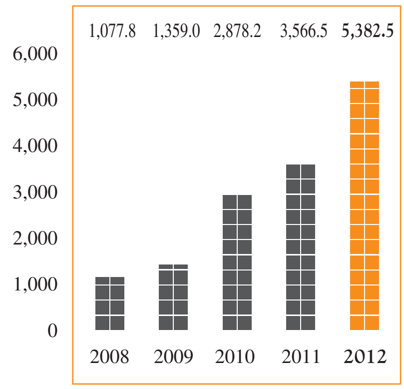
	2012	2011	2010	2009	2008
Revenue (RMB million)	20,842.6	10,604.0	6,653.8	4,795.2	3,449.5
Gross profit (RMB million)	5,382.5	3,566.5	2,878.2	1,359.0	1,077.8
Gross margin (%)	25.8%	33.6%	43.3%	28.3%	31.2%
Profit for the year (RMB million)	2,614.7	2,383.1	1,541.0	871.0	476.9
Profit attributable to owners of the Company (RMB million)	2,607.3	2,356.2	1,542.2	825.1	495.6
Cash and cash equivalents (including restricted cash) (RMB million)	12,262.7	3,867.1	4,249.0	1,936.0	869.9

Revenue



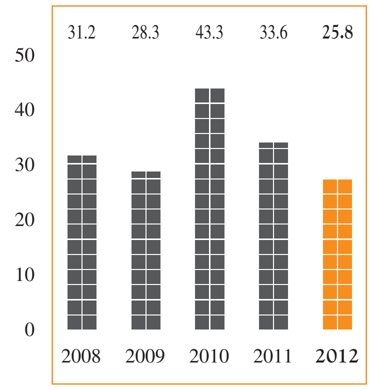
RMB million

Gross Profit



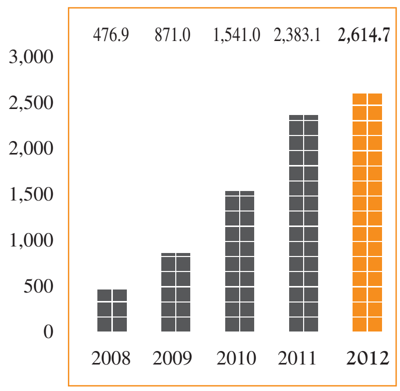
RMB million

Gross Margin



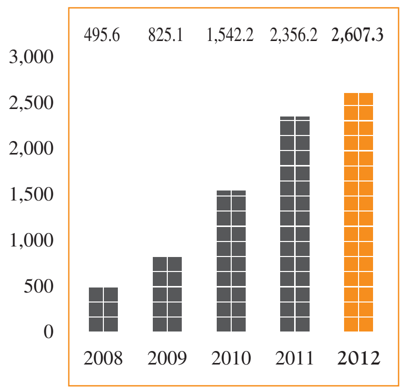
%

Profit for the year



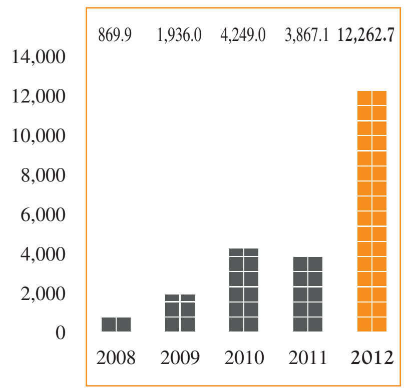
RMB million

Profit Attributable to owners of the Company



RMB million

Cash and Cash Equivalents (including restricted cash)



RMB million

Chairman's Statement

Dear Shareholders,

The year 2012 has been a critical year for the Company's development. Despite the uncertainties of the market and policy environment, through unswerving adherence to our strategy of regional focus and high-end properties and with support from a team with superior execution, we remarkably achieved our 2012 operational tasks, enabling a continuously steady and fast business growth. While over-fulfilling various operational targets, we made significant progress in areas such as regional coverage, land acquisitions, corporate governance, product quality and etc., laying a solid foundation for the Company's future growth.

Strictly following the rules on land acquisitions to optimize regional coverage and acquire quality land bank

In 2012, through continuous adherence to its strategy of regional focus and seizure of opportunities from land market, we successfully made presence in Shanghai and Hangzhou, and further consolidated its advantageous position in Beijing, Tianjin and Chongqing markets, formulating a development pattern covering the five major regions including Beijing, Tianjin, Shanghai, Chongqing and Hangzhou. In such areas, the Company replenished our land bank with an aggregate of approximately 7,420,000 sq.m. of quality lands at favourable prices, providing powerful support for the Company's future growth. It was particularly satisfactory that, despite the acquisition of numerous premium land reserves by the Company, its book cash balance increased from RMB3.87 billion in 2011 to RMB12.26 billion and our net debt position declined from 104.07% in 2011 to 78.89%. Besides, we strictly followed the Company's rules on land acquisitions while capturing opportunities from the land market. The Company resolutely abandoned a good many lands at exorbitant prices, despite its strong cash position, especially at the year end when the land market in first-tier cities experienced a rapid rebound even overheated, enabling the Company to take advantage of other better opportunities from the land market with deliberation.

Gaining trust and support from increasingly more partners

In 2012, the Company jointly developed Horizon Capital in Tianjin and Wangjing Jinmao Palace and Jinmao Residence in Beijing with Poly Real Estate and Franshion Real Estate, respectively. All of these projects moved smoothly and each recorded an excellent subscription amount on their launch days. We also acquired new projects in Beijing and Shanghai through our cooperation with Poly, further consolidating our mutual partnership. In our strategic cooperation with Greentown, outstanding operating results were achieved within a short time. It has profound strategic significance for optimizing the Company's regional coverage and enhancing its capabilities to deliver high quality products. Moreover, we started off well in our first project cooperation with each of The Wharf, Gezhouba Group Real Estate, Tianjin TEDA City Development Co., Ltd.. Trust and support from its partners will be of great benefit to the Company's better future growth.

Chairman's Statement

Continuously maintaining rapid growth in sales

In 2012, facing with challenges brought by the industrial macro regulations, the Company maintained its rapid sales growth, realizing a contract sales amount of RMB35.6 billion, which is higher than the target of the year. The ranking of sales of the Company in the real estate industry in China was increased to 12th from 18th in 2011. Against the market fluctuations in recent years, through adherence to our strategy of regional focus and high-end properties and with support from a team with superior execution, we have always over-fulfilled our planned sales target and achieved great results in tough environment.

Continuously enhancing the build-up and improvement of the management capabilities

In 2012, the Company achieved positive results in developing its management system and improving its management capabilities. We have consistently kept emphasizing on the build-up and development of its management capabilities and adhering to the principle of enhancing its management capabilities before scaling up. While scaling up, we also devoted a great deal of manpower, materials and attention to its management, and established an efficient management system featured in its systematization, elaboration and informatization, which is under constant build-up, enhancement and improvement, guaranteeing the sound future development of the Company with a solid foundation of management capabilities.

Outlook for 2013

Looking into 2013, we anticipate that the central government will continue its austerity measures on real estate industry. This will increase uncertainties and difficulties in real estate market. However, we strongly believe that our adherence to our strategy of regional focus and high-end properties has equipped us with obvious competitiveness, to tackle market uncertainties and potential risks without any panic. In land acquisitions, we will exercise caution in taking the opportunity to acquire lands and make careful judgment on the value of new projects as well as keep identifying cooperation opportunities for mergers and acquisitions. Meanwhile, we will strictly follow the Company's rules on land acquisitions such that we would rather miss wrong opportunities than purchase any land with doubts. We will continuously make an effort to enhance the Company's capabilities to deliver high quality products, with a view to launching Suzhou Taohuayuan Project, an innovative product characterized by Chinese-style courtyard houses built by a joint venture company of Sunac Greentown with emphasis, in the third quarter. We believe this project will pleasantly surprise the market and welcome all shareholders' visit and guidance. In 2013, we will take more prudence in cash flow management and stringent operational risk control so as to enable the Company's steady development.

Sunac China Holdings Limited
Sun Hongbin
Chairman of the Board

25 March 2013

Business Review and Outlook

Review of 2012

In 2012, the government's control policies on real estate industry remained tight. Against such background, through adherence to its strategy of regional focus and high-end properties and with support from a team with superior execution, the Company remarkably achieved its 2012 operational tasks, enabling a continuously steady and fast growth in its results. While over-fulfilling various operational targets, the Company seized market opportunities to replenish its land bank with high-quality lands at suitable prices. While consolidating its existing regional advantages, the Company strategically penetrated into Shanghai and Hangzhou in 2012, with an aim to optimize its regional coverage. In 2012, with success in various aspects of the Company, the management has faith in enabling the Company to achieve a continuously steady and fast growth in future so as to ensure better shareholders returns.

Sales Overview

Project	Location	Approximate GFA sold (sq.m)	Approximate value (RMB'000)
Sunac Mind-Land International	Tianjin	30,828	978,864
Sunac Magnetic Capital	Tianjin	72,833	1,496,788
Sunac Central of Glorious	Tianjin	15,021	355,249
Sunac Glorious Mansion	Tianjin	60,104	716,018
Sunac Dream of Mansion	Tianjin	22,959	310,723
Sunac Central Academy	Tianjin	124,709	1,314,727
Sunac PL Du Pantheon	Tianjin	43,816	1,196,004
Horizon Capital	Tianjin	41,009	1,060,310
Sunac West Chateau	Beijing	125,902	5,559,035
Jinmao Palace, Jinmao Residence	Beijing	99,227	3,182,090
Sunac Long Beach Mansion	Beijing	77,942	1,663,710
Shanghai Bund House	Shanghai	10,235	881,940
Shanghai Rose Garden	Shanghai	10,634	730,845
Shanghai Magnolia Garden	Shanghai	31,623	1,113,842
Sunac Olympic Garden	Chongqing	278,133	3,442,484
Sunac Eton Manor	Chongqing	132,697	1,279,690
Sunac Asia Pacific Enterprise Valley	Chongqing	73,081	1,164,382
Sunac 81	Suzhou	16,547	265,321
Suzhou Majestic Garden	Suzhou	29,146	1,124,960
Sunac Swan Lake	Wuxi	195,531	1,947,418
Sunac Dream of City	Wuxi	139,489	963,166
Camphorwood Mansion	Wuxi	86,115	2,018,660
Wuxi Magnolia Garden	Wuxi	64,749	752,040
Wuxi Magnolia West Project	Wuxi	19,884	211,166
Sunac Royal Garden	Yixing	117,669	1,334,780
Changzhou Magnolia Square	Changzhou	78,707	571,159
Total		**1,998,589**	**35,635,370**

Business Review and Outlook

Summary of principal properties

In 2012, the Group has engaged in a total of 41 property development projects. The following tables set forth certain details of the Group's projects based on actual data or estimates of the Group and associated project companies as of 31 December 2012 unless otherwise noted.

Project Summary as of 31 December 2012

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 the Group	Estimated completion time
Sunac Magnetic Capital	Tianjin	High-rise apartments, retail properties, offices, serviced apartments and car parks	460,840	1,247,672	1,193,228	100%	December 2014
Sunac Mind-Land International	Tianjin	High-rise apartments, detached villas, retail properties and car parks	497,501	809,386	749,250	100%	Completed in December 2012
Sunac Central of Glorious	Tianjin	High-rise and mid-rise apartments, townhouses, retail properties and car parks	14,608	64,738	62,977	100%	Completed in October 2012
Sunac Joy Downtown	Tianjin	Retail properties	25,234	56,615	55,960	100%	Completed in June 2006
Sunac Pl Du Pantheon	Tianjin	High-rise apartments, townhouses, retail properties and car parks	70,633	241,770	227,382	50.4%	December 2014
Sunac Glorious Mansion	Tianjin	High-rise and mid-rise apartments, retail properties and car parks	121,412	303,037	306,659	100%	December 2013
Sunac Central Academy	Tianjin	High-rise and mid-rise apartments, retail properties and car parks	268,425	687,939	693,801	100%	December 2016
Horizon Capital	Tianjin	High-rise and mid-rise apartments, retail properties, offices, serviced apartments and car parks	111,446	381,059	383,080	49%	May 2017
Dream of Mansion	Tianjin	Mid-rise apartments, townhouses and detached villas, retail properties, offices and car parks	120,058	193,728	193,967	50%	June 2014

Project Summary as of 31 December 2012

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 the Group	Estimated completion time
Yongji Phase 2	Tianjin	High-rise apartments, retail properties, offices and car parks	20,842	89,060	82,610	23.5%[1]	June 2015
R3 Project	Tianjin	Retail properties, offices, serviced apartments and car parks	121,214	471,288	471,288	23.5%[1]	June 2017
R5 Project	Tianjin	High-rise apartments, retail properties and car parks	77,588	284,101	278,765	23.5%[1]	June 2016
Tianjin Azure Coast	Tianjin	Retail properties, offices, serviced apartments and car parks	17,161	209,688	200,257	40%	November 2017
Sunac East Fairyland	Beijing	High-rise apartments, retail properties and car parks	54,502	166,481	144,276	100%	Completed in November 2010
Sunac West Chateau	Beijing	Mid-rise apartments, retail properties and car parks	190,665	439,901	334,657	100%	December 2013
Sunac Long Beach Mansion	Beijing	Mid-rise apartments, retail properties and car parks	63,940	133,956	103,326	100%	June 2013
Yaao Jinmao Residence	Beijing	High-rise apartments, retail properties and car parks	84,684	247,174	138,253	49%	November 2014
Wangjing Jinmao Palace	Beijing	High-rise apartments, retail properties and car parks	54,485	148,657	97,951	49%	December 2015
Yizhuang Project	Beijing	High-rise and mid-rise apartments, retail properties and car parks	132,792	420,821	365,932	50%	December 2014
Shanghai Magnolia Garden	Shanghai	High-rise and mid-rise apartments, car parks	58,163	120,063	113,978	50%	June 2013
Shanghai Bund House	Shanghai	High-rise apartments, car parks	65,758	370,184	224,162	25.5%	November 2017
Shanghai Rose Garden	Shanghai	Detached villas, retail properties	803,353	243,035	144,590	50%	June 2015

Note (1) As at 25 March 2013, interest attributable to the Group is 47%.

Project Summary as of 31 December 2012

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 the Group	Estimated completion time
Shanghai Magnolia Garden Phase 2	Shanghai	High-rise and mid-rise apartments, retail properties, car parks	72,803	176,718	148,018	24.5%	June 2015
Shanghai Wujiefang Project	Shanghai	High-rise and mid-rise apartments, retail properties, car parks	60,206	80,768	67,290	25%	June 2015
Shanghai Senglan Project	Shanghai	High-rise and mid-rise apartments, retail properties, car parks	75,091	179,946	117,832	24.5%	October 2015
Sunac Olympic Garden	Chongqing	High-rise and mid-rise apartments, townhouses, detached villas, retail properties, offices, serviced apartments and car parks	1,647,343	2,626,468	2,067,031	100%	December 2014
Sunac Eton Manor	Chongqing	High-rise and mid-rise apartments, townhouses, retail properties and car parks	179,204	401,616	299,798	100%	December 2014
Central Park Project	Chongqing	High-rise and mid-rise apartments, townhouses and car parks	159,802	518,562	441,834	100%	December 2015
Zhao Mu Shan Project	Chongqing	High-rise apartments, townhouses, detached villas, retail properties and car parks	397,822	1,228,504	1,039,340	60%	December 2017
Sunac Asia Pacific Enterprise Valley	Chongqing	High-rise apartments, retail properties, offices, serviced apartments and car parks	118,912	759,495	619,318	100%	December 2014
Xi Xi Project	Hangzhou	Mid-rise apartments, townhouses and car parks	89,685	123,166	76,183	100%(1)	November 2014
Sunac 81	Suzhou	Townhouses, detached villas, retail properties	133,434	100,340	82,608	100%	Completed in December 2012

Note (1) As at 25 March 2013, interest attributable to the Group is 75%.

Project Summary as of 31 December 2012

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 the Group	Estimated completion time
Suzhou Taohuayuan	Suzhou	Detached villas	213,852	249,302	127,090	33.3%	June 2016
Suzhou Majestic Garden	Suzhou	Mid-rise apartments, detached villas and car parks	155,664	218,340	123,070	50%	December 2013
Camphorwood Mansion	Wuxi	High-rise apartments, detached villas, retail properties and car parks	203,070	706,473	646,706	51%	December 2017
Sunac Swan Lake	Wuxi	High-rise and mid-rise apartments, townhouses, retail properties, serviced apartments and car parks	706,889	1,400,636	1,293,909	100%	June 2014
Sunac Dream of City	Wuxi	High-rise and mid-rise apartments, townhouses, retail properties and car parks	570,182	1,052,907	955,591	71.4%	December 2015
Wuxi Magnolia Garden	Wuxi	High-rise apartments, retail properties, car parks	180,826	569,290	537,043	42.5%	September 2015
Wuxi Magnolia West Project	Wuxi	High-rise apartments, serviced apartments, retail properties, car parks	171,572	493,074	455,453	19.5%	December 2016
Sunac Royal Garden	Yixing	High-rise and mid-rise apartments, townhouses, detached villas, retail properties and car parks	268,945	469,734	394,438	100%	December 2014
Changzhou Magnolia Square	Changzhou	High-rise apartments, retail properties, car parks	413,252	1,480,924	1,398,748	18.5%(1)	December 2017
Total			**9,253,858**	**20,160,616**	**17,457,650**		

Note (1) As at 25 March 2013, interest attributable to the Group is 29%.

Completed Properties for the year ended 31 December 2012

Project	Location	Aggregate GFA (sq.m.)	Saleable/ rentable GFA (sq.m.)	Unsold/ held for rental aggregate GFA (sq.m.)	Saleable/ rentable GFA unsold/ held for rental (sq.m.)
Sunac Magnetic Capital	Tianjin	1,142,637	1,087,983	193,419	184,168
Sunac Mind-Land International	Tianjin	809,386	749,250	27,076	25,065
Sunac Central of Glorious	Tianjin	64,738	62,977	403	392
Sunac Central Academy	Tianjin	17,946	18,159	0	0
Sunac Joy Downtown	Tianjin	56,615	55,960	12,870	12,721
Sunac East Fairyland	Beijing	166,481	144,276	0	0
Sunac West Chateau	Beijing	331,532	250,782	101,963	77,129
Sunac Long Beach Mansion	Beijing	123,553	95,725	25,448	19,716
Sunac Olympic Garden	Chongqing	1,907,082	1,522,514	116,182	92,753
Sunac Asia Pacific Enterprise Valley	Chongqing	435,364	347,779	425	340
Camphorwood Mansion	Wuxi	46,512	22,022	12,733	6,028
Sunac Swan Lake	Wuxi	1,002,048	922,583	217,311	200,078
Sunac Dream of City	Wuxi	577,282	529,356	65,890	60,420
Sunac 81	Suzhou	100,340	82,608	11,497	9,465
Sunac Royal Garden	Yixing	145,452	127,900	37,645	33,102
Shanghai Magnolia Garden	Shanghai	36,627	36,557	26,975	26,924
Shanghai Bund House	Shanghai	83,849	57,250	17,643	12,046
Shanghai Rose Garden	Shanghai	165,867	98,917	26,783	15,972
Wuxi Magnolia Garden	Wuxi	448,311	429,823	202,176	193,839
Total		**7,661,622**	**6,642,421**	**1,096,438**	**970,157**

Properties under Development as of 31 December 2012

Project	Location	Aggregate GFA (sq.m.)	Saleable/ rentable GFA (sq.m.)	Saleable/ rentable GFA unsold/held for rental (sq.m.)
Sunac Magnetic Capital	Tianjin	105,035	105,245	86,142
Sunac Glorious Mansion	Tianjin	303,037	306,659	228,875
Sunac Central Academy	Tianjin	275,764	280,721	135,155
Sunac PL Du Pantheon	Tianjin	149,789	142,351	94,963
Horizon Capital	Tianjin	133,604	135,624	95,270
Dream of Mansion	Tianjin	22,822	23,061	21,735
R5 Project	Tianjin	94,365	91,991	44,748
Tianjin Azure Coast	Tianjin	106,487	102,471	102,471
Sunac West Chateau	Beijing	108,369	83,876	76,818
Sunac Long Beach Mansion	Beijing	10,403	7,601	7,601
Yaao Jinmao Residence	Beijing	192,029	137,615	86,922
Wangjing Jinmao Palace	Beijing	122,557	88,151	88,151
Shanghai Magnolia Garden	Shanghai	83,436	77,421	30,774
Shanghai Rose Garden	Shanghai	77,168	45,673	41,618
Sunac Olympic Garden	Chongqing	287,326	221,523	59,535
Sunac Asia Pacific Enterprise Valley	Chongqing	324,131	271,539	213,432
Sunac Eton Manor	Chongqing	296,456	219,397	89,231
Suzhou Taohuayuan	Suzhou	94,812	49,090	49,090
Suzhou Majestic Garden	Suzhou	218,340	123,070	90,848
Camphorwood Mansion	Wuxi	450,175	419,118	308,513
Sunac Swan Lake	Wuxi	305,010	286,523	181,008
Sunac Dream of City	Wuxi	301,600	290,547	181,118
Wuxi Magnolia West Project	Wuxi	178,096	158,105	143,817
Sunac Royal Garden	Yixing	153,453	124,892	88,023
Changzhou Magnolia Square	Changzhou	298,495	279,418	202,337
Total		**4,692,757**	**4,071,683**	**2,748,197**

Properties to be Constructed as of 31 December 2012

Project	Location	Aggregate GFA (sq.m.)	Saleable/ rentable GFA (sq.m.)
Sunac Central Academy	Tianjin	394,229	394,921
Sunac PL Du Pantheon	Tianjin	91,981	85,032
Horizon Capital	Tianjin	247,456	247,456
Dream of Mansion	Tianjin	170,906	170,906
Yongji Phase 2	Tianjin	89,060	82,610
R3 Project	Tianjin	471,288	471,288
R5 Project	Tianjin	189,736	186,774
Tianjin Azure Coast	Tianjin	103,201	97,786
Yaao Jinmao Residence	Beijing	55,145	638
Wangjing Jinmao Palace	Beijing	26,100	9,800
Yizhuang Project	Beijing	420,821	365,932
Shanghai Bund House	Shanghai	286,335	166,912
Shanghai Magnolia Garden Phase 2	Shanghai	176,718	148,018
Shanghai Wujiefang Project	Shanghai	80,768	67,290
Shanghai Senglan Project	Shanghai	179,946	117,832
Sunac Olympic Garden	Chongqing	426,060	322,995
Central Park Project	Chongqing	518,562	441,834
Zhao Mu Shan Project	Chongqing	1,228,504	1,039,340
Sunac Eton Manor	Chongqing	105,160	80,401
Xi Xi Project	Hangzhou	123,166	76,183
Suzhou Taohuayuan	Suzhou	154,490	78,000
Camphorwood Mansion	Wuxi	209,786	205,566
Sunac Swan Lake	Wuxi	93,577	84,802
Sunac Dream of City	Wuxi	174,025	135,687
Wuxi Magnolia Garden	Wuxi	120,979	107,220
Wuxi Magnolia West Project	Wuxi	314,978	297,348
Sunac Royal Garden	Yixing	170,830	141,646
Changzhou Magnolia Square	Changzhou	1,182,429	1,119,330
Total		**7,806,237**	**6,743,546**

Land acquisitions

In 2012, other than its close cooperation with Greentown Real Estate Group Co., Ltd ("Greentown Real Estate"), the Company also had cooperations in projects with prominent enterprises such as Poly (Beijing) Real Estate Development Co., Ltd. ("Poly"), The Wharf (Holdings) Limited ("Wharf"), China Gezhouba Group Real Estate Co., Ltd. ("Gezhouba") and Tianjin TEDA Group Company Ltd. ("TEDA").

