You should read the following discussion of our results of operations and financial condition in conjunction with our consolidated financial information as of and for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, including the notes thereto, included in Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under ''Risk Factors" and "Business" and elsewhere in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2006, 2007 and 2008 refer to our financial year ended December 31 of such year.

OVERVIEW

We are an integrated residential and commercial property developer with a focus on large-scale, medium- to high-end property developments in selected cities in China. We currently operate in five strategically targeted cities which we believe have significant potential for economic growth, namely Tianjin, Beijing, Chongqing, Wuxi and Suzhou. Since we commenced operations in Tianjin in 2003, we have successfully established a strong market position in Tianjin and have been active in expanding our business to the other target cities.

We focus on the development of large-scale, integrated residential and commercial properties. We develop a variety of residential properties for sale, including high-rise apartments, mid-rise apartments, townhouses and detached villas. We also develop various commercial properties primarily for sale as well as for lease, including retail stores, offices and serviced apartments. Most of our residential projects are large in scale, featuring a combination of residential properties integrated with value-added ancillary facilities such as clubhouses, retail stores, parking spaces and schools. Our commercial properties are typically large-scale commercial complexes combining retail space, offices, parking facilities and, in some cases, serviced apartments. During the Track Record Period, we generated substantially all of our revenue from sales of residential and commercial properties and only a minor portion of our revenue was derived from rentals of investment properties.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was RMB2,707.7 million, RMB3,011.5 million, RMB3,449.5 million and RMB728.3 million, respectively, and our profit attributable to equity holder of the Company was RMB83.2 million, RMB174.4 million, RMB495.6 million and RMB117.1 million, respectively.

We recognize revenue from sales of property in our consolidated income statement only when the property has been completed and delivered to the buyer. See "– Critical Accounting Policies – Revenue recognition" for more details. Prior to the date of revenue recognition, we include proceeds received from properties sold, including pre-sales proceeds that we receive when we sell properties prior to their completion and delivery, in our consolidated balance sheets as "advanced proceeds from customers" under "current liabilities." Accordingly, our results of operations may vary significantly from period to period, and in particular are dependent on the timing of completion and delivery of our properties. As such, period to period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenue. In addition, our historical results may not be indicative of our future performance.

RECENT DEVELOPMENTS

On October 13, 2009, Agricultural Bank of China committed to grant Sunac Zhidi and its subsidiaries a revolving credit facility of up to RMB2,828.0 million, which included a newly available credit amount of RMB2,200.0 million and an outstanding loan of RMB628.0 million as of the same date. Subject to the terms and conditions and approval procedures of each borrowing thereunder, the facility is available for one year until October 12, 2010 for the drawdown of multiple borrowings to be used for property development. Payment obligations of any borrowings from Sunac Zhidi's subsidiaries shall be guaranteed by Sunac Zhidi. The interest rate on borrowings under the facility will be determined in accordance with the prevailing interest rate policy and requirements in the PRC. As of October 31, 2009, we had total borrowings of RMB546.3 million outstanding under the facility and a credit amount of RMB2,281.7 million remained available. CAF Securities Company Limited, the co-lead manager in the Global Offering, is a wholly owned subsidiary of Agricultural Bank of China.

On October 30, 2009, Sunac Zhidi entered into a framework agreement (the "Sunac Ao Cheng Framework Agreement") with Tianjin Tianao Sports Business Co., Ltd. ("Tianjin Tianao") in relation to our contemplated purchase of a 10% equity interest in Sunac Ao Cheng held by Tianjin Tianao. As Tianjin Tianao is a state-owned enterprise, the contemplated transfer of equity interest from Tianjin Tianao is required to go through the listing-for-sale process. Pursuant to the terms of the Sunac Ao Cheng Framework Agreement and the relevant PRC laws and regulations, Tianjin Tianao would be required to comply with all necessary regulatory procedures, including the listing-for-sale process, in relation to the sale of its 10% equity interest in Sunac Ao Cheng, and Sunac Zhidi has participated in the listing-for-sale process and submitted a bid at an indicative price of RMB75.6 million, which was determined by reference to an independent valuation report. If Sunac Zhidi is successful in bidding for the equity interest through the listing-for-sale process, Sunac Zhidi and Tianjin Tianao would be obligated to enter into a definitive equity transfer agreement to transfer the 10% equity interest in Sunac Ao Cheng from Tianjin Tianao to Sunac Zhidi at a price to be determined by the listing-for-sale process. We have been advised by our PRC Legal Advisors that the Sunac Ao Cheng Framework Agreement is effective and legally binding on both Sunac Zhidi as potential purchaser and Tianjin Tianao as vendor. The listing-for-sale process commenced on November 10, 2009 and is expected to end on December 7, 2009. While Sunac Zhidi was prepared to offer a price of not more than RMB80 million to match any otherwise higher competing bid, we cannot assure you of the outcome of the listing-for-sale process, including whether we will be successful in purchasing the equity interest and how much we will be required to pay as consideration for the transfer. We have been advised by our PRC Legal Advisors that given Tianjin Tianao undertook in the Sunac Ao Cheng Framework Agreement that it would procure Sunac Zhidi to complete the contemplated transfer without any additional cost, burden or obligation other than the payment of the final consideration amount if Sunac Zhidi successfully becomes the final purchaser through the listing-for-sale process, the definitive equity transfer agreement is not expected to contain any additional onerous terms or conditions other than customary terms relating to the procedures for completing the sale and purchase of the 10% equity interest. After the execution of the definitive equity transfer agreement, we intend to proceed with the relevant registration procedures required under PRC laws and regulations, and our PRC Legal Advisors are of the view that there would be no material legal impediment to completing the transfer of the equity interest. We intend to pay the consideration for the equity interest with internal funds. We will, as soon as practicable after the Listing, issue an announcement regarding the status of our contemplated purchase of such equity interest.