Penetrating into Shanghai through joint efforts with Greentown Real Estate and in-depth cooperation with the well complemented strengths beginning at a high starting point

In January 2012, the Company jointly developed Camphorwood Mansion Project in Wuxi with Greentown Real Estate. In June 2012, they joined forces again to develop 9 projects in regions such as Shanghai and South Jiangsu, which added 3,451,000 sq. m. into the land bank. The Company invested RMB3.36 billion and holds a 50% of interest in these 9 property projects from Greentown Real Estate.

This cooperation allows the Company to penetrate into Shanghai at a high starting point, thereby optimizing the Company's strategic coverage and strengthening its strategy of delivering high-end products as well as enabling the Company to enhance its systematic abilities in creating high-end properties.

Meanwhile, through seizing opportunities from the Shanghai land market, the Company acquired three new projects including Phase 2 of Shanghai Magnolia Garden, Wujiefang and Senglan with its partners such as Gezhouba, the Wharf and Poly at an aggregate consideration of RMB4.6 billion. The aggregate above ground floor area of these projects is approximately 302,000 sq. m.

Strategically penetrating into Hangzhou

In November 2012, the Company made its debut in Hangzhou by winning the bid for the land parcel of Xixi Wetland at Yuhang District at an aggregate consideration of RMB620 million. This land parcel, with site area of 59,000 sq. m. and above ground floor area of 77,000 sq. m., is situated in the famous scenic spot of Xixi Wetland with prime location and low volume rate, and suitable to create high-quality products, helping to build the brand of "Sunac" in Hangzhou;

Hangzhou is the financial and administrative center of Zhejiang, China's most economically developed province, where the economy is developed with a strong population aggregation. Moreover, Greentown Real Estate, the Company's partner, has spent years in cultivating this area, which the Group believes that will also facilitate the Company's development therein. In future, the Company will regard Hangzhou as an integral part of its regional coverage to cultivate this market.

Continuously strengthening the Company's advantages in Beijing, Tianjin and Chongqing

Beijing: In September 2012, the consortium formed by a subsidiary of the Company and Poly (Beijing) Real Estate Development Co., Ltd. acquired two land parcels at Yi Zhuang Xin Cheng, Daxing District through the listing-for-sale process, at an aggregate consideration of RMB3.08 billion, the total site area of which is 137,000 sq. m. and floor area of 309,000 sq. m.. These two land parcels are for residential use and owned as to 49.5% by the Company;

Tianjin: In December 2012, a wholly-owned subsidiary of the Company entered into an equity acquisition agreement with Beijing Vantone Real Estate Co., Ltd. ("Beijing Vantone"), pursuant to which, 23.5% of Tianjin TEDA City Development Co., Ltd. ("TEDA City") was acquired from Beijing Vantone at a consideration of RMB349 million. TEDA City is currently engaging in the development of Yongji Phase 2, Lot R3 and Lot R5. The total site area and the GFA of these three projects are approximately 220,000 sq. m. and approximately 850,000 sq. m. of which Yongji Phase 2 is located at the core area of Nankai District, a premium parcel of land while Lot 3 and Lot 5 are located at Hongqiao District, enjoying an excellent sea-and-river view;

Chongqing: In November and December 2012, a wholly-owned subsidiary of the Company acquired the land parcels for Central Park Project, Zhao Mu Shan Project and New District of North Area. The aggregate consideration of these three parcels of land was RMB3.82 billion, with the total site area of approximately 649,000 sq. m. and the GFA of approximately 1,527,000 sq. m. All these land parcels are located in the core area of Liangjiang New District, an area developed by the Chongqing Municipal Government with great emphasis.

Outlook for 2013

The Company expect that the central government's control policies on real estate industry in 2013 will remain tight, although new policies will be more targeted and flexible. The Company believe this will be conducive to the industry's healthy development in long run. The property market mainly depends on regional supply and demand as well as customers' expectations. The Company estimate that the overall market in 2013 will maintain steady, while that market differentiation will further exacerbate and performance of different cities, property developers and projects will show clear difference.

In 2013, the Company will continue to keep an eye on the land market, and seize all opportunities therein, to take advantage of the opportunities arising from different cities and parcels of lands. The Company will strictly follow the Company's rules on land acquisition to replenish our land bank provided that we has sufficient cash flows and the prices are suitable. In respect of selection of the cities, the Company will focus on consolidating our existing cities and, under prudent consideration, taking suitable chances to further optimize regional coverage.

In 2013, the Company will consistently emphasize on the build-up of its management capabilities so as to continuously improve the Company's comprehensive and integrated management and control platform, and enhance its management capabilities before scaling up, to well guarantee the steady and fast development of the Company's business.

Financial Review

Revenue

Revenue of the Group was substantially generated from sales of residential and commercial properties for the year. Only a minor portion of the Group's revenue was derived from rental of investment properties located in Tianjin and the income from property management services business.

For the year ended 31 December 2012, the Group continued to deliver a solid performance, achieving satisfactory growth in its core businesses, and through the cooperation with Greentown Real Estate and new land acquisitions in Hangzhou, the Group has strategically penetrated into Shanghai and Hangzhou, and then commenced its strategic layout in Yangtze River Delta. Accordingly, the Group will focus on development of real estate properties in five zones of the PRC, namely Beijing, Tianjin, Shanghai, Chongqing and Hangzhou.

Revenue of the Group for the year ended 31 December 2012 amounted to RMB20,842.6 million, which has an increase by 96.6% comparing with the total revenue for the year ended 31 December 2011.

The following table sets forth certain details of the revenues:

	For the year ended 31 December			
	2012		2011	
	RMB'000	%	RMB'000	%
Sales of properties	**20,654,358**	**99.10**	10,433,205	98.39
Property-management service income	**171,377**	**0.82**	152,991	1.44
Rental income from investment properties	**16,857**	**0.08**	17,851	0.17
Total	**20,842,592**	**100.0**	10,604,047	100.0
Total GFA delivered (sq.m)	**1,193,651**		739,301	
Average selling prices ("ASP") sold (RMB per sq.m)	**17,304**		14,112	

The revenue from the sales of properties increased by RMB10,221.2 million for the year ended 31 December 2012, primarily due to the revenue increase of RMB3,451.9 million and RMB2,761.0 million from the delivered properties of newly completed projects and projects acquired from the Greentown Real Estate, respectively.

Cost of sales

Cost of sales comprises the costs the Group incurred in relation to its direct development activities for the properties delivered, as well as leasing and property management operations.

Cost of sales of the Group increased to RMB15,460.1 million for the year ended 31 December 2012 from RMB7,037.6 million for the year ended 31 December 2011, which was primarily due to

(i) the significant increase of GFA delivered;

(ii) the increase of the proportion of the delivered properties for the year ended 31 December 2012 which were remeasured at fair value due to the impacts of the acquisition of property projects. For the year ended 31 December 2012, the Group's cost of sales included RMB1,722.6 million related to the valuation surplus of the properties acquired, of which RMB519.5 million was attributable to the Company.

Overall, the Group's cost of sales was basically proportionate to the revenue recorded for the year ended 31 December 2012.

Gross margin

For the year ended 31 December 2012, gross profit of the Group amounted to RMB5,382.5 million, or an increase of 50.9% compared with RMB3,566.5 million of last year. Gross margin was 25.8% for the year or a decrease of 7.8 percentage points over last year, mainly due to

(i) the increase of the proportion of the delivered properties for the year ended 31 December 2012 which were remeasured at fair value due to the acquisition of property projects. Excluding the impact of remeasurement of fair value, the Group's gross margin was 34.1%;

(ii) the delivery of the properties from part of original projects under the management of Shanghai Sunac Greentown, which had lower gross margin and accounted for a relatively higher proportion of the total revenue recorded for the year ended 31 December 2012 than last year.

Gain from business combination and gain from acquisition of associates

For the year ended 31 December 2012, the Group recognized a gain of RMB154.9 million from business combination and a gain of RMB120.0 million from acquisition of associates as a result of measuring at fair value of the equity interests in the companies acquired before the business combination and the acquisition and the excess of fair value of net assets acquired over cost of acquisition of interests in the companies was recorded as the Group's gain.

Other gains/(losses) – net

For the year ended 31 December 2012, the Group recorded other gains of RMB20.5 million which was mainly attributable to the gain from fair value change of investment properties of RMB19.0 million, comparing with net loss of RMB75.9 million from fair valve change of investment properties for the year ended 31 December 2011. The fluctuation in profit/loss from fair value of investment properties during the year was primarily due to the fair value change of the Group's investment properties at Sunac Magnetic Capital, primarily as a result of changes in investment income receivable on such properties and changes in prevailing market conditions.

Selling and marketing costs

Selling and marketing costs of the Group rose to RMB530.0 million for the year ended 31 December 2012 from RMB314.1 million for the year ended 31 December 2011, which was primarily due to the increase of the quantity of projects newly acquired and launched for the year ended 31 December 2012. However, the proportion of selling and marketing cost to the sales amount for the year ended 31 December 2012 dropped to 1.49% from 1.64% for the year ended 31 December 2011.

Administrative expenses

The Group's administrative expenses increased to RMB354.5 million for the year ended 31 December 2012 from RMB301.1 million for the year ended 31 December 2011, which was mainly due to the increase of the quantity of projects newly acquired and launched, resulting in an increase of relevant expenses. However, the proportion of administrative expenses to the sales amount for the year ended 31 December 2012 decreased to 0.99% from 1.57% for the year ended 31 December 2011.

Other income

The Group's other income slightly decreased by RMB2.5 million from RMB18.3 million in year ended 31 December 2011 to RMB15.8 million for the year ended 31 December 2012, which was primarily due to a decrease of RMB5.6 million in investment income as a result of the collection of entrusted loans to the Group's associates for the year ended 31 December 2012. Such decrease was partially eliminated by an increase of RMB2.7 million in government grants.

Other expenses

The Group's other expenses decreased by RMB5.6 million from RMB7.5 million for the year ended 31 December 2011 to RMB1.9 million for the year ended 31 December 2012, which was primarily due to the decrease of donations.

Operating profit

As a result of the sectors above analyzed, the Group's operating profit increased significantly by RMB965.7 million from RMB3,721.6 million for the year ended 31 December 2011 to RMB4,687.3 million for the year ended 31 December 2012, which was primarily due to

(i) an increase of RMB1,816.0 million in gross profit;

(ii) a decrease of RMB680.5 million in gain from business combination;

(iii) an increase of RMB169.8 million in operating expenses.

Finance costs, net

The Group's net finance costs amounted to RMB83.9 million for the year ended 31 December 2012, or a decrease of RMB99.4 million comparing with last year and the capitalized interest increased from RMB787.7 million for the year ended 31 December 2011 to RMB1,717.4 million for the year ended 31 December 2012, which was mainly attributable to an increase in interest expenses on the Group's total borrowings from RMB932.1 million for the year ended 31 December 2011 to RMB1,817.3 million for the year ended 31 December 2012. This increase was due primarily to an increase of borrowings to finance our expanded property development activities for the year ended 31 December 2012;

Share of (loss)/profit of jointly controlled entities

For the year ended 31 December 2012, the Group recorded share of loss of RMB30.4 million from the newly established and acquired jointly controlled entities which had not yet recorded the revenue for the year ended 31 December 2012, compared to share of profit of RMB0.1 million for the year ended 31 December 2011 which was totally attributed by Chongqing APEV Property Management Co., Ltd., which became a wholly owned subsidiary of the Company on 30 September 2012.

Share of loss of associates

For the year ended 31 December 2012, the Group recorded share of loss of RMB8.3 million from Tianjin Poly Sunac Investment Co., Ltd., and the other newly established and acquired associated companies, compared to share of loss of RMB10.1 million for the year ended 31 December 2011.

Income tax expenses

Income tax expenses represent current and deferred PRC corporate income tax (“CIT”) and land appreciation tax (“LAT”) payments made and provisions payable by the Group’s PRC subsidiaries. Income tax expenses of the Group amounted to RMB2,069.8 million for the year ended 31 December 2012 from RMB1,145.2 million for the year ended 31 December 2011, which was primarily attributable to a remarkable increase in the Group’s profit before income tax for the year ended 31 December 2012 compared to that for the year ended 31 December 2011.

Profit

As a result of the sectors above analyzed, the Group’s profit attributable to owners of the Company for the year ended 31 December 2012 increased 11% to RMB2,607.3 million against RMB2,356.2 million last year. Moreover, excluding the impact of fair value remeasurement of the acquired properties, the fair value change of the investment properties and impairment provision for properties, the Group’s core profit attributable to owners of the Company for the year ended 31 December 2012 increased 51.6% to RMB2,735.9 million from RMB1,804.5 million for the year ended 31 December 2011.

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

	For the year ended 31 December	
	2012	2011
	RMB’000	RMB’000
Profit for the year	**2,614,740**	2,383,072
Attributable to:		
Owners of the Company	**2,607,300**	2,356,168
Non-controlling interests	**7,440**	26,904
	2,614,740	2,383,072

Non-controlling interests

The following table sets out certain details of the non-controlling interests:

	At 31 December 2012 RMB'million	At 31 December 2011 RMB'million
Shanghai Sunac Greentown Real Estate Development Co., Ltd. (including its subsidiaries)	**1,939.6**	–
Wuxi Sunac Greentown Hubin Real Estate Co., Ltd.	**(43.5)**	–
Tianjin Sunac Mingxiang Investment Development Co., Ltd.	**373.8**	–
Wuxi Sunac City Construction Co. Ltd.	**231.3**	213.0
Chongqing Sunac Yatai Shiye Co., Ltd.	**–**	141.7
Chongqing Yejin Real Estate Development Co., Ltd.	**4.0**	–
Beijing Xishanhui Business Club Management Co., Ltd.	**0.01**	–
Total	**2,505.2**	354.7

Cash position

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

The Group's cash and cash equivalents (including restricted cash) was RMB12,262.7 million as at 31 December 2012, surging 217.1% from RMB3,867.1 million as of 31 December 2011.

The increase was principally attributable to

(i) the net cash inflow of RMB10,588.3 million (including restricted cash) in operating activities benefited from the significant increase of the proceeds from the pre-sale and sale of properties;

(ii) the net cash outflow of RMB5,259.6 million in investing activities which was mainly due to the net outflow of RMB2,473.2 million from the acquisition of Greentown projects and the net outflow of RMB2,777.0 million in investing new projects;

(iii) the net cash inflow of RMB3,067.9 million (including restricted cash) in financing activities primarily due to the net inflow of RMB3,756.8 million in borrowings, the net inflow of RMB1,341.3 million from the non-controlling interests' investments, the net outflow of RMB1,817.3 million in the payment of interest costs, and the net outflow of RMB236.4 million in the payment of dividend.

The Group believes that both the working capital and financial resources are sufficient to secure the business growth in foreseeable future.

Borrowing and collateral

The Group had total borrowings of RMB21,725.0 million as at 31 December 2012, increasing by RMB10,150.4 million from RMB11,574.6 million as of 31 December 2011, which was primarily due to the net increase of RMB2,459.4 million from senior notes issued on 9 October 2012 and the another net increase of RMB7,691.0 million from the loans obtained from banks and other parties.

As at 31 December 2012, the RMB19,326.2 million of the Group's total borrowings (as at 31 December 2011: RMB11,528.6 million) were secured or jointly secured by the Group's properties under development, completed properties held for sale and investment properties totaling RMB27,578.4 million (as at 31 December 2011: RMB14,658.0 million), certain equity interests of the Group's subsidiaries (including those legally transferred as collateral).

Net debt to total assets ratio, gearing ratio and net 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 (including restricted cash). As at 31 December 2012, the net debt to total assets ratio of the Group is 13%, as compared to 23% as of 31 December 2011.

Gearing ratio is calculated as net debt divided by total capital. Total capital is calculated as total equity plus net debt. As at 31 December 2012, the gearing ratio of the Group is 44%, as compared to 51% as at 31 December 2011.

Net gearing ratio is calculated as net debt divided by total equity. As at 31 December 2012, the net gearing ratio significantly decreased to 78.89% from 104.07% as at 31 December 2011, which indicated that amidst a rapid growth in business, the Group still possessed a sound financial structure and was capable to respond to various kinds of potential risks.

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

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

	At 31 December 2012 RMB'million	At 31 December 2011 RMB'million
Floating rates		
Less than 12 months	**8,149**	1,067
1 to 5 years	**3,509**	6,083
Sub-total	**11,658**	7,150
Fixed rates		
Less than 12 months	**3,634**	1,187
1 to 5 years	**6,433**	3,238
Sub-total	**10,067**	4,425
Total	**21,725**	11,575

As at 31 December 2012, the Group did not use any interest rate swaps to hedge its exposure to interest rate risk. The Group analyzes its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. The foreign currency balances as at 31 December 2012 were primarily the proceeds from the global bonds offering denominated in USD. Considering the increase trend of RMB value in recent years, the Group has converted most of the funds held in USD into RMB to minimize the exchange loss risk. Accordingly, as at 31 December 2012, most of the operating entities' assets and liabilities were denominated in RMB. The equivalent of RMB800 million was denominated in USD as at 31 December 2012. The Group will closely monitor and manage its exposure to fluctuation in foreign exchange rates.

No currency hedging arrangements were made as at 31 December 2012.

Contingent Liabilities

The Group provided guarantees to banks for mortgage facilities granted to certain purchasers of the Group's properties to secure the obligations of such purchasers for repayment of their mortgage loans. As at 31 December 2012, the amount was RMB5,124.2 million compared with RMB1,975.7 million as at 31 December 2011. Such guarantees terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser which generally takes place within an average period of six months of the properties delivery date; and (ii) the satisfaction of obligations under the mortgage loans by the purchasers. The Group's guarantee period starts from the dates of grant of the mortgage.

Biographies of Directors and Senior Management

Below are the biographies of the directors (the "Director") and senior management of the Company:

Executive Directors

Mr. SUN Hongbin ("Mr. Sun"), aged 49, is the founder, the chairman of the Board and an executive Director of the Company and the chief executive officer of the Group. Mr. Sun is responsible for the Company's overall development strategy and final decisions on daily significant operational matters, including land and equity acquisitions and appointments of senior management. Mr. Sun has more than 20 years of ample experience in the property sector in China. Mr. Sun started his real estate business in 1994 and has accumulated extensive experience in the management of the real estate activities over years. Mr. Sun obtained a master's degree in engineering from Tsinghua University in 1985 and completed an advanced management program at Harvard Business School in 2000.

Mr. WANG Mengde ("Mr. Wang"), aged 41, is an executive Director and the executive president of the Company. Mr. Wang has 14 years of experience in the property sector in China. He joined the Group in 2006 and acted as the chief financial officer and the vice president of the Group since then. He has been the executive president of the Group since 2011. Prior to joining the Group, Mr. Wang was the chief operating officer and chief financial officer of Sunco China Holdings Limited ("Sunco China") from 2005 to 2006, and the general manager of a subsidiary of Sunco China in East China region from 2003 to 2005. From 1997 to 1999, he 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.

Mr. LI Shaozhong ("Mr. Li"), aged 49, is an executive Director and the vice president of the Company. Mr. Li has over 20 years of extensive experience in property development and civil engineering. He joined the Group in December 2003 and acted as the general manager of Tianjin Sunac Ao Cheng Investment Co., Ltd. ("Sunac Ao Cheng") and the vice president of the Group. Mr. Li has accumulated over 20 years of experience and knowledge through holding different positions in real estate companies in the major cities of the PRC such as Shanghai and Tianjin. Mr. Li is a senior engineer and is in charge of development centre. Mr. Li 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.

Mr. CHI Xun ("Mr. Chi"), aged 39, is an executive Director and the general manager of Sunac Tianjin Company, with 14 years of experience in real estate development and sales management. He joined the Group in 2004 and held the position of deputy general manager of Tianjin Sunac Zhidi Co., Ltd. ("Sunac Zhidi") from 2004 to 2005. Since 2005, he has been the general manager of Sunac Zhidi. Prior to joining the Group, Mr. Chi worked at various property companies where he was primarily responsible for project development, design and sales. Mr. Chi graduated from Harbin Institute of Technology in 1997 with a bachelor's degree in architecture.

Mr. SHANG Yu ("Mr. Shang"), aged 33, is an executive Director and the general manager of Sunac Chongqing Company. Mr. Shang has 13 years of experience in the property sector in China. He joined the Group in 2003 and was the deputy general manager of Sunac Ao Cheng and Chongqing Olympic Garden from 2003 to 2004. Since 2006 till now, he has become the general manager of Chongqing Olympic Garden. Mr. Shang graduated from Tianjin Institute of Urban Construction with a bachelor's degree in property development and management in 2001 and then obtained a master's degree in business administration from the China Europe International Business School in 2008.

Mr. JING Hong ("Mr. Jing"), aged 51, is an executive Director and the general manager of Sunac Beijing Company. 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 an assistant president of the Lenovo Group Limited, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a 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 a 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 the Group in January 2007. Since then, he has been the general manager of Beijing Sunac Hengji Real Estate Co., Ltd. ("Beijing Sunac Hengji") and is responsible for overall business operations.

Non-executive Directors

Ms. HU Xiaoling ("Ms. Hu"), aged 43, is a non-executive Director. She joined CDH Investments in 2002 and is currently a managing director of CDH Investments Management (Hong Kong) Limited. She is also a non-executive director of both Belle International Holdings Limited, whose shares are listed on the Stock Exchange and SYSWIN Inc., whose shares are listed on the New York Stock Exchange. Ms. Hu is a director of Midea Group Co., Ltd, Anhui Yingliu Electromechanical Co., Limited and Beijing Motie Book Co., Limited as well. Prior to joining CDH Investments Management (Hong Kong) Limited, Ms. Hu worked for the Private Equity Division of China International Capital Co., Limited and Arthur Anderson. She is a fellow member of the Association of Chartered Certified Accountants. Ms. Hu graduated from Beijing Jiaotong University, previously known as Northern Jiaotong University, with a master's degree in economics and accounting and a bachelor's degree in economics. Ms. Hu joined our Company in November 2007.

Mr. ZHU Jia ("Mr. Zhu"), aged 50, is a non-executive Director. 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 managing director of investment banking division and the chief executive officer of the China business of Morgan Stanley Asia Limited. Mr Zhu is currently a non-executive director of Clear Media Limited, GOME Electrical Appliances Holdings Limited, SinoMedia Holding Limited and Greatview Aseptic Packaging Company Limited, whose shares are listed on the Stock Exchange. Meanwhile, Mr Zhu is also an independent non-executive director of Youku Tudou Inc., a company listed on the New York Stock Exchange. Mr. Zhu joined the Company in September 2009.

Independent Non-executive Directors

Mr. POON Chiu Kwok ("Mr. Poon"), aged 50, is an independent non-executive Director. Mr. Poon possesses years of appropriate accounting and related financial management expertise. He now serves as an executive director, vice president and company secretary of Huabao International Holdings Limited (listed on the Stock Exchange with stock code 336), and an independent non-executive director and a member of the audit committee of Guangzhou Shipyard International Company Limited (listed on the Stock Exchange with stock code 317 and Shanghai Stock Exchange ("SSE") with stock code 600685), and of Ningbo Port Company Limited (listed on the SSE with stock code 601018), Yuanda China Holdings Limited (listed on the Stock Exchange with stock code 2789), Changan Minsheng APLL Logistics Co., Ltd. (listed on the Stock Exchange with stock code 8217). Mr. Poon served as an independent non-executive director of Tsingtao Brewery Company Limited and China Tianrui Group Cement Company Limited and retired in June 2011 and December 2012 respectively. Mr. Poon is a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. He is a member and an Associate Instructor of Hong Kong Securities and Investment Institute ("HKSI") and is also a long-serving member of Professional Education Commission of HKSI. Recently, Mr. Poon became a member of the Technical Consultation Panel of the Hong Kong Institute of Chartered Secretaries. He obtained a master's degree in international accounting, a post-graduate diploma in laws, a bachelor's degree in laws and a bachelor's degree in business studies. Mr. Poon joined the Group in June 2011.

Biographies of Directors and Senior Management

Mr. LI Qin ("Mr. Li"), aged 72, is an independent non-executive Director. 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) 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). 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 ("Mr. Ma"), aged 61, is an independent non-executive Director. Mr. Ma graduated from Beijing Foreign Studies University 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 National Cereals, Oils & Foodstuffs Import & Export Corporation (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 Group Limited from 7 June 2008 to 16 January 2009 whose shares are listed on the Stock Exchange. From September 2010 to August 2012, Mr. Ma served as an executive director and the chairman of Hao Tian Resources Group Limited, the shares of which are listed on the Main Board of the Stock Exchange. He currently serves as an independent non-executive director of Silver Base Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Ma joined our Company in August 2009.

Mr. TSE Chi Wai ("Mr. Tse"), aged 45, is an independent non-executive Director. Mr. Tse graduated from the University of Hong Kong in 1989 with a bachelor's degree in social science studies. Mr. Tse is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tse previously worked for various international accounting firms and listed companies and has over 20 years of experience in auditing, accounting and finance. Mr. Tse has been an executive director of Jih Sun Financial Holding Co., Ltd, the shares of which are listed on the Taiwan Stock Exchange, since 2010. Mr. Tse has also been the chief financial officer, the company secretary and an executive director of China Information Technology Development Limited (Stock Code: 8178), the shares of which are listed on the Growth Enterprise Market on the Stock Exchange since 2011. Mr. Tse joined our Company in December 2012.

Senior Management

Mr. TIAN Qiang ("Mr. Tian"), aged 35, is the general manager of Shanghai Sunac Greentown Real Estate Development Co., Ltd. ("Shanghai Sunac Greentown"). Mr. Tian joined the Group in 2007 and acted as a deputy general manager of Tianjin Xiangchi Investment Co., Ltd.. In late 2007, he held the position of a general manager of Wuxi Sunac Real Estate. Before joining the Group, Mr. Tian has been a sales manager, deputy general sales manager and general manager between 2002 and 2007 at Sunco China. Mr. Tian graduated from the Tianjin Institute of Urban Construction in 1999 with a bachelor's degree in engineering specializing in construction project management.

Ms. MA Zhixia ("Ms. Ma"), aged 40, is the vice president of the Group. Ms. Ma is in charge of Research & Development Centre, and Project Management Department of the Group. She joined the Group in 2003 and from 2003 to 2005, she acted as a deputy general manager and general manager of Sunac Zhidi. Since 2005, she has been the vice president of the Group. Ms. Ma graduated from Nankai University with a bachelor's degree in economics in 1995.

Mr. CHEN Hengliu ("Mr. Chen"), aged 58, is the chairman of Hangzhou Sunac Real Estate Development Co., Ltd. ("Hangzhou Sunac"). He joined the Group in 2006 and has been the vice president since February 2013. Prior to joining the Group, he 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. Chen graduated from Beijing Normal University in 1982 with a bachelor's degree in physics and in 1985 he obtained a master's degree in science from the Post-graduate School of Chinese Academy of Sciences.

Ms. MIN Feng ("Ms. Min"), aged 42, is the chairman of Sunac South Jiangsu Company. 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. Ms. Min graduated from the Department of Chinese Language and Literature of Tianjin Normal University with a bachelor's degree.

Mr. HUANG Shuping ("Mr. Huang"), aged 32, is the vice president, chief financial officer and joint company secretary of the Company. Mr. Huang is primarily responsible for corporate finance, equity management and investor relations of the Group. He joined the Group in 2007 and acted successively as a supervisor and a general manager of the capital operations centre, a deputy general manager of the finance management department and an assistant to chief executive officer. Since 2011, he has been a vice president of the Group and has been the chief financial officer of the Group since November 2012. Before joining us, Mr. Huang was an assistant to the president of Sunco China with responsibilities in capital management from 2005 to 2007. From 2004 to 2005, he was a project manager of the assets management department of the Capital Securities Co., Ltd. Mr. Huang graduated from Xiamen University with a bachelor's degree in economics in 2003 and received a master's degree from the University of Liverpool in finance in 2004.

Mr. ZHANG Qiang ("Mr. Zhang"), aged 38, is the vice president of the Group and the executive general manager of Shanghai Sunac Greentown. Mr. Zhang joined the Group in 2003. From 2003 to 2005, He served as the deputy general manager of Sunac Zhidi. He was the general manager of Sunac Suzhou Company in 2005. From 2006 to 2011, he was the Group's strategic development director, the marketing director and the general manager of the marketing centre. He has been a vice president of the Group and the executive general manager of Shanghai Sunac Greentown since 2012. Mr. Zhang was graduated from chemistry department of Tianjin University with a bachelor's degree in science in 1997.

Ms. MA Sau Kuen Gloria ("Ms. Ma"), aged 54, is the joint company secretary of the Company. Ms. Ma is a director and the head of registration and compliance services of KCS Hong Kong Limited (凱譽香港有限公司), a corporate secretarial and accounting services provider in Hong Kong. Ms. Ma has over 30 years of experience in corporate secretarial work that includes acting as company secretary for companies listed on the Stock Exchange, and 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.

Corporate Governance Report

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

Corporate Governance Practices

Compliance with the Corporate Governance Code

Corporate Governance

The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance and has, throughout the year ended 31 December 2012, complied with all applicable code provisions (the "Code Provisions") under the Corporate Governance Code, save and except for the only deviations from Code Provisions A.2.1, A.6.7 and E.1.2.

Code Provision A.2.1 provided that, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer of the Company are performed by Mr. Sun Hongbin. Although Mr. Sun Hongbin assumes both the roles of chairman and chief executive officer, the divisions of responsibilities between the two roles are clearly defined. The role of the chairman is to monitor the duties and performance of the Board, whereas the role of chief executive officer is to manage the Group's business. The Board believes that at the current stage of development of the Group, 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.

Code Provision A.6.7 provided that, independent non-executive Directors and other non-executive Directors should attend general meetings. Mr. Li Qin and Mr. Ma Lishan (independent non-executive Directors) as well as Mr. Zhu Jia and Ms. Hu Xiaoling (non-executive Directors) were unable to attend the annual general meeting of the Company held on 18 May 2012 (the "2012 AGM") due to conflicting schedules. Accordingly, the Company was unable to fully comply with Code Provision A.6.7 of the Corporate Governance Code. However, Mr. Poon Chiu Kwok ("Mr. Poon"), an independent non-executive Director, attended the 2012 AGM and answered questions from shareholders. Mr. Poon is also the chairman of the audit committee, chairman of the remuneration committee and member of the nomination committee of the Company.

Code Provision E.1.2 provided that, the chairman of the Board should attend the annual general meeting and be available to answer questions at the meeting. Mr. Sun Hongbin (chairman of the Board) was unable to attend the 2012 AGM as he had to attend certain business matters in the PRC on the same day. Accordingly, the Company was unable to fully comply with Code Provision E.1.2 of the Corporate Governance Code.

Trainings of the Directors

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

All Directors should keep abreast of the responsibilities as a Director, and of the conduct and business activities of the Company. The Company is responsible for arranging and funding suitable induction programme and on-going training and professional development programme for the Directors. Accordingly, the Company will arrange an induction programme for newly appointed Director before his/her formal appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements being a newly appointed Director.

The company secretary of the Company keeps and updates disciplines of training received by Directors.

For the year ended 31 December 2012, trainings received by each Director are summarized as follows:

Name of Director	Attending seminar(s)/program(s)/ conference(s) relevant to the business or Directors' duties	Reading materials and update relating to the latest development of Listing Rules and other applicable regulatory requirements
Mr.Sun Hongbin	✓	✓
Mr. Wang Mengde	✓	✓
Mr. Li Shaozhong	✓	✓
Mr. Chi Xun	✓	✓
Mr. Shang Yu	✓	✓
Mr. Jing Hong	✓	✓
Mr. Zhu Jia	✓	×
Ms. Hu Xiaoling	✓	×
Mr. Poon Chiu Kwok	✓	✓
Mr. Li Qin	✓	✓
Mr. Ma Lishan	✓	✓
Mr. Tse Chi Wai	✓	✓

The Board

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 Composition

Executive Directors

Mr. Sun Hongbin *(Chairman and Chief Executive Officer)*
Mr. Wang Mengde *(Executive President)*
Mr. Li Shaozhong
Mr. Chi Xun
Mr. Shang Yu
Mr. Jing Hong *(appointed with effect from 3 July 2012)*

Non-executive Directors

Ms. Hu Xiaoling
Mr. Zhu Jia

Independent Non-executive Directors

Mr. Poon Chiu Kwok
Mr. Li Qin
Mr. Ma Lishan
Mr. Tse Chi Wai *(appointed with effect from 19 December 2012)*

There is no relationship (including financial, business, family or other material relationship) between any members of the Board. The Directors' respective biographical information is set out on pages 24 to 26. The present Board has extensive experiences in corporate finance and management both in Hong Kong and China. Pursuant to the Listing Rules, Mr. Poon Chiu Kwok possesses appropriate expertise in accounting and financial management. The diversified experiences and backgrounds of Directors contribute the Company better corporate governance and performance standards, which brings the stakeholders of the Company long-term benefits.

As at 31 December 2012, the Board has met the requirement of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate qualification, or accounting or related financial management expertise and the number of independent non-executive Directors representing at least one third of the Board (in compliance with Rules 3.10 and 3.10A of the Listing Rules). The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company have not been separated as required by Code Provision A.2.1 of the Corporate Governance 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 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 well balance between authorities and responsibilities. The Board comprises six executive Directors (including Mr. Sun), two non-executive Directors and four independent non-executive Directors, reflecting the independence of the Board.

Board Meetings

The Board has convened four meetings during the year ended 31 December 2012 to discuss corporate strategies, business plans and other significant issues of the Group. Details of the attendance at the Board meetings convened are set out as follows:

Name of Director	Attendance/Number of meetings held
Executive Directors	
Mr. Sun Hongbin *(Chairman)*	4/4
Mr. Wang Mengde *(Executive President)*	4/4
Mr. Li Shaozhong	4/4
Mr. Chi Xun	4/4
Mr. Shang Yu	4/4
Mr. Jing Hong *(appointed with effect from 3 July 2012)*	2/2
Non-executive Directors	
Ms. Hu Xiaoling	4/4
Mr. Zhu Jia	4/4
Independent Non-executive Directors	
Mr. Poon Chiu Kwok	4/4
Mr. Li Qin	4/4
Mr. Ma Lishan	4/4
Mr. Yuan Renbiao (also known as Yuan Yihong) *(appointed with effect from 3 July 2012 and resigned with effect from 10 July 2012)*	0/0
Mr. Tse Chi Wai *(appointed with effect from 19 December 2012)*	0/0

In addition, all members of the Board have approved the following proposals unanimously by way of written resolutions:

- acquisition of 51% equity interests in Wuxi Greentown Hubin Real Estate Co., Ltd.
- amendments on the terms of reference of the Board Committees
- introduction of investors for project company
- grant of share options
- establishment of joint ventures and acquisition of property project companies
- appointment of executive Director and independent non-executive Directors and members of the Audit Committee and the Remuneration Committee
- unified issuance of US$400,000,000 12.5% senior notes due 2017
- change of chief financial officer of the Company
- acquisition of 47% equity interest in and assignment of debt in Tianjin TEDA City Development Co., Ltd.

Each of the executive Directors (except Mr. Jing) has entered into a service contract with the Company, for a term of three years from 7 October 2010. Mr. Jing has entered into a service contract with the Company for a term of three years from 3 July 2012. Each of the non-executive Directors has been appointed from 7 October 2010, for a term of two years and, if there is no disagreement, the appointment will be automatically renewed for a term of no more than three years. Each of the independent non-executive Directors (except Mr. Poon Chiu Kwok ("Mr. Poon") and Mr. Tse Chi Wai ("Mr. Tse")) has been appointed from 7 October 2010, for a term of two years, and, if there is no disagreement, the appointment will be automatically renewed for a term of no more than three years. Mr. Poon has been appointed from 8 June 2011, for a term of one year, and, if there is no disagreement, the appointment will be automatically renewed for a term no more than three years. Mr. Tse has been appointed from 19 December 2012, for a term of one year.

Board Committees

The Company has maintained the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of these committees has specific written terms of reference which deal clearly with their authority and duties. The chairman of the committees will report their findings and recommendations to the Board after each meeting.

Audit Committee

The primary duties of the Audit Committee are to review completeness of the Company's policies and procedures on internal control, to review financial statements of the Group and to perform the corporate governance duties of the Company. The Audit Committee consists of four independent non-executive Directors, namely, Mr. Poon Chiu Kwok (chairman of the Audit Committee), Mr. Li Qin, Mr. Ma Lishan and Mr. Tse Chi Wai. The terms of reference of the Audit Committee has been adopted by the Board on 27 November 2009 and amended on 29 March 2012 and is uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn). During the year ended 31 December 2012, the Audit Committee has convened two meetings 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
Mr. Poon Chiu Kwok	2/2
Mr. Li Qin	2/2
Mr. Ma Lishan	2/2
Mr. Tse Chi Wai *(appointed with effect from 19 December 2012)*	0/0

The Audit Committee has been appointed by the Board to perform the corporate governance duties on the Board meeting held on 29 March 2012.

The work performed by the Audit Committee during 2012 included, among others, the following:

1. reviewed interim and annual consolidated financial statements of the Group;

2. discussed with external auditors;

3. reviewed the 2012 cash flow projections and monitored the Group's overall financial condition;

4. reviewed the appropriateness and effectiveness of internal control system of the Group and made recommendations to the Board on the improvement of internal control, credit control and risk management of the Group;

5. reviewed the adoption of the relevant accounting principles generally accepted and made recommendations to the Board on the adoption of accounting policies; and

6. met with external auditors in the absence of executive Directors and senior management to discuss matters in relation to the audit.

Remuneration Committee

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 terms of reference of the Remuneration Committee has been adopted by the Board on 27 November 2009 and amended on 29 March 2012 and has been uploaded to the websites of the Stock Exchange and Company.

The Remuneration Committee comprises one executive Director, namely Mr. Sun Hongbin, and four independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Li Qin, Mr. Ma Lishan and Mr. Tse Chi Wai. Mr. Poon Chiu Kwok acts as the chairman of the Remuneration Committee.

The Remuneration Committee held one meeting during the year ended 31 December 2012, and the individual attendance of each member during the period is set out as follows:

Name of Member	**Attendance/Number of meetings held**
Mr. Poon Chiu Kwok	1/1
Mr. Sun Hongbin	1/1
Mr. Li Qin	1/1
Mr. Ma Lishan	1/1
Mr. Yuan Renbiao (also known as Yuan Yihong) *(appointed with effect from 3 July 2012 and resigned with effect from 10 July 2012)*	0/0
Mr. Tse Chi Wai *(appointed with effect from 19 December 2012)*	0/0

The major work performed by the Remuneration Committee in 2012 included reviewing and making recommendation of the Directors' remuneration for the year ending 31 December 2013, assessing the performance of executive Directors and appointing Mr. Yuan and Mr. Tse as members of the Remuneration Committee.

Nomination Committee

The primary duties of the Nomination Committee are to identify and to nominate suitable candidates for Directors and senior management and then recommended to the Board for decision. Criteria adopted by the Nomination 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 terms of reference of the Nomination Committee has been adopted by the Board on 27 November 2009 and amended on 29 March 2012 and has been uploaded to the websites of the Stock Exchange and the Company.

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

The Nomination Committee held one meeting during the year ended 31 December 2012, and the individual attendance of each member during the period is set out as follows:

Name of Member	**Attendance/Number of meetings held**
Mr. Sun Hongbin *(Chairman)*	1/1
Mr. Poon Chiu Kwok	1/1
Mr. Li Qin	1/1
Mr. Ma Lishan	1/1

The work performed by the Nomination Committee during 2012 included:

1. identified individuals suitably qualified to become members of the Board and select or made recommendations to the Board on the selection of individuals nominated for directorships;

2. assessed the independence of the independent non-executive Directors; and

3. made recommendations to the Board on the appointment or re-appointment of Directors.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as the guidelines of the Directors for the dealings in the Securities of the Company. Following specific enquiries of all Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2012 in relation to their securities dealing, if any.

Auditor's Remuneration

During the year ended 31 December 2012, the remunerations paid or payable to the auditor of the Group, PricewaterhouseCoopers in respect of its statutory audit services and non-audit services about the issuance of the Notes were RMB6.5 million and RMB0.6 million, respectively.

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 2012 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 pages 58 to 59 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 to ensure the Group's assets and shareholder's benefit. The Company leverages on the expertise offered by internal and external professionals to develop its internal control system. During the year, the Board conducted a review of the effectiveness of the Group's 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.

During the year, the internal control department of the Company has reviewed the internal control system through conducting a series of special internal audits based on the risk assessment, including finance management audit, sales management audit, procurement and tendering management audit, engineering management audit, property management audit, etc.. The Audit Committee and the Board 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.

Information Disclosure

The Company discloses information in compliance with the Listing Rules and Inside Information Provisions under Part XIVA of Securities and Futures Ordinance 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.

Company Secretary

The Company engages Ms. Ma Sau Kuen Gloria, director of KCS Hong Kong Limited, as one of its joint company secretaries. Her primary corporate contact person at the Company is Mr. Huang Shuping, the vice president, chief financial officer and joint company secretary of the Company. In compliance with Rule 3.29 of the Listing Rules, Ms. Ma, has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2012. Mr. Huang has also undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2012.

Communication with Shareholder

The Company is committed to pursue active dialogue with shareholders as well as to provide timely disclosure of information concerning the Company's material developments to its shareholders, investors and other stakeholders.

Annual general meeting ("AGM") of the Company serves as an effective forum for communication between the shareholders and the Board. Notice of the AGM together with the meeting materials will be despatched to all shareholders not less than 21 clear days and not less than 20 clear business days before the AGM.

As one of the measures to safeguard the shareholders' interests and rights, separate resolutions will be proposed at general meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. In addition, the Company regards the AGM as an important event, and all Directors, the chairmen of all Board Committees, senior management and external auditor will attend the AGM of the Company to address shareholders' inquiries. If the chairmen of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee fails to attend the meeting, then other members of each committee will be invited to attend the AGM and answer shareholders inquiries thereat. All resolutions proposed at general meetings will be voted by poll. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn) on the same day of the relevant general meetings.

Mr. Sun Hongbin (chairman of the Board) was unable to attend the AGM held on 18 May 2012 as he had to attend certain business matters in the PRC on the same day. Mr. Wang Mengde, Mr. Chi Xun and Mr. Shang Yu (executive Directors) were unable to attend the AGM held on 18 May 2012 due to conflicting schedules. Mr. Li Qin and Mr. Ma Lishan (independent non-executive Directors) as well as Mr. Zhu Jia and Ms. Hu Xiaoling (non-executive Directors) were also unable to attend the AGM held on 18 May 2012 due to conflicting schedules. However, Mr. Li Shaozhong, an executive Director, and Mr. Poon Chiu Kwok, an independent non-executive Director, attended the 2012 AGM and answered questions from shareholders. Mr. Poon is also the chairman of the Audit Committee, chairman of the Remuneration Committee and member of the Nomination Committee.

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

Shareholders' Right

Procedures for shareholders to convene an extraordinary general meeting

In accordance with article 58 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for any business specified in such requisition. Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at general meeting

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders who wish to propose resolutions may follow article 58 of the articles of association of the Company for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of article 58 are set out above.

Procedures for directing shareholders' enquiries to the Board

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

Investor Relations Department
Sunac China Holdings Limited
10th Floor, Building C7, Magnetic Plaza,
Binshuixi Road, Nankai District
Tianjin
China
Fax: 86-22-23929807
Email: ir@sunac.com.cn

Investor Relations

The Memorandum of Association and Articles of Association

There were no changes in the memorandum of association and articles of association of the Company during the year ended 31 December 2012.

Investor Relations Report

The Company's investor relations team aims to ensure shareholders of the Company (including individual and institutional shareholders), investment institutions and related persons to be provided with comprehensive, identical and timely access to easily understandable information about the Company in a timely manner, so as to enhance investors' understanding and recognition of the Company. On one hand, it enables our shareholders to exercise their rights in an informed manner, hence effectively enhancing shareholders' value. On the other hand, it is an effective channel which allows the shareholders and the investment community (including the Company's potential investors and analysts who publish analysis and reports on the Company's performance) to maintain smooth communications with the Company with an aim to establish a long-term, stable and healthy relationship.

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

During the year, the Company's investor relations team proactively organized and participated in a series of activities such as investor meetings and non-deal road shows which were held in Hong Kong, Singapore, Beijing, Shenzhen and Shanghai by securities firms. Meanwhile, it also keeps close ties with the capital market through organizing teleconferences and inviting domestic and foreign investors and analysts to the Group's headquarters and cities where our projects are located to have meetings or on-site visits. During the year, the investor relations team has organized a total of 1,167 meetings with investment institutions and analysts and received 314 on-site project visits with investment institutions and analysts.

In the future, the Company's investor relations team will continuously dedicate itself to establishing a highly-efficient communication mechanism between the Company and the capital market, promoting and organizing more investment institutions to establish long-term connections with the Company, which will not only enable the capital market to have an in-depth understanding of the Company, but also enable the Company to understand the requirements of the capital market towards the operations of the Company in a timely manner so as to achieve a win-win situation.

Month	Activities	Location
January	UBS Annual Investor Conference 2011	Shanghai
February	CITIC Securities Real Estate Strategy Conference 2012	Shenzhen
March	CLSA's Dialogue with Top Fund Managers	Chongqing
	Goldman Sachs 1Q12 Strategy Conference	Shenzhen
May	Shenyin Wanguo Overseas Chinese Funded Stock Investment Strategy Seminar	Hangzhou
	Real Estate Strategy Conference 2012 by Guoyuan Securities (HK) Co., Ltd.	Shenzhen
	Macquarie Greater China Annual Conference 2012 (Hong Kong)	Hong Kong
	Citi Asia Pacific Property Conference 2012	Singapore
	The 10th BOCI Investor Conference	Beijing
	The 17th CLSA China Forum	Beijing
	Barclays Pan-Asia Property Conference	Hong Kong
	Morgan Stanley Investor Conference	Hong Kong
	Deutsche Bank Access Asia Conference	Singapore
June	China Merchants Securities Mid-2012 Investment Strategy Conference	Shenzhen
	Haitong Securities Mid-2012 Investment Strategy Conference	Shenzhen
	CITIC Securities Mid-2012 Strategy Conference	Ningbo
July	DBS Vickers Asia Investor Conference	Singapore
	Citi HK and China Mini Property Investor Conference	Hong Kong
September	Sunwah Kingsway Investor Conference 2012	Hong Kong
	UBS Investor Annual Conference 2011	Hong Kong
	CITIC Construction Seminar Shenzhen Real Estate	Shenzhen
October	UBS SMEs Investor Conference	Hong Kong
	Goldman Sachs Greater China CEO Summit 2012	Hong Kong
November	Citi Greater China Investor Conference 2012	Macau
	CLSA Real Estate Industry Investor Conference 2012	Hong Kong
	Merrill Lynch China's Investor Conference	Beijing
December	KGI Securities Investor Annual Conference	Taipei
	China Merchants Securities Investment Strategy Conference	Shenzhen

The Board is pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2012.

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 28 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income of the Group on page 65.

Land Bank

For the year ended 31 December 2012, the Group has acquired 22 sites in total. These acquisitions added an aggregate site area of approximately 3,680,000 sq.m. to its land bank. The planned GFA of these newly acquired projects was approximately7,418,000 sq.m., of which 3,661,000 sq.m. was attributable to the Group. The Company believes that an expanded land bank in the main target regions of the Group is an essential key for the Group's future success in property development.

Mergers and Acquisitions

For the year ended 31 December 2012, on 5 January 2012, Tianjin Sunac Zhidi Co., Ltd. ("Sunac Zhidi") agreed to enter into an equity transfer agreement with Greentown Real Estate Group Co., Ltd. ("Greentown Real Estate"), a wholly-owned subsidiary of Greentown China Holdings Limited ("Greentown China"), pursuant to which Sunac Zhidi acquired 51% equity interest in Wuxi Greentown Hubin Real Estate Co., Ltd., at a consideration of RMB51 million.

On 22 June 2012, Sunac Zhidi entered into a cooperation framework agreement with Greentown Real Estate, pursuant to which Sunac Zhidi agreed to acquire an effective 50% interest in eight project companies by way of the establishment of the joint venture company (the "JV Company"), and directly acquire an effective 50% interest in a project company, at an aggregate consideration of RMB3,357,936,201 which will be invested in equity interests and shareholder's loans to the target companies. Details of the cooperation framework agreement are set out in the announcement of the Company dated 22 June 2012.

On 21 December 2012, Sunac Zhidi acquired 23.5% equity interest in Beijing Vantone Real Estate Co., Ltd. ("Beijing Vantone") at a cash consideration of RMB348,863,150 and took up an assignment of a debt owing by the Target Company at a cash consideration of RMB124,270,000. Details of the cooperation framework agreement are set out in the announcement of the Company dated 4 January 2013.

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 26 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 2012, the distributable reserve of the Company amounted to approximately RMB3,157,400,000.

Financial Summary

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

FINAL DIVIDENDS

As disclosed in the announcement of the Company dated 25 March 2013 regarding the audited consolidated results of the Group for the year ended 31 December 2012 (the "Results Announcement"), the Board proposed to declare a final dividend of approximately RMB260.7 million in aggregate, for the year ended 31 December 2012, which is expected to be paid on 8 August 2013 to shareholders whose names appear on the register of members of the Company as at 24 May 2013, subject to shareholders' approval in the forthcoming AGM of the Company expected to be held on 16 May 2013. Based on 3,317,046,125 shares of the Company in issue as at the date of the Results Announcement and assuming that no further shares of the Company will be issued or repurchased prior to 24 May 2013, being the date on which the shareholders whose names appear on the register of members of the Company will be entitled to receive the final dividend for the year ended 31 December 2012, such dividend will be equivalent to approximately RMB0.0786 per share. The proposed final dividend will be paid in Hong Kong dollars, such amount to be calculated by reference to the middle rate published by the People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at 16 May 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' eligibility to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 12 May 2013 to 16 May 2013 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 10 May 2013.

For the purpose of determining the shareholders' entitlement to the final dividend, the register of members of the Company will also be closed from 23 May 2013 to 24 May 2013 (both days inclusive), during which period no transfer of shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted on at the forthcoming AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 22 May 2013.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2012, revenue attributable to the largest customer of the Group amounted to approximately 0.8% of the total revenue in the year and the five largest customers of the Group accounted for 1.9% of the Group's revenue in the year.

For the year ended 31 December 2012, purchases attributable to the largest supplier of the Group amounted to approximately 2.7% of the total purchases in the year and the five largest suppliers of the Group accounted for 11.5% 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.

ISSUANCE OF THE BONDS DURING THE YEAR

On 9 October 2012, the Company, the subsidiary guarantors and the subsidiary guarantor pledgors entered into a purchase agreement with Deutsche Bank AG, Singapore Branch, Merrill Lynch International, Citigroup Global Markets Limited, Morgan Stanley & Co. International plc and UBS AG, Hong Kong Branch in connection with the issue of US$400,000,000 12.5% senior notes due 2017 (the "Notes").

The net proceeds of the Notes issue, after deduction of underwriting discounts and commissions and estimated offering expenses, amounted to approximately US$390,000,000 and the Company intends to use the net proceeds from the Notes issue to finance new land acquisitions and for general corporate purposes. The Company may adjust its development plans in response to changing market conditions and may therefore reallocate the use of proceeds from the Notes issue.

The Notes are listed on the Official list of Singapore Exchange Securities Trading Limited.

SHARE CAPITAL

On 21 January 2013, the Company, Sunac International Investment Holdings Ltd., the controlling shareholder of the Company ("the Vendor") and Citi ("the Placing Agent") entered into the placing and subscription agreement pursuant to which the Placing Agent has agreed to place, on a fully underwritten basis 300,000,000 existing shares of the Company ("the Placing Shares") at a price of HK$6.70 per share on behalf of the Vendor. The Placing Shares represent approximately 9.04% of the existing issued share capital of the Company.

Details of the movements in the share capital of the Company are set out in note 20 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 *(Chairman and Chief Executive Officer)*
Mr. WANG Mengde
Mr. LI Shaozhong
Mr. CHI Xun
Mr. SHANG Yu
Mr. JING Hong *(appointed with effect from 3 July 2012)*

Non-executive Directors

Ms. HU Xiaoling
Mr. ZHU Jia

Independent Non-executive Directors

Mr. POON Chiu Kwok
Mr. LI Qin
Mr. MA Lishan
Mr. YUAN Renbiao (also known as YUAN Yihong)
(appointed with effect from 3 July 2012 and resigned with effect from 10 July 2012)
Mr. TSE Chi Wai *(appointed with effect from 19 December 2012)*

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

Mr. Jing Hong ("Mr. Jing") and Mr. Tse Chi Wai ("Mr. Tse") were appointed as executive Director and independent non-executive Director with effect from 3 July 2012 and 19 December 2012 respectively. In accordance with article 83(3) of the articles of association of the Company, Mr. Jing and Mr. Tse shall hold office until the forthcoming AGM and being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

In accordance with article 84 of the articles of association of the Company, Ms. Hu Xiaoling, Mr. Zhu Jia, 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 AGM.

PARTICULARS OF DIRECTORS' SERVICE CONTRACTS

Executive Directors

Each of the executive Directors (except Mr. Jing) 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 7 October 2010 ("Listing Date"). Mr. Jing has entered into a service contract with the Company for a term of three years from 3 July 2012. 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 six executive Directors is RMB7,431,000.

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 and, if there is no disagreement, the appointment will be automatically renewed for a term of no more than three years. No fees are payable to the non-executive Directors under the appointment letters.

Independent Non-executive Directors

Each of the independent non-executive Directors (except Mr. Poon Chiu Kwok and Mr. Tse Chi Wai) has entered into an appointment letter with the Company. Each of the appointments is for an initial term of two years commencing from 7 October 2010 and, if there is no disagreement, the appointment will be automatically renewed for a term of no more than three years. Mr. Poon Chiu Kwok has entered into an appointment letter with the Company for a term of one year commencing from 8 June 2011, and, if there is no disagreement, the appointment will be automatically renewed for a term of no more than three years. Mr. Tse Chi Wai has entered into an appointment letter with the Company for a term of one year commencing from 19 December 2012. The aggregate amount of annual fees payable to our independent non-executive Directors under the appointment letters is HK$729,000.

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 Mr. Poon Chiu Kwok, Mr. Li Qin, Mr. Ma Lishan and Mr. Tse Chi Wai 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 2012 are set out in note 35(a) 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 2012, 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 Schemes", 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 (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 the Group from time to time (the "Business") whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise, or take any action which interferes with or disrupts, or may interfere with or disrupt, the Business, including, but not limited to, solicitation of any of the customers, suppliers or employees of any member of the Group provided that there shall be no restriction on any of the Covenantors and/or his or its associates holding not more than a 5.26% interest in Sunco A or a 100% 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 the controlling shareholder of the Company; 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).

The independent non-executive Directors of the Company have reviewed, for the year ended 31 December 2012, 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 2012, 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 "Related party transactions" to the consolidated financial statements of the Group.

SHARE OPTION SCHEMES

The Company adopted the Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") on 9 September 2010 and the Post-IPO Share Option Scheme (the "Post-IPO Share Option Scheme") on 29 April 2011.

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") and granted a total of 51,080,000 share options in total, representing approximately 1.69% of the total issued shares of the Company as at 31 December 2012. The purpose of the Pre-IPO Share Option Scheme is to provide an incentive for the employees of the Company, its subsidiaries and associated project companies to work with commitment towards enhancing the value of the Company and its Shares for the benefit of shareholders of the Company. 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") (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 (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.

During the year ended 31 December 2012, several senior management and employees of the Company exercised an aggregate of 4,280,125 share options under the Pre-IPO Share Option Scheme, at an exercise price of HK$2.784 per share. The weighted average closing price of the share immediately before the date of exercise was HK$4.53 per share.

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	3,600,000	0.12%
Mr. Wang Mengde	Executive president, executive Director and authorized representative	3,300,000	0.11%
Mr. Li Shaozhong	Vice president and executive Director	3,600,000	0.12%
Mr. Chi Xun	General manager of Sunac Tianjin Company and executive Director	3,600,000	0.12%
Mr. Shang Yu	General manager of Sunac Chongqing Company and executive Director	3,300,000	0.11%
Mr. Jing Hong	General manager of Sunac Beijing Company and executive Director	3,600,000	0.12%
Senior management			
Mr. Tian Qiang	General manager of Shanghai Sunac Greentown	3,300,000	0.11%
Ms. Ma Zhixia	Vice president	3,000,000	0.10%
Mr. Chen Hengliu	Chairman of Hangzhou Sunac	2,700,000	0.09%
Ms. Min Feng	Chairman of Sunac South Jiangsu Company	1,300,000	0.04%
Mr. Huang Shuping	Vice president, chief financial officer and joint company secretaries	360,000	0.01%
Mr. Zhang Qiang	Vice president, executive general manager of Shanghai Sunac Greentown	190,000	0.006%
Mr. Lu Peng	General manager of Tianjin Poly Sunac Company	3,000,000	0.10%
Mr. Niu Shilu	Chief Engineer	350,000	0.01%
Sub-total: 14 grantees		35,200,000	1.17%
107 other employees		15,880,000	0.53%
Total		**51,080,000**	**1.694%**

(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).

Particulars of the grantees under the Pre-IPO Share Option Scheme as at 31 December 2012 are set forth below:

Name of grantee	Number of options granted on 9 September 2010	Percentage of total issued shares of the Company as at 9 September 2010 upon exercise of all options	Number of outstanding options as at 1 January 2012	Number of exercised options during the year ended 31 December 2012	Number of cancelled options during the year ended 31 December 2012	Number of lapsed options during the year ended 31 December 2012	Number of outstanding options as at 31 December 2012
Directors							
Mr. Sun Hongbin*	3,600,000	0.12%	3,600,000	–	–	–	3,600,000
Mr. Wang Mengde	3,300,000	0.11%	3,300,000	–	–	–	3,300,000
Mr. Li Shaozhong	3,600,000	0.12%	3,600,000	–	–	–	3,600,000
Mr. Chi Xun	3,600,000	0.12%	3,600,000	–	–	–	3,600,000
Mr. Shang Yu	3,300,000	0.11%	3,300,000	–	–	–	3,300,000
Mr. Jing Hong	3,600,000	0.12%	3,600,000	1,400,000	–	–	2,200,000
Senior management and employees	30,080,000	0.10%	30,080,000	2,880,125	–	–	29,399,875
	51,080,000	**1.69%**	**51,080,000**	**4,280,125**	**–**	**–**	**46,799,875**

* Mr. Sun Hongbin is also the chief executive officer and a substantial shareholder of the Company.

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 21 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.

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved and adopted by all the shareholders of the Company at the annual general meeting held on 29 April 2011 (the "Adoption Date"). The purpose of which is to motivate the employees of the Company and its subsidiaries to diligently enhance the value of the Company and its shares for the benefit of all its shareholders, and to attract and retain the valuable employees who would make a contribution and be or may be beneficial to the growth and development of the Company. The principal terms and conditions of the Post-IPO Share Option Scheme are set out as follows:

(a) the maximum number of shares in respect of the share options that may be granted (the "Share Options") shall not exceed 99,900,000 shares, or 3.33% of the total issued shares as at the Adoption Date;

(b) The total number of shares issued or to be issued upon exercise of the options granted and to be granted to each eligible participant in any 12-month period must not exceed 1% of the total shares in issue, except subject to shareholders' approval;

(c) the Post-IPO Share Option Scheme has been effective and valid for three years since the Adoption Date, unless it may be early terminated subject to the resolution of the Board;

(d) the Share Options shall be granted in accordance with the following schedule:

Grant Period		Percentage of the total issued shares as at the date approving the Post-IPO Share Option Scheme (e.g. 3,000,000,000 shares, the "Total Issued Shares")
The 1st Grant Period	(the year commencing from the Adoption Date)	1.33%;
The 2nd Grant Period	(the year commencing from the 1st anniversary of the Adoption Date)	1% of the total issued shares plus the Share Options not granted during the 1st Grant Period;
The 3rd Grant Period	(the year commencing from the 2nd anniversary of the Adoption Date)	1% of the total issued shares plus the Share Options not granted during the 1st Grant Period and the 2nd Grant Period;

(e) the subscription prices are subject to the absolute discretion of the Board of Directors which, however, shall not be lower than the highest of (i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of the offer of the Share Options ("Offer Date"); (ii) the average closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Shares;

(f) the Share Options granted to each grantee shall vest in accordance with the following schedule:

Vesting Date	Percentage of the Share Options vested/to be vested on the Vesting Date
(1) The Share Options granted during the 1st Grant Period	
Grant Date	30%
Upon the first anniversary date of the commencement date of the 1st Grant Period	An additional 30% (i.e. up to 60% in total)
Upon the second anniversary date of the commencement date of the 1st Grant Period	An additional 40% (i.e. up to 100% in total)
(2) The Share Options granted during the 2nd Grant Period	
Grant Date	30%
Upon the first anniversary date of the commencement date of the 2nd Grant Period	An additional 30% (i.e. up to 60% in total)
Upon the second anniversary date of the commencement date of the 2nd Grant Period	An additional 40% (i.e. up to 100% in total)
(3) The Share Options granted during the 3rd Grant Period	
Grant Date	30%
Upon the first anniversary date of the commencement date of the 3rd Grant Period	An additional 30% (i.e. up to 60% in total)
Upon the second anniversary date of the commencement date of the 3rd Grant Period	An additional 40% (i.e. up to 100% in total)

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

A Post-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 Post-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.

On 30 September 2011, the Company granted an aggregate of 39,900,000 share options under the Post-IPO Share Option Scheme, at an exercise price of HK$1.484 per Share. The closing price of the Share immediately before the date of grant is HK$1.44 per Share. Particulars of the grantees under the Post-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
Directors			
Mr. Sun Hongbin	Chairman, Chief Executive Officer and executive Director	2,600,000	0.09%
Mr. Wang Mengde	Executive President, executive Director and authorized representative	2,300,000	0.08%
Mr. Li Shaozhong	Vice President and executive Director	2,300,000	0.08%
Mr. Chi Xun	General manager of Sunac Tianjin Company and executive Director	2,600,000	0.09%
Mr. Shang Yu	General manager of Sunac Chongqing Company and executive Director	2,300,000	0.08%
Mr. Jing Hong	General manager of Sunac Beijing Company and executive Director	2,600,000	0.09%
Senior management			
Mr. Tian Qiang	General manager of Shanghai Sunac Greentown	2,300,000	0.08%
Ms. Ma Zhixia	Vice President	1,600,000	0.05%
Mr. Chen Hengliu	Chairman of Hangzhou Sunac	2,000,000	0.07%
Ms. Min Feng	Chairman of Sunac South Jiangsu Company	800,000	0.03%
Mr. Huang Shuping	Vice President, Chief Financial Officer and joint company secretaries	2,100,000	0.07%
Mr. Zhang Qiang	Vice President, Executive General Manager of Shanghai Sunac Greentown	220,000	0.007%
Mr. Lu Peng	General manager of Tianjin Poly Sunac Company	1,800,000	0.06%
Sub-total: 13 grantees		25,520,000	0.85%
128 other employees		14,380,000	0.48%
Total		**39,900,000**	**1.32%**

On 21 May 2012, the Company granted an aggregate of 29,100,000 Share Options under the Post-IPO Share Option Scheme, at an exercise price of HK$2.33 per share. The closing price of the shares immediately before the date of grant was HK$2.22 per share.

Movement of the options under the Post-IPO Share Option Scheme during the year ended 31 December 2012 is as follows:

Name of Grantee	Number of Share Options granted on 30 September 2011 (Note 1)	Number of outstanding Share Options as at 1 January 2012	Number of Share Options granted on 21 May 2012 (Note 2)	Number of exercised Share Options during the year ended 31 December 2012	Number of cancelled Share Options during the year ended 31 December 2012	Number of lapsed Share Options during the year ended 31 December 2012	Number of outstanding Share Options as at 31 December 2012
Directors							
Mr. Sun Hongbin*	2,600,000	2,600,000	400,000	–	–	–	3,000,000
Mr. Wang Mengde	2,300,000	2,300,000	1,300,000	–	–	–	3,600,000
Mr. Li Shaozhong	2,300,000	2,300,000	1,200,000	–	–	–	3,500,000
Mr. Chi Xun	2,600,000	2,600,000	1,200,000	200,000	–	–	3,600,000
Mr. Shang Yu	2,300,000	2,300,000	1,200,000	–	–	–	3,500,000
Mr. Jing Hong	2,600,000	2,600,000	1,200,000	450,000	–	–	3,350,000
Senior management and employees	25,200,000	25,200,000	22,600,000	10,146,150	–	–	37,653,850
Total	**39,900,000**	**39,900,000**	**29,100,000**	**10,764,350**	**–**	**–**	**58,203,850**

* Mr. Sun Hongbin is also the chief executive officer and a substantial shareholder of the Company.

Notes:

1. The exercise period is from 30 September 2011 to 28 April 2014 and shall vest in accordance with the following vesting dates: (i) 30% of the Share Options shall be vested on the date of grant (i.e. 30 September 2011); (ii) an additional 30% of the Share Options shall be vested on 29 April 2012; and (iii) an additional 40% of the Share Options shall be vested on 29 April 2013. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the Share Options were granted was HK$1.44 per share.

2. The exercise period is from 21 May 2012 to 28 April 2015 and shall vest in accordance with the following vesting dates: (i) 30% of the Share Options shall be vested on the date of grant (i.e. 21 May 2012); (ii) an additional 30% of the Share Options shall be vested on 29 April 2013; and (iii) an additional 40% of the Share Options shall be vested on 29 April 2014. The closing price of the Company's shares listed on the Stock Exchange immediately before the date on which the Share Options were granted was HK$2.22 per share.

During the year ended 31 December 2012, several senior management and employees of the Company exercised an aggregate of 8,674,150 Share Options under the Post-IPO Share Option Scheme, at an exercise price of HK$1.484 per share. The weighted average closing price of the shares immediately before the date of exercise was HK$3.48 per share.

Further, during the year ended 31 December 2012, several senior management and employees of the Company exercised an aggregate of 2,122,000 Share Options under the Post-IPO Share Option Scheme, at an exercise price of HK$2.33 per share. The weighted average closing price of the shares immediately before the date of exercise was HK$4.06 per share.

Except for the Directors listed in the table above, none of the grantees under the Post-IPO Share Option Scheme is a connected person of the Group.

The weighted average fair value of options granted during the year ended 31 December 2012 determined using the Binomial valuation model was HK$2.33 per option. The significant input into the model were weighted average share price of HK$2.33 at the grant date, exercise price of HK$2.33, volatility of 46.41%, dividend yield of 1.99%, an expected option life of 2.935 years and an annual risk-free interest rate of 0.295%. 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 amortization of share option of RMB31,266,000 was recognised as staff costs in the consolidated income statements.

Save as disclosed herein, during the year ended 31 December 2012, the Company had not adopted any share option schemes. Save as disclosed in this report, none of any share options were granted, exercised, cancelled and lapsed during the year ended 31 December 2012.

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 2012, 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 the 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]	The Company	1,555,578,451 (L)	51.59%
	Beneficial interest	Sunac International Investment Holding Ltd ("Sunac International")[3]		100%
Mr. Jing Hong	Beneficial interest	The Company	650,000 (L)	0.02%

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 the holding company of the 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 the Company
Mr. Sun Hongbin	Beneficial interest[1]	6,600,000	0.22%
Mr. Wang Mengde	Beneficial interest[1]	6,900,000	0.23%
Mr. Li Shaozhong	Beneficial interest[1]	7,100,000	0.24%
Mr. Chi Xun	Beneficial interest[1]	7,200,000	0.24%
Mr. Shang Yu	Beneficial interest[1]	6,800,000	0.23%
Mr. Jing Hong	Beneficial interest[1]	5,550,000	0.18%

Note:

(1) The interests in the underlying shares are in relation to the options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme.

Save as disclosed herein, as at 31 December 2012, 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 2012, 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)	51.59%
Bain Capital Sunac Limited	Beneficial interest	180,336,637 (L)	5.98%
Bain Capital Asia Integral Investors, L.P.[2]	Interest in a controlled corporation	180,336,637 (L)	5.98%
Bain Capital Asia Fund, L.P.[3]	Interest in a controlled corporation	180,336,637 (L)	5.98%
Bain Capital Partners Asia, L.P.[4]	Interest in a controlled corporation	180,336,637 (L)	5.98%

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	180,336,637 (L)	5.98%
CDH Aurora Limited ("CDH")[6]	Beneficial interest	125,200,737 (L)	4.15%
CDH China Fund III, L.P.[6]	Interest in a controlled corporation	125,200,737 (L)	4.15%
CDH III Holdings Company Limited[6]	Interest in a controlled corporation	125,200,737 (L)	4.15%
China Diamond Holdings III, L.P.[6]	Interest in a controlled corporation	125,200,737 (L)	4.15%
China Diamond Holdings Company Limited[6]	Interest in a controlled corporation	125,200,737 (L)	4.15%

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 2012, 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 year ended 31 December 2012, 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 articles of association of the Company, 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.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2012, the Group had a total of 4,678 employees in Hong Kong and the PRC. For the year ended 31 December 2012, the staff cost of the Group was approximately RMB308.0 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 and the Post-IPO Share Option Scheme adopted by the Company on 9 September 2010 and 29 April 2011 respectively and the grant of share options on 21 May 2012 serve to provide incentives for, among others, our employees to work with commitment for the Company, details of which are disclosed on pages 45 to 53 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 2012.

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 2012 are set out in note 48 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, 25 March 2013

pwc 羅兵咸永道

To the shareholders of Sunac China Holdings Limited
(incorporated in the 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 60 to 144, which comprise the consolidated and company balance sheets as at 31 December 2012, 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 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

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 2012, 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 Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2013

Consolidated Balance Sheet

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	As at 31 December 2011 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	7	48,947	28,157
Investment properties	8	570,500	551,500
Intangible assets	9	308,500	313,841
Investments in jointly controlled entities	10	1,081,184	97
Investments in associates	11	3,123,480	979,753
Prepayments for property development projects		85,000	–
Deferred income tax assets	12	885,135	424,924
Available-for-sale financial assets	13	–	10,212
		6,102,746	2,308,484
Current assets			
Properties under development	14	37,697,620	19,999,293
Completed properties held for sale	15	8,703,708	5,651,306
Trade and other receivables	16	415,920	451,373
Amounts due from jointly controlled entities	44(c)	1,289,920	441,000
Amounts due from associates	44(c)	1,772,488	–
Prepayments	17	2,689,111	893,995
Restricted cash	18	3,868,713	1,103,719
Cash and cash equivalents	19	8,394,026	2,763,386
		64,831,506	31,304,072
Total assets		70,934,252	33,612,556
Equity and liabilities			
Equity attributable to owners of the Company			
Ordinary shares	20	260,341	259,112
Reserves	22		
– Proposed final dividend	47	260,730	235,617
– Others		8,967,941	6,556,258
		9,489,012	7,050,987
Non-controlling interests		2,505,164	354,728
Total equity		11,994,176	7,405,715

		As at 31 December	
	Note	2012 RMB'000	2011 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	26	9,942,480	9,320,700
Long-term payable	23	166,745	–
Deferred income tax liabilities	12	4,536,843	2,258,287
		14,646,068	11,578,987
Current liabilities			
Trade and other payables	24	7,115,809	3,810,458
Advanced proceeds from customers		15,145,978	5,839,974
Amounts due to jointly controlled entities	44(c)	428,925	–
Amounts due to associates	44(c)	1,184,417	66,150
Amounts due to non-controlling interests	25	3,540,126	–
Current income tax liabilities	27	5,096,206	2,657,372
Borrowings	26	11,782,547	2,253,900
		44,294,008	14,627,854
Total liabilities		58,940,076	26,206,841
Total equity and liabilities		70,934,252	33,612,556
Net current assets		20,537,498	16,676,218
Total assets less current liabilities		26,640,244	18,984,702

The notes on pages 69 to 144 are an integral part of these consolidated financial statements.

The financial statements on pages 60 to 144 were approved by the Board of Directors on 25 March 2013 and were signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

Balance Sheet

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
Assets			
Non-current assets			
Interests in subsidiaries	45	5,146,561	3,440,401
Current assets			
Amounts due from subsidiaries		156	64
Other receivables	16	9,491	1,195
Cash and cash equivalents	19	815,872	17,897
		825,519	19,156
Total assets		5,972,080	3,459,557
Equity and liabilities			
Equity attributable to owners of the Company			
Ordinary shares	20	260,341	259,112
Reserves	22		
– Proposed final dividend	47	260,730	235,617
– Others		2,896,713	2,941,982
Total equity		3,417,784	3,436,711
Liabilities			
Non-current liabilities			
Borrowings	26	2,459,390	–
Current liabilities			
Other payables	24	83,421	11,170
Amounts due to subsidiaries		11,485	11,676
		94,906	22,846
Total liabilities		2,554,296	22,846

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
Total equity and liabilities		**5,972,080**	3,459,557
Net current assets/(liabilities)		**730,613**	(3,690)
Total assets less current liabilities		**5,877,174**	3,436,711

The notes on pages 69 to 144 are an integral part of these consolidated financial statements.

The financial statements on pages 60 to 144 were approved by the Board of Directors on 25 March 2013 and were signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

Consolidated Income Statement

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Revenue	28	20,842,592	10,604,047
Cost of sales	29	(15,460,142)	(7,037,574)
Gross profit		5,382,450	3,566,473
Gains from business combination	43	154,916	835,430
Selling and marketing costs	29	(529,959)	(314,090)
Administrative expenses	29	(354,540)	(301,079)
Other gains/(losses) – net	30	20,467	(75,900)
Other income	32	15,849	18,316
Other expenses	33	(1,894)	(7,540)
Operating profit		4,687,289	3,721,610
Finance income	36	29,168	18,687
Finance costs	36	(113,101)	(202,030)
Finance costs – net	36	(83,933)	(183,343)
Share of (loss)/profit of jointly controlled entities	10	(30,438)	97
Share of loss of associates	11	(8,347)	(10,072)
Gains from acquisition of associates	11(b)&(c)	119,957	–
Profit before income tax		4,684,528	3,528,292
Income tax expenses	37	(2,069,788)	(1,145,220)
Profit for the year		2,614,740	2,383,072
Profit attributable to:			
– Owners of the Company		2,607,300	2,356,168
– Non-controlling interests		7,440	26,904
		2,614,740	2,383,072
Earnings per share attributable to owners of the Company (expressed in RMB per share):			
Basic earnings per share	38	0.868	0.785
Diluted earnings per share	38	0.859	0.784

The notes on pages 69 to 144 are an integral part of these consolidated financial statements.

	Note	2012 RMB'000	2011 RMB'000
Dividends	47		
– Proposed final dividends		260,730	235,617
– Payment of dividends		236,438	–

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Profit for the year		2,614,740	2,383,072
Other comprehensive income			
Change in value of available-for-sale financial assets	13	–	212
Redemption of available-for-sale financial assets	13	(212)	–
Total comprehensive income for the year		2,614,528	2,383,284
Attributable to:			
– Owners of the Company		2,607,088	2,356,380
– Non-controlling interests		7,440	26,904
Total comprehensive income for the year		2,614,528	2,383,284

The notes on pages 69 to 144 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company				
	Ordinary shares	**Reserves**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	259,112	4,404,849	4,663,961	–	4,663,961
Comprehensive income					
Profit for the year	–	2,356,168	2,356,168	26,904	2,383,072
Other comprehensive income					
Change in fair value of available-for-sale financial assets	–	212	212	–	212
	–	2,356,380	2,356,380	26,904	2,383,284
Contributions by and distributions to owners of the Company recognised directly in equity					
Transactions with non-controlling interests	–	(8,044)	(8,044)	208,044	200,000
Acquisition of subsidiaries	–	–	–	119,780	119,780
Employees share option scheme:					
– Value of employee services	–	38,690	38,690	–	38,690
	–	30,646	30,646	327,824	358,470
At 31 December 2011	259,112	6,791,875	7,050,987	354,728	7,405,715

	Attributable to owners of the Company				
	Ordinary shares	Reserves	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Comprehensive income					
Profit for the year	–	2,607,300	2,607,300	7,440	2,614,740
Other comprehensive income					
– Redemption of available-for-sale financial assets	–	(212)	(212)	–	(212)
	–	2,607,088	2,607,088	7,440	2,614,528
Contributions by and distributions to owners of the Company recognised directly in equity					
Transactions with non-controlling interests (Note 42)	–	(22,335)	(22,335)	373,800	351,465
Acquisition of additional interests in subsidiaries (Note 42)	–	34,237	34,237	–	34,237
Acquisition of subsidiaries	–	–	–	1,769,196	1,769,196
Employees share option scheme:					
– Value of employee services	–	31,266	31,266	–	31,266
– Proceeds from shares issued	1,229	22,978	24,207	–	24,207
Dividends relating to 2011	–	(236,438)	(236,438)	–	(236,438)
	1,229	(170,292)	(169,063)	2,142,996	1,973,933
At 31 December 2012	260,341	9,228,671	9,489,012	2,505,164	11,994,176

The notes on pages 69 to 144 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	39	11,197,190	(1,429,217)
PRC income tax paid		(1,687,978)	(1,245,726)
Net cash generated from/(used in) operating activities		9,509,212	(2,674,943)
Cash flows from investing activities			
Cash paid for business combination, net	43	(2,473,246)	(378,139)
Investments in jointly controlled entities	10	(897,700)	–
Prepayments for investment in new related party		(5,000)	–
Investments in associates	11	(1,794,273)	(798,911)
Collection of funds from related parties		–	161,540
Purchases of property, plant and equipment ("PPE")	7	(22,077)	(13,134)
Prepayments for acquisition of equity interests		(80,000)	–
Purchase of available-for-sale financial assets	13	(5,000)	(10,000)
Purchase of intangible assets		–	(870)
Proceeds from disposals of PPE	39	2,535	1,435
Payment for new land use right acquisition		–	(441,000)
Proceeds from redemption of available-for-sale financial assets		15,156	–
Net cash used in investing activities		(5,259,605)	(1,479,079)
Cash flows from financing activities			
Proceeds from borrowings		13,936,443	6,198,000
Proceeds from bonds offering, net		2,459,390	–
Proceeds from issuance of ordinary shares		23,512	–
Equity investments from non-controlling interests		1,341,309	200,000
Repayments of borrowings		(12,639,055)	(3,019,843)
Payments of interests and other finance costs		(1,817,289)	(202,030)
Guarantee deposits for bank borrowings	18	(1,685,857)	(216,671)
Dividend paid		(236,438)	–
Net cash generated from financing activities		1,382,015	2,959,456
Net increase/(decrease) in cash and equivalents		5,631,622	(1,194,566)
Cash and cash equivalents at beginning of year		2,763,386	3,957,952
Effect of exchange difference		(982)	–
Cash and cash equivalents at end of year	19	8,394,026	2,763,386

The notes on pages 69 to 144 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 registered office is Landmark Square, 3rd floor, 64 Earth Close, P. O. box 30592, Grand Cayman KY1-1203,Cayman Islands.

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 Renminbi ("RMB") unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 25 March 2013.

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 available-for-sale financial assets 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.

2.1.1 Going concern

The Group meets its day-to-day working capital requirements through its pre-sale proceeds, bank facilities and other borrowings from third parties. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's property products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group had adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 26.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

Amendment to HKAS 12, "Income tax", on deferred tax. Currently HKAS 12, "Income tax", requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in HKAS 40 "Investment Property". Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, HK(SIC) 21, "Income taxes- recovery of revalued non-depreciable assets", would no longer apply to investment properties carried at fair value. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC) 21, which is accordingly withdrawn.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Amendment to HKAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements, which are largely aligned between HKFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS or US GAAP.

HKAS 19, "Employee benefits", was amended in June 2011. The impact on the group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

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

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKFRS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

HKFRS 10, "Consolidated financial statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Changes in accounting policy and disclosures (continued)

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

HKFRS 11, "Joint arrangements", included the disclosure requirement for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

HKAS 28, "Associates and joint ventures", includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. HKFRS 10, HKFRS 12, HKAS 27 (revised 2011) and HKAS 28 (revised 2011) shall be applied at the same time.

HKFRS 7, "Financial instruments: Disclosures" on asset and liability offsetting, require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

HKAS 32, "Financial instruments: Presentation" on asset and liability offsetting, are to the application guidance in IAS/HKAS 32, "Financial instruments: Presentation", and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

According to the Group's assessment, adoption of these new standards, amendments and interpretations has no material impact to the financial statements of the Group.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries

2.2.1 Consolidation

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

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.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

The Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. 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.

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

2 Summary of significant accounting policies (continued)

2.3 Jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which the Group and other parties have an interest and establishes joint control over the economic activity of the entity according to a contractual agreement and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting. The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

2.4 Associates

Associates are all entities over which the Group has significant influence but not 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. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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 is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount adjacent to "share of profit/(loss) of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

2 Summary of significant accounting policies (continued)

2.5 Segment reporting

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

2.6 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.

(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, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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.

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(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 presented at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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. Exchange differences arising are recognised in other comprehensive income.

2.7 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, as appropriately when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

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 shorter of 5 years or the lease periods

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains-net" in the income statement.

2 Summary of significant accounting policies (continued)

2.8 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 part of a valuation gain or loss in other (losses)/gains.

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over Sunac China Holdings Limited's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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.

(c) Computer software

Costs of the purchases of computer software are recognized as intangible assets and are amortized over the shorter of their estimated useful lives and five years.

2 Summary of significant accounting policies (continued)

2.10 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 and are measured at lower of cost and net realizable value.

2.11 Impairment of 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 that are subject to amortisation 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.

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at initial recognition.

(a) 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 trade and other receivables, restricted cash and cash and cash equivalent in the balance sheet.

(b) 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 the investment matures or management intends to dispose of it within 12 months of the reporting period.

2 Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the 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 carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the income statement. 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 are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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 "Other (losses)/ gains – net".

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.

2.12.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Impairment of financial assets

(a) Assets carried at amortized cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 Summary of significant accounting policies (continued)

2.13 Impairment of financial assets (continued)

(a) Assets carried at amortized cost (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

(b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.14 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 Summary of significant accounting policies (continued)

2.15 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.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for properties 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.

2.17 Restricted cash

Restricted cash includes guarantee deposits for the Group's bank loans and certain cash proceeds from pre-sale of properties according to the governmental regulations in certain cities of the PRC. For the guarantee deposits for bank loans, the restrictions are released when the Group repays the bank loans. For the restricted cash proceeds from pre-sale of properties, restrictions are to be released gradually in line with the progress of the properties' development.

2.18 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheets, bank overdrafts are shown within borrowings in current liabilities.

2.19 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 Summary of significant accounting policies (continued)

2.20 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.

2.21 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.23 Current and deferred income tax

The tax expense for the period 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.

(a) *Current income tax*

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's 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

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 consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability 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 reverse in the foreseeable future.

(c) *Offsetting*

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 Summary of significant accounting policies (continued)

2.24 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.

2.25 Share-based payments

(a) Equity settled, share-based payment transactions

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 performance and service 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.

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

2 Summary of significant accounting policies (continued)

2.25 Share-based payments (continued)

(a) Equity settled, share-based payment transactions (continued)

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service 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.

(b) Share-based payment transactions among Group entities

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

(c) Social security contributions on share options gains

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.

2.26 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. 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 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 expense.

2 Summary of significant accounting policies (continued)

2.27 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(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.

(b) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(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.

2.28 Interest income

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

2.29 Dividend income

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

2 Summary of significant accounting policies (continued)

2.30 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.

2.31 Leases

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

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

2.32 Dividend distribution

Dividend distributions to the Company's shareholders is recognised as liabilities in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.33 Exceptional items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2 Summary of significant accounting policies (continued)

2.34 Financial guarantee liabilities

Financial guarantee liabilities are recognised initially at fair value. 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.

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

(a) Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. The foreign currency balances as at 31 December 2012 were primarily the proceeds from the global bonds offering denominated in USD. Considering the increase trend of RMB value in recent years, the Group has converted most of the funds held in USD into RMB to minimise the exchange loss risk. Accordingly, as at 31 December 2012, most of the operating entities' assets and liabilities were denominated in RMB. The equivalent of RMB800 million was denominated in USD as at 31 December 2012. The Group is keeping a timely monitoring and may carry out necessary actions to manage the exchange risks.

At 31 December 2012, if US dollar had weakened/strengthened by 1%, post-tax profit for the year would have been RMB6 million (2011: RMB0.1 million) lower/higher, which is primarily resulted from the foreign exchange gains/losses on translation of USD Senior notes (Note 26).

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available for sale. The Group is not exposed to commodity price risk.

The directors are of the view that 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.

(iii) 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 which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. During 2012 and 2011, the Group's borrowings were denominated in Renminbi and USD (year ended 31 December 2011: Renminbi).

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

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 1 year	1 to 5 years	Sub-total	Less than 1 year	1 to 5 years	Sub-total	
Borrowings							
At 31 December 2012	8,149	3,509	11,658	3,634	6,433	10,067	21,725
At 31 December 2011	1,067	6,083	7,150	1,187	3,238	4,425	11,575

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

As at 31 December 2012, if the interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit and capitalised interest for the year would have been lower/higher by RMB5.7 million and RMB68.7 million (As at 31 December 2011: RMB7.6 million and RMB43.1 million) respectively.

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.

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

(b) Credit risk

Letting of commercial properties is 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, notes receivables, as well as credit exposures to commercial customers who let space in our investment properties. Residential and commercial property sales are paid for through up-front cash transactions.

With respect to banks, the State-owned banks in the PRC are mainly used for holding bank accounts in the Group.

Certain customers of the Group have arranged bank financing for their purchases of the properties. The Group entities have provided guarantees to secure obligations of such customers for repayments, normally up to the time when the customers obtain the legal certificates of the property ownership. Detailed disclosure of these guarantees is made in Note 41(a).

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) *Liquidity risk*

Management aims to maintain sufficient cash to meet funding requirement for operations and monitor rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2013. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2013 include: (1) proceeds from pre-sales in 2013 is expected to be higher than that of 2012; (2) construction payments match receipt of the relevant proceeds from pre-sales; (3) available project loan facility is expected to be no less than that of 2012 and (4) no breach of debt covenants is anticipated in 2013.

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

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

The table below analyses the Group's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

In RMB' million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Group				
At 31 December 2012				
Borrowings (principal amount plus interest)	13,686	4,598	7,709	25,993
Trade and other payables* (Note 24)	6,554	–	–	6,554
Amount due to Non-controlling interests (Note 25)	3,540	–	–	3,540
Financial guarantee (Note 41(a))	5,124	–	–	5,124
At 31 December 2011				
Borrowings (principal amount plus interest)	3,269	6,507	3,574	13,350
Trade and other payables (Note 24)	3,504	–	–	3,504
Financial guarantee (Note 41(a))	1,976	–	–	1,976

Note*:

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

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 50% or less. The gearing ratios of the Group as at 31 December 2012 and 2011 were as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Total borrowings (Note 26)	21,725,027	11,574,600
Restricted cash (Note 18)	(3,868,713)	(1,103,719)
Cash and cash equivalents (Note 19)	(8,394,026)	(2,763,386)
Net debts	9,462,288	7,707,495
Total equity	11,994,176	7,405,715
Total capital	21,456,464	15,113,210
Gearing ratio	44%	51%

The decrease in gearing ratio as at 31 December 2012 was mainly caused by a significant increase of cash and cash equivalent and restricted cash which was due to the increase in property projects pre-sale during the year ended 31 December 2012.

4 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. 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 an active is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

The carrying 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 judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

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 risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction costs estimation for revenue recognition

In the Group, each project is divided into several phases according to the development and delivery plan. 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 costs incurred.

(b) Income taxes

The Group is subject to corporate income tax in the PRC. Significant judgement is required in determining the worldwide provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5 Critical accounting estimates and judgements (continued)

5.1 Critical accounting estimates and assumptions (continued)

(b) Income taxes (continued)

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.

As disclosed in Note 12, the Group has deferred tax assets from (1) the deferred deductible expenses, which are the expenses without sufficient tax documents received as at the balance sheet dates, (2) tax losses at the entity level, and (3) unpaid land appreciation tax accrued in the cost of sales in the profit or loss, which is a timing difference between the accounting profit and tax calculation.

Based on the development costs budget and the sales pricing plan, the directors are of the view that the property projects of the Group will ultimately generate profits and the deferred tax assets on the unpaid land appreciation tax is a temporary difference. Therefore, management considers that the risk over the recoverability of the deferred tax assets could only be due to a challenge of the deductibility of the expenses currently classified as temporary differences that would result in their reclassification as permanent differences.

(c) PRC land appreciation taxes

The Group is subject to land appreciation taxes ("LAT") in numerous jurisdictions. 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 Critical accounting estimates and judgements (continued)

5.1 Critical accounting estimates and assumptions (continued)

(d) 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:

(i) 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;

(ii) 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

(iii) 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.

(e) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale based on the net realisable value of these properties, taking into account 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. If the estimated future selling prices had been 5% lower, the Group would have recognised further impairment against properties under development and completed properties held for sale and the net profit for the year ended 31 December 2012 would have decreased by RMB73.4 million.

(f) Estimated Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9(a). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

If the price growth rate for the estimation of impairment for goodwill had been 100 bps lower than management's estimates, the group would have recognised no further impairment against goodwill.

6 Segment information

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

The executive directors assess the performance of property development business and property management service business respectively. The performance of the operating segments is assessed based on a measure of profit/(loss) before income tax.

Segment assets primarily consist of all assets excluding deferred income tax assets and segment liabilities primarily consist of all liabilities excluding deferred income tax liabilities and current income tax liabilities.

The analysis of the Group's profit/(loss) before income tax by segment is as follows:

	Year ended 31 December 2012		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
Total segment revenue	20,671,215	171,377	20,842,592
Cost of sales	(15,249,421)	(210,721)	(15,460,142)
Gross profit	5,421,794	(39,344)	5,382,450
Gain from business combination	154,916	–	154,916
Selling and marketing costs	(529,072)	(887)	(529,959)
Administrative expenses	(329,323)	(25,217)	(354,540)
Other gains – net	20,467	–	20,467
Other income	14,381	1,468	15,849
Other expenses	(1,213)	(681)	(1,894)
Finance income	29,168	–	29,168
Finance costs	(113,101)	–	(113,101)
Share of loss of jointly controlled entities	(30,438)	–	(30,438)
Share of loss of associates	(8,347)	–	(8,347)
Gain from acquisition of associates	119,957	–	119,957
Profit/(Loss) before income tax	4,749,189	(64,661)	4,684,528

6 Segment information (continued)

	Year ended 31 December 2011		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
Total segment revenue	10,451,056	152,991	10,604,047
Cost of sales	(6,897,556)	(140,018)	(7,037,574)
Gross profit	3,553,500	12,973	3,566,473
Gain from business combination	835,430	–	835,430
Selling and marketing costs	(314,090)	–	(314,090)
Administrative expenses	(277,782)	(23,297)	(301,079)
Other losses – net	(75,900)	–	(75,900)
Other income	15,427	2,889	18,316
Other expenses	(7,279)	(261)	(7,540)
Finance income	18,687	–	18,687
Finance costs	(202,030)	–	(202,030)
Share of profit of jointly controlled entities	97	–	97
Share of loss of associates	(10,072)	–	(10,072)
Profit/(Loss) before income tax	3,535,988	(7,696)	3,528,292

The analysis of the Group's assets and liabilities by segment is as follows:

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Total segment assets	70,049,117	33,187,632
Deferred income tax assets	885,135	424,924
Total assets per balance sheet	70,934,252	33,612,556
Total segment liabilities	49,307,027	21,291,182
Deferred income tax liabilities	4,536,843	2,258,287
Current income tax liabilities	5,096,206	2,657,372
Total liabilities per balance sheet	58,940,076	26,206,841

7 Property, plant and equipment – Group

	Vehicles	Furniture and office equipment	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2011				
At 1 January 2011	12,718	4,254	960	17,932
Additions	4,315	4,479	4,340	13,134
Acquisition of subsidiaries	3,066	2,482	–	5,548
Disposals	(591)	(370)	–	(961)
Depreciation charges	(3,823)	(2,503)	(1,170)	(7,496)
At 31 December 2011	15,685	8,342	4,130	28,157
At 31 December 2011				
Costs	26,675	16,151	6,776	49,602
Accumulated depreciation	(10,990)	(7,809)	(2,646)	(21,445)
Net book amount	15,685	8,342	4,130	28,157
Year ended 31 December 2012				
At 1 January 2012	15,685	8,342	4,130	28,157
Additions	13,182	4,604	4,291	22,077
Acquisition of subsidiaries	5,263	3,308	72	8,643
Disposals	(630)	(579)	(15)	(1,224)
Depreciation charges	(6,162)	(1,443)	(1,101)	(8,706)
At 31 December 2012	27,338	14,232	7,377	48,947
At 31 December 2012				
Costs	44,490	23,484	11,124	79,098
Accumulated depreciation	(17,152)	(9,252)	(3,747)	(30,151)
Net book amount	27,338	14,232	7,377	48,947

Depreciation charges of the Group for each of the year ended 31 December 2012 and 2011 were expensed in selling and administrative expenses in the consolidated income statements.

8 Investment properties – Group

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
At fair value		
At beginning of year	551,500	583,500
Transfer from completed properties held for sale	–	43,900
Gain/(loss) from valuation (Note 30)	19,000	(75,900)
At end of year	570,500	551,500

(a) Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Rental income (Note 28)	16,857	17,851
Operating expenses	(2,877)	(3,139)
	13,980	14,712

(b) Valuation basis

The Group obtains independent valuations DTZ Debenham Tie Leung Ltd. ("DTZ") for its investment properties annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available the directors consider information from a variety of sources including:

(i) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;

(ii) discounted cash flow projections based on reliable estimates of future cash flows; and

(iii) capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

8 Investment properties – Group (continued)

(b) Valuation basis (continued)

At the end of the reporting period the key assumptions used by the directors in determining fair value were in the following ranges for the Group's portfolio of properties:

	Year ended 31 December	
	2012	2011
Discount rate	4%~8.5%	4%~8.5%

The following tables show the sensitivity of the fair value of the investment properties to the key assumption of discount rate that should the director's estimates to increase or decrease by 10%.

	Year ended 31 December 2012	
	Favourable change by 10% RMB'000	Unfavourable change by 10% RMB'000
Fair value	46,000	(46,000)

All of the above key assumptions have been taken from the last independent valuation report of the assets in the portfolio.

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

	31 December 2012 RMB'000	31 December 2011 RMB'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	570,500	551,500

8 Investment properties – Group (continued)

(c) Leasing arrangement

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 2012 RMB'000	31 December 2011 RMB'000
Within 1 year	22,166	18,603
Later than 1 year but no later than 5 years	72,121	68,688
Later than 5 years	129,694	145,474
	223,981	232,765

As at 31 December 2012, certain investment properties with balances totalling RMB207 million were pledged as collaterals for the Group's borrowings (as at 31 December 2011: RMB207 million). Information on investment properties pledged as collaterals for the Group's borrowings is disclosed in Note 26.

9 Intangible assets – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Goodwill (Note (a))	301,805	300,958
Trademark (Note (b))	5,950	11,900
Computer software	745	983
	308,500	313,841

9 Intangible assets – Group (continued)

(a) Goodwill

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Beginning of year	300,958	291,023
Acquisition of subsidiaries	847	9,935
End of year	301,805	300,958

Management reviews the business performance and monitors the goodwill on individual project basis. The following is a summary of goodwill by property project with individual balance over RMB50 million:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Wuxi Sunac City Construction Co., Ltd. ("Wuxi Sunac City")	124,245	124,245
Wuxi Sunac Real Estate Co., Ltd. ("Wuxi Sunac Real Estate")	85,708	85,708
Chongqing Sunac Jiye Real Estate Development Co. Ltd. ("Chongqing Jiye")	48,308	48,308
Others (individual balance less than RMB50 million)	43,544	42,697
	301,805	300,958

A discount rate of 15% was used for the analysis of each cash-generating unit in the operating entities as at 31 December 2012 (as at 31 December 2011: 15%).

9 Intangible assets – Group (continued)

(b) Trademark and computer software

	Trademark RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2012			
Cost			
At 1 January 2012 and 31 December 2012	58,136	1,181	59,317
Amortisation			
As at 1 January 2012	(46,236)	(198)	(46,434)
Charges for the year	(5,950)	(238)	(6,188)
At 31 December 2012	(52,186)	(436)	(52,622)
Net book value			
At 31 December 2012	5,950	745	6,695
Year ended 31 December 2011			
Cost			
At 1 January 2011 and 31 December 2011	58,136	1,181	59,317
Amortisation			
At 1 January 2011	(40,286)	–	(40,286)
Charges for the year	(5,950)	(198)	(6,148)
At 31 December 2011	(46,236)	(198)	(46,434)
Net book value			
At 31 December 2011	11,900	983	12,883

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

10 Investments in jointly controlled entities – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Equity investments in jointly controlled entities	1,081,184	97

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

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
At beginning of year	97	178,540
Additions during the year (Note (a))	1,111,822	–
A jointly controlled entity becoming a subsidiary	(297)	(178,540)
Share of (losses)/profits of jointly controlled entities	(30,438)	97
At end of year	1,081,184	97

All jointly controlled entities of the Group are incorporated in the PRC and are non-listed companies.

(a) During the year ended 31 December 2012, the Group has established the following jointly controlled entities with third parties. A brief summary of the additions is as follows:

	Equity interest attributable to the Group (%)	Investments amount RMB'000
Acquired through business combination (Note 43 (a)):		
– Changzhou Greentown Real Estate Co. Ltd. ("Changzhou Greentown") (Note i)	18.5%	214,122
Newly incorporated:		
– Shanghai Poly Hongrong Real Estate Co., Ltd. ("Poly Hongrong")(Note i)	24.5%	798,700
– Tianjin Beitang Sunac Investment Co., Ltd. ("Beitang Sunac")(Note ii)	50%	50,000
– Beijing Franshion Sunac Real Estate Development Co., Ltd. ("Franshion Sunac") (Note ii)	49%	49,000
		897,700
Total		1,111,822

10 Investments in jointly controlled entities – Group (continued)

(a) (continued)

(i) These two jointly controlled entities were directly invested by a 50% owned subsidiary of the Company, Shanghai Sunac Greentown Real Estate Development Co., Ltd. ("Sunac Greentown"). Sunac Greentown was incorporated by the Group during a business combination transaction. (Note 43)

(ii) These two jointly controlled entities were directly invested by wholly owned subsidiaries of the Company.

(b) A summary of the Group's interests in its jointly controlled entities as at 31 December 2012 and for the year then ended is as follows:

	Equity interest attributable to the Group %	Direct equity interest controlled by the Group %	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Profit/(loss) included in the consolidate income statement RMB'000	Profit/(loss) attributable to the owners of the Company RMB'000
31 December 2012							
Poly Hongrong	24.5%	49%	735,749	336,473	–	(148)	(74)
Changzhou Greentown	18.5%	37%	447,440	344,695	–	(8,632)	(4,316)
Franshion Sunac	49%	49%	2,068,419	2,039,088	–	(19,671)	(19,671)
Beitang Sunac	50%	50%	312,918	265,106	–	(2,187)	(2,187)
Chongqing APEV Property Management Co., Ltd. ("APEV PM")*	–	–	–	–	–	200	200
			3,564,526	2,985,362	–	(30,438)	(26,048)
31 December 2011							
APEV PM*	40.0%	40.0%	1,100	1,438	3,105	97	97

* On 30 September 2012, APEV PM became a wholly owned subsidiary.

11 Investments in associates – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Equity investments in associates	3,123,480	979,753

11 Investments in associates – Group (continued)

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

	Year ended 31 December 2012 RMB'000	2011 RMB'000
At beginning of year	979,753	459,315
Investments in new associates	2,152,074	980,000
Share of loss of associates	(8,347)	(10,072)
Collection of loan from associates	–	(161,540)
Dividend received from associates	–	(181,090)
Transfer to subsidiaries	–	(106,860)
At end of year	3,123,480	979,753

All associates of the Group are incorporated in the PRC and are all non-listed companies.

During the year ended 31 December 2012, the Group has invested in the following new associates:

	Note	Equity interest attributable to the Group (%)	Investments amount RMB'000
Associate acquired through business combination (Note 43 (a)):			
– Wuxi Taihu Greentown Real Estate Co., Ltd. ("Wuxi Taihu")	(a)	19.5%	108,983
Other acquired associates:			
– Shanghai Greentown Woods Golf Villa development Co., Ltd. ("Shanghai Woods Golf")	(b)	50%	650,851
– Tianjin TEDA City Development Co., Ltd. ("TEDA City")	(c)	23.5%	353,240
			1,004,091
Associates incorporated:			
– Beijing Poly Sunac Real Estate Development Co., Ltd. ("Beijing Poly Sunac")	(d)	49.5%	990,000
– Shanghai Gezhouba Greentown Sunac Real Estate Co., Ltd. ("Gezhouba")	(e)	24.5%	49,000
			1,039,000
Total			2,152,074

11 Investments in associates – Group (continued)

Note:

(a) Wuxi Taihu was acquired by the Group as part of a business combination transaction with Greentown Real Estate Group Co., Ltd. ("Greentown Real Estate") as disclosed in details in Note 43. Wuxi Taihu was directly invested by Sunac Greentown, a 50% owned subsidiary of the Company.

(b) Shanghai Woods Golf's 50% interest was acquired by the Group as part of a business combination transaction with Greentown Real Estate as disclosed in details in Note 43. The acquisition contributed a gain of RMB115.6 million to the Group.

(c) On 21 December 2012, the Company announced that one of its wholly owned subsidiaries has entered into an equity transfer agreement with a third party (the "Seller") to acquire 23.5% equity interest in TEDA City owned by the Seller at the consideration of RMB348.8 million and will enter into another agreement with the Seller on 7 January 2013 to acquire a further 23.5% equity interest in TEDA City at the consideration of RMB348.9 million and a receivable of RMB124.3 million due from TEDA City by the Seller at a consideration of the same amount.

As at 31 December 2012, the Group has completed the acquisition of the first 23.5% equity interest at the consideration of RMB348.8 million. The Group has paid RMB220 million at 31 December 2012 and the remaining balance of RMB128.8 million was subsequently paid in January 2013. The Group accounted for this investment in associate at the fair value of RMB353.2 million as at 31 December 2012 and accordingly a gain of RMB4.4 million was recognized in the consolidated income statement for the year.

(d) Beijing Poly Sunac was established by the Group and a third party in September 2012.

(e) Gezhouba was established by the Group and a third party in September 2012.

A summary of the Group's interests in the associates as at 31 December 2012 and for the year then ended is as follows:

	Equity interest attributable to the Group %	Direct equity interest controlled by the Group %	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Profit/(loss) included in the consolidate income statement RMB'000	Profit/(loss) attributable to the owners of the Company RMB'000
31 December 2012							
Tianjin Poly Sunac Investment Company Limited ("Tianjin Poly Sunac")	49%	49%	1,779,073	808,311	–	(8,991)	(8,991)
Shanghai Woods Golf	50%	50%	1,808,622	1,154,493	242,379	3,278	3,278
Wuxi Taihu	19.5%	39%	414,154	360,329	–	(1,332)	(666)
Beijing Poly Sunac	49.5%	49.5%	1,528,548	539,672	–	(1,124)	(1,124)
TEDA City	23.5%	23.5%	1,412,939	1,050,821	–	–	–
Gezhouba	24.5%	49%	446,531	422,120	–	(178)	(89)
			7,389,867	4,335,746	242,379	(8,347)	(7,592)
31 December 2011							
Tianjin Poly Sunac	49%	49%	1,156,153	176,400	–	(247)	(247)

12 Deferred income tax – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Deferred tax assets:		
– to be recovered within 12 months	257,958	106,773
– to be recovered after more than 12 months	627,177	318,151
	885,135	424,924
Deferred tax liabilities:		
– to be settled within 12 months	1,206,602	1,042,085
– to be settled after more than 12 months	3,330,241	1,216,202
	4,536,843	2,258,287

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

(a) Deferred income tax assets

	Payments and accruals pending receipt of sufficient tax documents RMB'000	Unpaid land appreciation Tax ("LAT") RMB'000	Deductible tax loss RMB'000	Impairment for development properties RMB'000	Total RMB'000
At 1 January 2011	25,250	177,254	17,831	8,000	228,335
Credited/(charged) to income statement, net	26,920	127,815	(13,667)	1,375	142,443
Acquisition of subsidiaries	7,638	–	46,508	–	54,146
At 31 December 2011	59,808	305,069	50,672	9,375	424,924
Credited/(charged) to income statement, net	(5,038)	274,833	81,410	45,717	396,922
Acquisition of subsidiaries	7,365	49,153	6,771	–	63,289
At 31 December 2012	62,135	629,055	138,853	55,092	885,135

12 Deferred income tax – Group (continued)

(b) Deferred income tax liabilities

		Deferred corporate income tax			
	LAT on acquisition of new subsidiaries RMB'000	Fair value on acquisitions RMB'000	Fair value of investment properties RMB'000	Distributable profits from the PRC RMB'000	Total RMB'000
At 1 January 2011	–	108,972	25,674	76,032	210,678
(Credited)/charged to income statement	–	(209,133)	(18,975)	70,690	(157,418)
Acquisition of subsidiaries	1,894,284	875,027	–	–	2,769,311
Transfer to land appreciation tax payable	(564,284)	–	–	–	(564,284)
At 31 December 2011	1,330,000	774,866	6,699	146,722	2,258,287
(Credited)/charged to income statement	–	(302,175)	769	83,389	(218,017)
Payment	–	–	–	(27,890)	(27,890)
Acquisition of subsidiaries	2,623,181	535,811	–	–	3,158,992
Transfer to land appreciation tax payable	(634,529)	–	–	–	(634,529)
At 31 December 2012	3,318,652	1,008,502	7,468	202,221	4,536,843

13 Available-for-sale financial assets – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
At beginning of year	10,212	–
Subscription	5,000	10,000
Redemption	(15,212)	–
Change in fair value	–	212
At end of year	–	10,212

Available-for-sale financial assets represent certain subscribed non-listed investment funds in domestic fund market and are stated at fair value at balance sheet dates. All available-for-sale financial assets were denominated in RMB.

14 Properties under development ("PUD") – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Comprising:		
Land use rights costs	25,314,913	13,939,223
Construction costs	9,610,200	5,488,210
Capitalised finance costs	2,801,894	571,860
Less: Provision for loss on realisable value	(29,387)	–
	37,697,620	19,999,293
Including: PUD to be completed within 12 months	17,030,430	8,618,079
PUD to be completed after 12 months	20,667,190	11,381,214
	37,697,620	19,999,293

The PUDs are all located in the PRC.

As at 31 December 2012, certain PUD with balances totalling RMB22,361 million were pledged as collateral for the Group's borrowings (as at 31 December 2011: RMB10,809 million) (Note 26).

15 Completed properties held for sale – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Completed properties held for sale, gross	8,894,689	5,688,806
Less: Provision for loss on realisable value	(190,981)	(37,500)
Completed properties held for sale, net	8,703,708	5,651,306

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

As at 31 December 2012, certain completed properties held for sale with balances totalling RMB5,010 million were pledged as collaterals for the Group's borrowings (as at 31 December 2011: RMB3,642 million) (Note 26).

As at 31 December 2012, the Group is in the process of applying for the ownership certificate in respect of the completed car parks of RMB242 million (as at 31 December 2011: RMB188 million). The Directors consider that the title of car parks will be obtained in due course upon the completion of certain procedures with no additional cost to the Group.

16 Trade and other receivables – Group and Company

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2011 RMB'000
Trade receivables (Note (c))	32,066	39,058	–	–
Notes receivables (Note (c))	105,293	49,991	–	–
Other receivables				
– Guarantee deposits	184,318	238,863	–	–
– Deposits for guarantee to customers' bank loans	35,340	32,447	–	–
– Others	58,903	91,014	9,491	1,195
	415,920	451,373	9,491	1,195

Note:

(a) As at 31 December 2012 and 2011, the fair value of trade and other receivables approximated their carrying amounts.

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

(c) The aging analysis of the Group's trade and notes receivables is as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Within 90 days		
– Trade receivables	32,066	39,058
– Notes receivables	105,293	49,991

The Group normally has no credit term to the customer. The trade receivables as at 31 December 2012 was a timing difference of bank funds transfer. The amount has been received in early January 2013.

Notes receivable were bank acceptance paid by certain customers, which are due within 3 months as at 31 December 2012.

17 Prepayments – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Prepaid taxes		
– Business tax and surcharge	832,329	368,776
– LAT	456,059	141,729
– Current income tax	430,268	277,184
Prepayments for land use rights acquisition	943,966	100,000
Prepayments for project development costs	26,489	6,306
	2,689,111	893,995

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

18 Restricted cash – Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Guarantee deposits for bank loans	1,857,555	171,698
Restricted cash from pre-sale of properties	1,981,027	862,435
Others	30,131	69,586
	3,868,713	1,103,719

19 Cash and cash equivalents – Group and Company

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2011 RMB'000
Cash at bank and in hand				
– Denominated in RMB	7,581,815	2,745,499	3,661	10
– Denominated in USD	800,402	3,300	800,402	3,300
– Denominated in HKD	11,809	14,587	11,809	14,587
	8,394,026	2,763,386	815,872	17,897

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.

20 Ordinary shares – Group and Company

	Number of shares	Ordinary shares	
	(thousands)	HK$'000	Equivalent to RMB'000
Authorised:			
Ordinary shares of HK$0.1 each			
As at 31 December 2011 and 31 December 2012	10,000,000	1,000,000	
Issued:			
Ordinary shares of HK$0.1 each			
As at 31 December 2011	3,000,000	300,000	259,112
Proceeds from shares issued upon exercise of employees' share options	15,076	1,508	1,229
As at 31 December 2012	3,015,076	301,508	260,341

21 Share-based payments – Group and Company

(i) Pre-IPO share option scheme

The Company has adopted the Pre-IPO Share Option Scheme on 9 September 2010 ("Pre-IPO Option Scheme Adoption Date"). 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 scheme have been exercised in full). Such options will vest in accordance with the following schedule: 30% upon the first anniversary of the Pre-IPO Option Scheme 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 Pre-IPO Adoption Date, as 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).

21 Share-based payments – Group and Company (continued)

(ii) Post-IPO share option scheme

A Post-IPO Share Option Scheme was approved and adopted by all shareholders of the Company on the annual general meeting held on 29 April 2011 (the "Post-IPO Option Scheme Adoption Date"). The maximum number of shares in respect of which options ("Options") may be granted should not exceed 99,900,000 shares, representing 3.33% of the total number of shares in issue as at the Post-IPO Scheme Adoption Date. The options are to be granted during a grant period of three years from the Post-IPO Option Scheme Adoption Date. Such options will vest in accordance with the following schedule: 30% upon the grant, an additional 30% upon the first anniversary of the Post-IPO Option Scheme Adoption Date and additional 40% upon the second anniversary. The options are not conditional on the employees' performance target before an option can be exercised. The subscription price for each grant should be at least the higher of (1) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the grant dates, (2) the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date, and (3) the nominal value of the shares of the Company. The Post-IPO Share Options, once vested, shall be exercisable within a period of three years from the Post-IPO Scheme Adoption Date or the most recent anniversary of the Post-IPO Scheme Adoption Date. On 21 May 2012, the Company has granted the second batch of options to subscribe up to 29,100 thousand shares of the Company, in which, options of 5,300 thousand shares were granted to executive directors.

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:

	2012		2011	
	Average price in HK$ per share	Options (thousand)	Average price in HK$ per share	Options (thousand)
At beginning of year	2.21	90,980	2.78	51,080
Granted in the year	2.33	29,100	1.48	39,900
Exercised in the year	1.97	(15,076)	–	–
At end of year	2.28	105,004	2.21	90,980

As at 31 December 2012, 26,368 thousand shares in Pre-IPO share option scheme and 21,874 thousand shares in Post-IPO share options scheme are exercisable (2011: 15,324 thousand shares in Pre-IPO Share Option Scheme and 11,970 thousand shares in Post-IPO Share Option Scheme).

22 Reserves – Group and Company

		Group			
	Note	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Year ended 31 December 2011					
At 1 January 2011		1,783,783	165,226	2,455,840	4,404,849
Profit for the year		–	–	2,356,168	2,356,168
Acquisition of non-controlling interests		–	(8,044)	–	(8,044)
Employees share option scheme:					
– Value of employee services		–	38,690	–	38,690
Statutory reserve		–	145,445	(145,445)	–
Change in fair value of available-for-sale financial assets		–	212	–	212
At 31 December 2011		1,783,783	341,529	4,666,563	6,791,875
Year ended 31 December 2012					
Profit for the year		–	–	2,607,300	2,607,300
Transaction of non-controlling interests	42	–	(22,335)	–	(22,335)
Employees share option scheme:	20				
– Proceeds from shares issued upon exercise of employees' share options		22,978	–	–	22,978
– Value of employee services		–	31,266	–	31,266
Statutory reserve		–	98,960	(98,960)	–
Dividend relating to 2011	47	(79,463)	–	(156,975)	(236,438)
Acquisition of new projects	42	–	34,237	–	34,237
Redemption of available-for-sale financial assets		–	(212)	–	(212)
At 31 December 2012		1,727,298	483,445	7,017,928	9,228,671

22 Reserves – Group and Company (continued)

		Company			
		Share premium	Other reserves	Accumulated losses	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2011					
At 1 January 2011		1,783,783	1,426,536	(47,822)	3,162,497
Loss for the year		–	–	(23,588)	(23,588)
Employees share option scheme:					
– Value of employee services		–	38,690	–	38,690
At 31 December 2011		1,783,783	1,465,226	(71,410)	3,177,599
Year ended 31 December 2012					
Profit for the year		–	–	162,038	162,038
Employees share option scheme:	20				
– Proceeds from shares issued upon exercise of employees' share options		22,978	–	–	22,978
– Value of employee services		–	31,266	–	31,266
Dividends relating to 2011		(79,463)	–	(156,975)	(236,438)
At 31 December 2012		1,727,298	1,496,492	(66,347)	3,157,443

Note:

(a) 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, provided that the unconverted remaining amount of reserve is not less than 25% of the registered capital.

The PRC entities of the Group directly owned by the Group's entities outside the PRC are required, in accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the 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.

23 Long-term payable – Group

The long-term payable was the present value of amount due to a non-controlling interest. Details are explained in Note 42(2).

24 Trade and other payables – Group and Company

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2011 RMB'000
Trade payables (Note (a))	5,193,012	3,132,703	–	–
Notes payables	242,301	–	–	–
Other taxes payable	454,606	217,764	–	–
Payable for consideration of equity acquisition	387,778	152,415	–	–
Interests payable	184,342	22,680	66,347	–
Payroll and welfare payables	107,233	88,597	–	–
Cash advanced for biting	130,350	38,191	–	–
Advanced deed tax from customers	113,900	64,190	–	–
Current portion of long-term payable (Note 42(2))	23,000	–	–	–
Others	279,287	93,918	17,074	11,170
	7,115,809	3,810,458	83,421	11,170

Note (a):

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

	31 December 2012 RMB'000	31 December 2011 RMB'000
Within 90 days	4,221,977	1,656,060
90-180 days	111,435	636,329
180-365 days	434,656	208,961
Over 365 days	424,944	631,353
	5,193,012	3,132,703

25 Amount due to non-controlling interests

	31 December 2012 RMB'000	31 December 2011 RMB'000
Amount due to non-controlling interests	3,540,126	–

The amount due to non-controlling interests was mainly due to the Group and the non-controlling interests provided funds to certain related property development subsidiaries through shareholders' loan according to the respective equity interests share. As at 31 December 2012, the amount due to non-controlling interests was non-interest bearing, unsecured and had no fixed terms of repayment.

26 Borrowings – Group and Company

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2011 RMB'000
Non-current				
Secured, borrowed from:				
– Banks	9,314,430	7,098,600	–	–
– Other financial institutions	4,996,710	3,650,000	–	–
– Third parties	500,000	530,000	–	–
Senior notes (Note (a))	2,459,390	–	2,459,390	–
	17,270,530	11,278,600	2,459,390	–
Less: Current portion of long-term borrowings (Note*)	(7,328,050)	(1,957,900)	–	–
	9,942,480	9,320,700	2,459,390	–
Current				
Secured, borrowed from:				
– Banks	255,000	–	–	–
– Other financial institutions	1,750,690	250,000	–	–
– Third parties	50,000	–	–	–
Unsecured, borrowed from:				
– Banks	–	–	–	–
– Other financial institutions	318,807	46,000	–	–
– Third parties	2,080,000	–	–	–
Current portion of long-term borrowings (Note*)	7,328,050	1,957,900	–	–
	11,782,547	2,253,900	–	–
Total borrowings	21,725,027	11,574,600	2,459,390	–

Note*: As at 31 December 2012, RMB1,657 million of borrowings for property development projects will be due for full repayment upon an aggregated 50%-80% pre-sale status in term of gross floor area of the respective projects were achieved. Based on the management's sales forecast, RMB1,400 million (2011: nil) of borrowings will be due for repayment in the year ending 31 December 2013 and are included in current liabilities.

26 Borrowings – Group and Company (continued)

(a) Senior notes

In October 2012, the Company issued senior notes with principal amount of US$400 million ("Senior notes"), which were listed on the Singapore Exchange Securities Trading Limited. The Senior notes are unsecured and bear coupon interest at 12.5% per annum payable semi-annually in arrears and are due on 16 October 2017. The fair value of the Senior notes approximate the balance at 31 December 2012.

According to the terms of the Senior notes, at any time and from time to time on or after 16 October 2015, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interests, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on 16 October of each of the years indicated below.

Year	Redemption Price
Before 16 October 2015	112.5%
16 October 2015 to 15 October 2016	106.25%
16 October 2016 and thereafter	103.125%

This early redemption option is regarded as an embedded derivative not closely related to the host contract. The directors are of the view that the Group has no plan of any early redemption and the fair value of the above early redemption option is not material on initial recognition and as at 31 December 2012.

(b) Long-term borrowings

The Group's borrowings as at 31 December 2012 were repayable as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Within 1 year	7,328,050	1,957,900
Between 1 and 2 years	3,496,929	6,069,700
Between 2 and 5 years	6,445,551	3,251,000
	17,270,530	11,278,600

The weighted-average effective interest rates for the year ended 31 December 2012 was 10.23% (year ended 31 December 2011: 8.47%).

The fair value of the Long-term borrowings is almost the same with the initial recognition result at 31 December 2012.

26 Borrowings – Group and Company (continued)

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

	31 December 2012 RMB'000	31 December 2011 RMB'000
6 months or less	11,298,429	6,930,000
6-12 months	360,000	220,000
	11,658,429	7,150,000

(d) As at 31 December 2012, the Group had the following committed undrawn banking facilities:

	31 December 2012 RMB'000	31 December 2011 RMB'000
– Expiring within one year	73,140	578,000
– Expiring beyond one year	5,987,490	1,839,950
	6,060,630	2,417,950

(e) The carrying amounts of all the Group's borrowings (excluding senior notes) are denominated in RMB and approximate their fair values.

(f) As at 31 December 2012, the Group's borrowings of RMB19,326 million (as at 31 December 2011: RMB11,529 million) were secured or jointly secured by certain Group's properties under development, completed properties held for sale and investment properties totalling RMB27,578 million (as at 31 December 2011: RMB14,658 million), the Group's equity interests of certain subsidiaries (including those legally transferred as collateral).

27 Current income tax liabilities

	31 December 2012 RMB'000	31 December 2011 RMB'000
Land appreciation tax payable	2,796,314	1,403,000
Corporate income tax payable	2,299,892	1,254,372
	5,096,206	2,657,372

28 Revenue

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Sales of properties	20,654,358	10,433,205
Rental income	16,857	17,851
Property management service income	171,377	152,991
	20,842,592	10,604,047

29 Expenses by nature

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Costs of properties sold:		
– Land use rights costs	5,350,179	2,596,776
– Other development costs	7,416,939	3,394,763
– Business tax and related surcharges (Note 31)	1,156,792	592,133
– Capitalised finance costs	1,051,176	321,894
– Other costs	302,188	132,008
– Impairment provision for properties	182,868	–
Staff costs (Note 34)	307,981	225,208
Advertisement and promotion costs	329,210	223,919
Office and travel expenses	91,081	52,266
Other tax expenses	53,013	28,414
Consulting expenses	39,235	24,185
Entertainment expense	36,414	22,056
Depreciation and amortisation	14,894	13,644
Impairment provision for properties	–	9,843
Audit remuneration – audit services	6,500	3,000
Audit remuneration – non audit services	600	–
Others	5,571	12,634
Total costs of sales, selling and marketing costs and administrative expenses	16,344,641	7,652,743

30 Other (losses)/gains – net

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Gain/(loss) from valuation of investment properties	19,000	(75,900)
Gain on disposal of PPE, net	1,311	–
Gain on redemption of available-for-sale financial assets	156	–
	20,467	(75,900)

31 Business tax and related surcharges

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

Type		Tax rate	Tax bases
a)	Business tax	5%	– Sales of properties – Rental income – Property management services revenue
b)	Urban construction and maintenance tax	7%	– Business tax paid
c)	Education surcharge	3%	– Business tax paid
d)	Local education surcharge	0%-2%	– Business tax paid
e)	Anti-flood fund	0%-2%	– Business tax paid

32 Other income

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Government grants	10,390	7,722
Others	5,459	5,040
Interest income from loans to associates and jointly controlled entities	–	5,554
	15,849	18,316

33 Other expenses

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Donations	206	4,693
Others	1,688	2,847
	1,894	7,540

34 Employee benefit expenses

	Year ended 31 December 2012 RMB'000	2011 RMB'000
Wages and salaries	225,068	156,513
Pension costs	29,157	17,249
Staff welfare	22,490	12,756
Share options granted to directors and employees	31,266	38,690
	307,981	225,208

35 Directors' and senior management's emoluments

(a) Directors' and senior management's emoluments

The Directors' and senior management's emoluments are set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share options expenses RMB'000	Other benefits including pension RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
Year ended 31 December 2012:							
Directors:							
Sun Hongbin*	–	1,588	–	1,646	–	–	3,234
Wang Mengde	–	1,173	–	1,798	64	–	3,035
Li Shaozhong	–	1,028	–	1,864	64	–	2,956
Chi Xun	–	1,071	–	1,903	64	–	3,038
Shang Yu	–	1,051	–	1,766	64	–	2,881
Jing Hong	–	1,520	–	1,903	73	–	3,496
Zhu Jia	–	–	–	–	–	–	–
Hu Xiaoling	–	–	–	–	–	–	–
Poon Chiu Kwoh	243	–	–	–	–	–	243
Li Qin	243	–	–	–	–	–	243
Ma Lishan	243	–	–	–	–	–	243
Tse Chi Wai	–	–	–	–	–	–	–
Year ended 31 December 2011:							
Directors:							
Sun Hongbin*	–	1,676	–	2,704	–	–	4,380
Wang Mengde	–	734	–	2,469	58	–	3,261
Li Shaozhong	–	980	–	2,670	58	–	3,708
Chi Xun	–	981	–	2,704	58	–	3,743
Shang Yu	–	919	–	2,469	54	–	3,442
Hu Xiaoling	–	–	–	–	–	–	–
Zhu Jia	–	–	–	–	–	–	–
Kan Lai Kuen	111	–	–	–	–	–	111
Poon Chiu Kwok	138	–	–	–	–	–	138
Li Qin	247	–	–	–	–	–	247
Ma Lishan	247	–	–	–	–	–	247

Note*: Mr Sun Hongbin is the chief executive officer of the Group.

35 Directors' and senior management's emoluments (continued)

(b) The five individuals whose emoluments were the highest in the Group included five directors (2011: three) for the year ended 31 December 2012 whose emoluments are reflected in the analysis presented in Note 35(a) above.

36 Finance income and costs

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Interest expenses:		
– bank borrowings	928,790	424,989
– borrowings from non-bank financial institutions	740,523	393,273
– borrowings from third parties	81,629	113,793
– bonds offering	66,347	–
	1,817,289	932,055
Other finance cost	10,977	20,547
	1,828,266	952,602
Less: Capitalised finance costs	(1,717,393)	(787,722)
	110,873	164,880
Exchange loss	2,228	37,150
	113,101	202,030
Finance income:		
– Interest income on bank deposits	(29,168)	(18,687)
Net finance costs	83,933	183,343

The capitalisation rate used to determine the amount of the interest incurred eligible for capitalisation in 2012 was 9.45% (2011: 7.2%).

37 Income tax expenses

	Year ended 31 December 2012 RMB'000	2011 RMB'000
CIT		
– Current income tax	1,552,488	1,009,987
– Deferred income tax	(614,939)	(299,809)
	937,549	710,178
LAT	1,132,239	435,042
	2,069,788	1,145,220

(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 2012 RMB'000	2011 RMB'000
Profit before income tax	4,684,528	3,528,292
Income tax calculated at statutory rate of 25%	1,171,132	882,073
LAT deduction	(283,060)	(108,760)
Share of (loss)/profit of jointly controlled entities	(7,610)	24
Share of loss of associates	(2,087)	(2,518)
Income not subject to tax	(69,583)	(198,887)
Tax losses for which no deferred income tax assets was recognised	13,730	–
Non-deductible expenses	31,638	67,556
Others	83,389	70,690
	937,549	710,178

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 2012 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.

37 Income tax expenses (continued)

(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.

38 Earnings per share

(a) Basic

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

	Year ended 31 December	
	2012	2011
Profit attributable to owners of the parent (RMB'000)	2,607,300	2,356,168
Weighted average number of ordinary shares in issue (thousand)	3,004,581	3,000,000

(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	
	2012	2011
Profit attributable to owners of the parent (RMB'000)	2,607,300	2,356,168
Weighted average number of ordinary shares in issue (thousand)	3,004,581	3,000,000
Adjusted for Share options (thousand)	31,555	3,509
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	3,036,136	3,003,509

39 Cash used in operations

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Profit before income taxes	4,684,528	3,528,292
Adjustments for:		
– Finance costs	113,101	202,030
– Gain from business combination	(154,916)	(835,430)
– Gain from acquisition of associates	(119,957)	–
– Gain on disposal of PPE	(1,311)	(474)
– Gain on disposal of financial assets	(156)	–
– Gain/(loss) from fair value change of investment properties, net	(19,000)	75,900
– Amortisation of intangible assets	6,188	6,148
– Depreciation	8,706	7,496
– Share of profit from associates and jointly controlled entities	38,785	9,975
– Amortization of share options expenses	31,266	38,690
Changes in working capital		
– Restricted cash from pre-sale of properties	(1,118,592)	(595,992)
– Properties under development and completed properties held for sale, net	1,959,263	(7,013,234)
– Trade and other receivables and prepayments	(2,568,595)	215,537
– Trade and other payables	(968,124)	(1,485,871)
– Advanced proceeds from customers	9,306,004	4,417,716
Cash generated from/(used in) operations	11,197,190	(1,429,217)

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

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Net book amount (Note 7)	1,224	961
Gains on disposals of PPE	1,311	474
Proceeds from disposals of PPE	2,535	1,435

40 Commitments

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

	31 December 2012 RMB'000	31 December 2011 RMB'000
Property development expenditure		
– Contracted but not provided for	9,435,282	2,802,419
– Authorised but not contracted	22,596,327	20,397,774
	32,031,609	23,200,193
Investment in new associates		
– Contracted but not provided for	–	656,600
– Authorised but not contracted (Note (i))	473,200	1,137,400
	473,200	1,794,000
	32,504,809	24,994,193

Note:

(i) This is related to the further 23.5% equity interest acquisition of TEDA City (Note 11(c)).

(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 2012 RMB'000	31 December 2011 RMB'000
No later than 1 year	3,162	6,258
Later than 1 year and no later than 5 years	18,464	–
	21,626	6,258

41 Financial guarantee

(a) Guarantee on mortgage facilities

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

	31 December 2012 RMB'000	31 December 2011 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	5,124,183	1,975,718

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 six months of the properties delivery dates; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

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

(b) There was no corporate guarantee provided to the Group's subsidiaries by the Company in respect of bank borrowings as at 31 December 2012 (as at 31 December 2011: nil). The Directors consider the subsidiaries to be sufficiently financially resourced to settle their obligations.

42 Transactions with non-controlling interests

(1) Acquisition of additional equity interest in a subsidiary

On 11 July 2012, the wholly owned subsidiary of the Company, Sunac Zhidi, entered into an agreement with the third party shareholder of Chongqing Sunac Yatai Shiye Real Estate Co., Ltd. ("Chongqing Yatai") to acquire its owned 15% equity interest in Chongqing Yatai at a total consideration of RMB106,500,000. Chongqing Yatai was an 85% owned subsidiary of Sunac Zhidi. Upon completion of the transaction, Chongqing Yatai became a wholly owned subsidiary of the Company.

	RMB'000
Total equity of Chongqing Yatai before the transaction	797,517
Add: Disposal by the non-controlling interest	140,737
Total equity of Chongqing Yatai after the transaction	938,254
Equity disposal from the non-controlling interest	140,737
Less: Contribution paid to the non-controlling interest	(106,500)
Gain on disposal within equity	34,237
Effects of the transaction with the non-controlling interest	
Total comprehensive income for the year attributable to owners of the Company	2,607,088
Net effect for the transaction with the non-controlling interest on equity attributable to owners of the Company	34,237
	2,641,325

42 Transactions with non-controlling interests (continued)

(2) Changes in ownership interests in subsidiaries without change of control

In March 2012, for the purpose of financing the property development project of Sunac Mingxiang Investment Development Co., Ltd. ("Sunac Mingxiang"), a previously wholly owned subsidiary of the Company, the Group signed an equity cooperation agreement with a third party trust company, Daye Trust Co., Ltd. ("Daye Trust"), to transfer 49.5586% equity interest of Tianjin Sunac Mingxiang to a trust fund managed by Daye Trust. The total amount of the trust fund scheme is RMB904.2 million, in which the wholly owned subsidiary of the Company, Sunac Zhidi, has subscribed subordinated units amounting to RMB200 million by assigning its receivable of the same amount from Sunac Mingxiang to the trust fund. Another wholly owned subsidiary of the Company, Tianjin Sunac Yingrun Equity Investment Fund Management Co., Ltd. has subscribed subordinated units amounting to RMB100 million in cash.

Upon completion of the transaction, the Group received a net cash amount of RMB604.2 million from the trust fund scheme. The Sunac Mingxiang's payable of RMB200 million to the trust fund scheme is not subject to interest charges in accordance with the contractual agreements. The Group has recorded the current portion amounting to RMB23 million as current liabilities (Note 24) and recorded the non-current portion amounting to RMB177 million as long-term payable at its present value in the financial statements. The present value of the long-term payable as at 31 December 2012 amounted to RMB166.7 million. The remaining amount of RMB373.8 million has been recorded as a non-controlling interest in the consolidated financial statements in accordance with HKFRS.

According to the trust fund subscription agreement, should the trust fund scheme incur losses, Sunac Group's subordinated units would first absorb these losses up to the amount of RMB300 million it originally subscribed; losses in excess of this amount would be taken up by other investors. Should the trust fund scheme record profits, the funds would be first used to meet certain return requirements of the other investors; then Sunac Group will be entitled to charge a consulting service fee and to share the excess profits of the trust fund scheme.

43 Business combination

During the year ended 31 December 2012, the Group completed the following business combination transactions:

Acquiree	Note	Total consideration	Fair value of net assets acquired	Gain/(loss) from transactions	Goodwill	Attributable to owners of the Company
Sunac Greentown projects	a	2,428,294	2,551,623	123,329	–	61,664
Wuxi Sunac Greentown Hubin Real Estate Co., Ltd. ("Hubin Real Estate")	b	51,000	82,684	31,684	–	31,684
Chongqing APEV Property Management Co., Ltd ("APEV PM")						
– remeasurement of previously held interest	c	(200)	(297)	(97)	–	(97)
– acquisition of further interest	c	500	(347)	–	847	847
		2,479,594	2,633,663	154,916	847	94,098

(a) On 22 June 2012, Sunac Zhidi, a wholly owned subsidiary of the Company, entered into a Cooperation Framework Agreement with Greentown Real Estate, a third party of the Company, pursuant to which, Sunac Zhidi acquired an effective 50% of Greentown Real Estate's interests, including equity interest and loans, in eight property development companies, including six subsidiaries, one jointly controlled entity and one associate of Greentown Real Estate through a newly incorporated entity, Sunac Greentown (hereafter the newly incorporated entity, the six subsidiaries, the investments in the jointly controlled entity and the associate are collectively referred to as "Sunac Greentown projects"). Sunac Zhidi and Greentown Real Estate hold 50% equity interest of Sunac Greentown respectively and Sunac Zhidi has the control in Sunac Greentown.

Further, as part of the transaction, Sunac Zhidi directly acquired a 50% interest in another project development entity, Shanghai Woods Golf, which was previously wholly owned by Greentown Real Estate. After the transaction, Shanghai Woods Golf became an associate of the Company (Note 11(b)).

The total amount paid by the Company to Greentown Real Estate for the transaction was RMB3,358 million, in which RMB1,749 million was for the acquisition of equity interests and RMB1,609 million was for the acquisition of receivables.

(b) On 5 January 2012, Sunac Zhidi acquired 51% equity interest in Hubin Real Estate from Greentown Real Estate, at the consideration of RMB51 million. Hubin Real Estate then became a subsidiary of Sunac Zhidi.

(c) On 30 September 2012, another wholly owned subsidiary of the Company, Tianjin Sunac Property Management Co., Ltd. ("Tianjin Property") has acquired additional 60% equity interest in APEV PM at a total consideration of RMB300,000. Before the transaction APEV PM was a 40% owned jointly controlled entity of the Group. Upon completion of the transaction, APEV PM became a wholly owned subsidiary of the Company.

43 Business combination (continued)

The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisitions are briefly summarized as follows:

	Sunac Greentown projects RMB'000	Hubin Real Estate RMB'000	APEV PM RMB'000	Total RMB'000
(1) *Fair value of net assets*				
Cash and cash equivalents	361,694	37,484	1,241	400,419
Property, plant and equipment	7,498	1,073	72	8,643
Investments in jointly controlled entity	214,122	–	–	214,122
Investment in associates	108,983	–	–	108,983
Properties under development and completed properties held for sale	18,114,166	4,188,000	–	22,302,166
Deferred tax assets	63,289	–	–	63,289
Other assets	824,665	116,763	1,666	943,094
Deferred tax liabilities	(2,354,863)	(268,318)	–	(2,623,181)
Trade and other payables	(6,084,507)	(1,776,205)	–	(7,860,712)
Borrowings	(5,103,650)	(1,290,000)	–	(6,393,650)
Other liabilities	(2,709,531)	(846,672)	(3,326)	(3,559,529)
Less: Non-controlling interests	(890,243)	(79,441)	–	(969,684)
Fair value of the net assets acquired	2,551,623	82,684	(347)	2,633,960
(2) *Cash and cash equivalent*				
Consideration settled by cash	(1,214,147)	(51,000)	–	(1,265,147)
Purchase consideration for liability	(1,608,518)	–	–	(1,608,518)
Consideration not yet settled (recorded as liability)	–	–	–	–
Cash and cash equivalents in the subsidiaries acquired	361,694	37,484	1,241	400,419
Net cash impact on acquisition	(2,460,971)	(13,516)	1,241	(2,473,246)

44 Related party transactions

The Group is controlled by Sunac International Investment Holdings Ltd. ("Sunac International"), which owns 51.59% of the Company's shares and is controlled by Mr. Sun Hongbin. The ultimate controlling party of the Group is Mr. Sun Hongbin. The remaining 48.41% of the shares are widely held.

(a) Name and relationship with related parties

Name	Relationship
Mr. Sun Hongbin	The controlling shareholder and the director of the Company
Sunac International	Equity holder of the Company and controlled by Mr. Sun Hongbin
APEV PM	Jointly controlled entity prior to August 2012 (Note 43(c))
Franshion Sunac	Jointly controlled entity
Beitang Sunac	Jointly controlled entity
Changzhou Greentown	Jointly controlled entity
Poly Hongrong	Jointly controlled entity
Gezhouba	Associate
Wuxi Taihu	Associate
Beijing Poly Sunac	Associate
Shanghai Woods Golf	Associate
TEDA City	Associate
Tianjin Poly Sunac	Associate

(b) Related party transactions

During the year ended 31 December 2012, the Group had the following significant transactions with related parties:

	Group Year ended 31 December	
	2012 RMB'000	2011 RMB'000
(i) Receiving/(provision) of funds		
– Gezhouba	(1,227,031)	–
– Beijing Poly Sunac	(544,350)	–
– Poly Hongrong	(249,114)	–
– Franshion Sunac	(155,404)	–
– Beitang Sunac	(163,752)	–
– Tianjin Poly Sunac	(56,839)	66,150
– Shanghai Woods Golf	1,141,314	–
– Changzhou Greentown	148,275	–
– Wuxi Taihu	33,792	–
– Beijing Sunac Hengji	–	161,540
– Others	(1,107)	–

44 Related party transactions (continued)

(b) Related party transactions (continued)

	Group Year ended 31 December 2012 RMB'000	Group Year ended 31 December 2011 RMB'000
(ii) Interest income		
– Beijing Sunac Hengji	–	5,887

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.

(c) Related party balances

	31 December 2012 RMB'000	31 December 2011 RMB'000
Amounts due from jointly controlled entities		
– Franshion Sunac	596,404	441,000
– Poly Hongrong	339,764	–
– Changzhou Greentown	190,000	–
– Beitang Sunac	163,752	–
	1,289,920	441,000
Amounts due from associates		
– Gezhouba	1,227,031	–
– Beijing Poly Sunac	544,350	–
– Others	1,107	–
	1,772,488	–
	3,062,408	441,000

As at 31 December 2012, amounts due from associates and jointly controlled entities were unsecured, have no fixed terms of repayment, and are cash advances in nature. Among the balances, RMB1,645 million (2011: RMB441 million) are interest free and RMB1,417 million (2011: nil) are bearing interests at 7.5% to 10.98% per annum.

44 Related party transactions (continued)

(c) Related party balances (continued)

	31 December 2012 RMB'000	31 December 2011 RMB'000
Amount due to jointly controlled entities		
– Changzhou Greentown	338,275	–
– Poly Hongrong	90,650	–
	428,925	–
Amounts due to associates		
– Shanghai Woods Golf	1,141,314	–
– Wuxi Taihu	33,792	–
– Tianjin Poly Sunac	9,311	66,150
	1,184,417	66,150
	1,613,342	66,150

As at 31 December 2012, amounts due from/to associates and jointly controlled entities were unsecured, have no fixed terms of repayment, and are cash advances in nature. Among the balances, RMB1,241 million (2011: RMB66 million) are interest free and RMB372 million are bearing interests at 10% to 10.98% per annum.

45 Interests in subsidiaries

	Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Interests at cost	79,543	48,277
Quasi-equity loans	5,067,018	3,392,124
	5,146,561	3,440,401

Quasi-equity loans are made by the Company to its immediate subsidiaries for their further equity investments in the PRC operating entities.

All subsidiaries of the Group are non-listed companies.

45 Interests in subsidiaries (continued)

Particulars of the subsidiaries of the Group as at 31 December 2012 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 2011 Directly	Indirectly	31 December 2012 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. ("Yingzi Real Estate")	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:							
Jujin Property Investment Holdings Ltd. ("Jujin Property")	14 September 2007	HK$1	–	100%	–	100%	Investment holding
Dingsheng Property Investment Holdings Ltd. ("Dingsheng Property")	14 September 2007	HK$1	–	100%	–	100%	Investment holding
Zhuoyue Property Investment Holdings Ltd. ("Zhuoyue Property")	20 September 2007	HK$1	–	100%	–	100%	Investment holding

45 Interests 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 2011 Directly	31 December 2011 Indirectly	31 December 2012 Directly	31 December 2012 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 Zhuoyue Property Management Ltd.	31 October 2007	US$15 million	–	100%	–	100%	Investment holding
Tianjin Sunac Huijie Zhidi Co., Ltd. ("Tianjin Huijie")	21 January 2011	HK$700 million	–	100%	–	100%	Real estate development
Tianjin Sunac Dingsheng Zhidi Co., Ltd. ("Tianjin Dingsheng")	4 January 2011	HK$1,700 million	–	100%	–	100%	Real estate development
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
Sunac Mingxiang	6 April 2010	RMB1,421 million	–	100%	–	50.4%	Real estate development
Tianjin Xiangchi Investment Co., Ltd.	25 September 2006	RMB160 million	–	100%	–	100%	Real estate development
Wuxi Sunac Investment Co. Ltd.	28 July 2010	RMB5 million	–	100%	–	100%	Real estate development and investment
Wuxi Sunac Real Estate	27 February 2004	RMB204.1 million	–	100%	–	100%	Real estate development and investment
Wuxi Sunac City	11 May 2005	RMB448 million	–	71.43%	–	71.43%	Real estate development
Suzhou Chunshen Lake Property Development Co. Ltd.	8 February 2005	RMB140 million	–	100%	–	100%	Real estate development

45 Interests 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 2011 Directly	Indirectly	31 December 2012 Directly	Indirectly	Principal activities
Incorporated in the PRC (continued):							
Yixing Sunac Dongjiu Real Estate Co., Ltd.	9 March 2010	RMB1,100 million	–	100%	–	100%	Real estate development
Chongqing Jiye	24 April 2004	RMB180 million	–	100%	–	100%	Real estate development and investment
Chongqing Yatai	2 January 2011	RMB280 million	–	85%	–	100%	Real estate development
Chongqing Sunac Shangfeng Real Estate Co., Ltd.	21 February 2011	RMB1,200 million	–	100%	–	100%	Real estate development
Beijing Sunac Hengji	27 September 2011	RMB100 million	–	100%	–	100%	Real estate development and investment
Beijing Shouchi Yuda Real Estate Development Co., Ltd.	27 September 2011	RMB20 million	–	100%	–	100%	Real estate development
Beijing Sunac Construction Investment Real Estate Co., Ltd	16 August 2010	RMB10 million	–	100%	–	100%	Real estate development and investment
Beijing Sunac Jiye	1 June 2011	RMB400 million	–	100%	–	100%	Real estate development
Langfang Sunac Zhiye Co., Ltd.	11 July 2011	RMB10 million	–	–	–	100%	Real estate development
Tianjin Sunac Yingrun Equity Investment Fund Management Co., Ltd.	11 July 2011	RMB20 million	–	–	–	100%	Investment management
Tianjin Sunac Property Management Co. Ltd.	21 March 2010	RMB10 million	–	100%	–	100%	Property management services and investment
Sunac Zhidi (Tianjin) Business Operation Management Co., Ltd.	21 March 2010	RMB5 million	–	100%	–	100%	Property management services
Chongqing Sunac Property Management Co., Ltd.	21 March 2010	RMB5 million	–	100%	–	100%	Property management services
Jintan Sunac Plants and Flowers Co., Ltd.	14 July 2010	RMB0.5 million	–	100%	–	100%	Service of maintenance plants and flowers for the property projects
Chongqing Sunac Business Operation Management Co., Ltd.	21 March 2010	RMB0.5 million	–	100%	–	100%	Property management services

45 Interests 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 2011 Directly	Indirectly	31 December 2012 Directly	Indirectly	Principal activities
Incorporated in the PRC (continued):							
Hubin Real Estate	5 January 2012	RMB100 million	–	–	–	51%	Real estate development and investment
Chongqing Yejin Real Estate Development Co., Ltd.	19 October 2012	RMB10 million	–	–	–	60%	Real estate development and investment
Sunac Greentown (Note (a))	9 August 2012	RMB2,000 million	–	–	–	50%	Real estate development and investment
Shanghai Huazhe Bund Real Estate Co., Ltd.	1 July 2012	RMB50 million	–	–	–	51%	Real estate development and investment
Shanghai Lvshun Real Estate Development Co., Ltd.	1 July 2012	RMB1,000 million	–	–	–	100%	Real estate development and investment
Suzhou Greentown Yuyuan Real Estate Development Co., Ltd.	1 July 2012	RMB250 million	–	–	–	100%	Real estate development and investment
Suzhou Greentown Rose Garden Real Estate Development Co., Ltd.	1 July 2012	RMB360 million	–	–	–	66.67%	Real estate development and investment
Wuxi Greentown Real Estate Development Co., Ltd.	1 July 2012	RMB174.8 million	–	–	–	85%	Real estate development and investment
Tianjin Yijun Investment Co., Ltd.	1 July 2012	RMB10 million	–	–	–	80%	Real estate development and investment
Chongqing Sunac Shijin Real Estate Co., Ltd.	12 December 2012	HK$1,250 million	–	–	–	100%	Real estate development and investment
Hangzhou Sunac Real Estate Development Co., Ltd. ("Hangzhou Sunac")	20 December 2012	US$102 million	–	–	–	100%	Real estate development and investment
APEV PM	30 September 2012	RMB0.5 million	–	–	–	100%	Property management services
Beijing Xishanhui Business Club Management Co., Ltd.	23 November 2012	RMB0.5 million	–	–	–	80%	Property management services

Note (a): The Group has the majority voting power in the board of the directors of Sunac Greentown, therefore, the Group has the control in Sunac Greentown.

46 Financial instruments by category – Group and Company

(a) Group

	Loans and receivables	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Assets as per balance sheet		
Trade and other receivables	415,920	451,373
Restricted cash	3,868,713	1,103,719
Cash and cash equivalents	8,394,026	2,763,386
Amounts due from jointly controlled entities	1,289,920	441,000
Amounts due from associates	1,772,488	–
	15,741,067	4,759,478

	Available-for-sales financial assets	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Assets as per balance sheet		
Available-for-sale financial assets	–	10,212

	Financial liabilities at amortised costs	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Liabilities as per balance sheet		
Borrowings	21,725,027	11,574,600
Amounts due to jointly controlled entities	428,925	–
Amounts due to associates	1,184,417	66,150
Trade and other payables	6,553,970	3,504,097
	29,892,339	15,144,847

Note: Trade and other payables in this analysis do not include the taxes payables and payroll & welfare payables.

46 Financial instruments by category – Group and Company (continued)

(b) Company

	Loans and receivables	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Assets as per balance sheet		
Amounts due from subsidiaries	156	64
Other receivables	9,491	1,195
Cash and cash equivalents	815,872	17,897
	825,519	19,156

	Financial liabilities at amortised costs	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Liabilities as per balance sheet		
Other payables	83,421	11,170
Amounts due to subsidiaries	11,485	11,676
	94,906	22,846

47 Dividends

The actual dividends paid in the year ended 31 December 2012 were RMB236.4 million (RMB0.0788 per share) which was proposed in the annual general meeting of the Company (RMB0.0785 per share, amounting to total dividend of RMB235.6 million). No dividends had been paid in the year ended 31 December 2011.

A final dividend in respect of the year ended 31 December 2012 amounting to a total dividend of RMB260,730,000, is to be proposed at the annual general meeting of the Company expected to be held on 16 May 2013.

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Proposed final dividend	260,730	235,617
Payment of final dividend for last year	236,438	–

48 Events after the balance sheet date

(1) Acquisition of additional equity interests in a jointly controlled entity and an associate

(a) On 1 January 2013, Sunac Greentown, acquired an additional 20% equity interest of its jointly controlled entity, Changzhou Greentown, from a third party shareholder at a consideration of RMB160 million. Changzhou Greentown became a subsidiary of the Company.

(b) On 7 January 2013, pursuant to the agreement as disclosed in Note 11(c), the Group has completed the second acquisition of further 23.5% equity interest in TEDA City and the receivable of approximately RMB124.3 million due from TEDA City by the Seller at a total consideration of approximately RMB473.2 million.

(2) Investment in a property project in Hangzhou

On 17 January 2013, a wholly owned subsidiary of the Company, Jujin Property, entered into an agreement with a third party company (the "Business Partner"), pursuant to which, Jujin Property and the Business Partner will jointly develop a property project in Hangzhou, the PRC, for which the land use right was secured by the Business Partner in December 2012. According to the agreement, the Group will invest RMB560 million and share 50% of interest in the property project.

(3) Placing Shares

On 21 January 2013, the Company issued 300 million new shares at HK$6.7 per share. The net proceed was recorded as share capital and share premium.

(4) Transfer of 25% interest of a subsidiary to a third party without losing control

On 31 January 2013, a wholly owned subsidiary of the Company, Zhuoyue Property, signed an agreement with Greentown Real Estate, pursuant to which, Zhuoyue Property will transfer 25% equity interest of its wholly owned subsidiary to Greentown Real Estate at a consideration of USD25.5 million (equivalent to approximately RMB160.5 million). The subsidiary of Zhuoyue Property is developing a property project in Hangzhou, the PRC.

(5) Acquisition of 49% interest in a property project in Hangzhou

On 14 March 2013, a wholly owned subsidiary of the Company, Yingzi Real Estate, entered into an agreement with Summer Sky Investment Limited ("Summer Sky") and Shimao Property Holdings Limited (an independent third party), pursuant to which, Yingzi Real Estate agreed to subscribe 49 new shares of Summer Sky at a consideration of HK$49 in cash. Summer Sky has secured a land use right for property development in Hangzhou. According to the plan, the Group will invest approximately RMB907 million and will share 49% interests in this project.

(6) Intention of acquisition of 50% interest in property projects in Shanghai

On 16 March 2013, the Company and Greentown China Holdings Limited (collectively, the "Purchasers") and China Gold Associate Limited (the "Vendor"), an independent third party, entered into a Cooperative Development Intention Agreement, pursuant to which the Purchasers intend to acquire, conditionally through their equally-shared company, the entire issued share capital of Golden Regal Limited at a consideration of RMB9,019 million. The consideration of RMB9,019 million will be invested by the Company and Greentown China Holdings Limited in equal share. Golden Regal Limited indirectly owns 100% of the equity interest in three project companies which develop property projects located in Shanghai, the PRC. According to the current plan, upon the completion of this acquisition, Golden Regal Limited and its subsidiaries (including the three project companies) will become subsidiaries of the Company.

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