On November 18, 2009, Sunac Zhidi entered into a framework agreement with Tianjin Binhai in relation to our contemplated purchase of a 49% equity interest in Wuxi Sunac Real Estate held by Tianjin Binhai. Subject to the result of the listing-for-sale process, which is required by the relevant regulations governing the transfer of state-owned assets and is expected to begin by January 2010, the intended consideration was preliminarily agreed between Sunac Zhidi and Tianjin Binhai to be RMB608.4 million, which was determined by reference to an independent valuation report. We have been advised by our PRC Legal Advisors that such framework agreement is effective and legally binding on both Sunac Zhidi as potential purchaser and Tianjin Binhai as vendor. While Sunac Zhidi was prepared to offer a price of not more than RMB650 million to match any otherwise higher bid, we cannot assure you of the outcome of the listing-for-sale process, including whether we will be successful in purchasing the equity interest and how much we will be required to pay as consideration for the transfer. We intend to fund the payment of the consideration with part of our proceeds from the Global Offering.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on April 27, 2007. We underwent the Reorganization in anticipation of this Global Offering, pursuant to which our Company became the holding company of the companies now comprising our Group. See "History, Reorganization and Group Structure – The Reorganization" for more details. Our Reorganization involved companies under common control, and our Company and consolidated subsidiaries resulting from the Reorganization are regarded as a continuing group. Accordingly, we have accounted for the Reorganization on the basis of merger accounting, under which our consolidated financial statements present our results of operations, cash flows and financial position as if our current group structure had been in existence since January 1, 2006, or since the respective dates of incorporation or establishment or acquisition, whichever is later. All intra-group transaction balances have been eliminated on consolidation. However, our consolidated financial and operational data presented in this prospectus do not purport to be indicative of what our actual financial and operational data would have been if we had been in existence in our current group structure since January 1, 2006. In accordance with HKFRS, we have prepared our consolidated financial statements under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and investment properties, which are carried at fair value.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control, including those set forth below.

Economic growth, urbanization and demand for real estate properties in China, particularly in Tianjin, Beijing, Chongqing, Wuxi and Suzhou

Economic growth, urbanization and improving standards of living have been the main forces driving the increasing market demand for residential properties in China. At the current stage of China's economic development, while the property industry in China is regarded by the PRC

Government as one of China's key industries, it is significantly dependent on China's overall economic growth, including the increase in the purchasing power of Chinese consumers and the resulting demand for residential properties in China. Because we primarily focus on developing medium- to high-end properties in our target cities of Tianjin, Beijing, Chongqing, Wuxi and Suzhou, we believe that private sector developments and urbanization in China, particularly in these and other future target cities, are especially important to our operations. These factors are expected to continue to have a significant impact on the number of potential property buyers and the pricing and profitability of residential properties, which directly affect our results of operations. If there is a downturn in the PRC economy or in any of the property markets in which we have operations, our financial condition and results of operations may be adversely affected. See "Risk Factors – Risks Relating to Our Business – We depend heavily on the performance of the property market in the PRC, particularly in Tianjin, Beijing, Chongqing, Wuxi and Suzhou."

Regulatory measures for the property sector in China

PRC Government policies and measures regarding property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC Government adjusts its taxation policies and its macro-economic policies to promote or slow down the development of the property sector. Since 2004, the PRC Government has taken various steps to control land acquisition, planning, design, construction and pre-sales of properties, money supply, credit availability, mortgage, taxation and fixed asset investment with a view to preventing China's economy from overheating and to achieving more balanced and sustainable economic growth. Since late 2008, the PRC Government has also implemented a series of economic and other measures designed to stimulate the growth of the property market. However, it is uncertain whether and how long improved conditions in the property market will be sustained in the future. We are also highly susceptible to regulations or measures that may be adopted by the PBOC restricting bank lending to enterprises, particularly to property developers. PRC regulatory measures affecting the property sector will continue to impact our business and results of operations.

Ability to maintain a high-quality Landbank of optimal size at a reasonable cost

Our continuing growth will depend significantly on our ability to maintain a high-quality Landbank of optimal size at a reasonable cost. Based on our current development plans, we believe we have sufficient land reserves for approximately the next four to five years. We also expect that competition among developers for land reserves that are suitable for property development will intensify, driving up land acquisition costs. Certain regulatory requirements by the PRC Government, for example regulations that require government departments and agencies to grant state-owned land use rights for residential or commercial property development through competitive bidding processes, may also significantly affect the ability of property developers, including us, to acquire land and therefore affect our land acquisition costs. For more information, see "Risk Factors – Risks Relating to Our Business – We may not be able to obtain sites that are suitable for property developments at commercially suitable prices or at all" and "Risk Factors – Risks Relating to Our Business – We may not be able to obtain the Land Use Right Certificates for certain land parcels held for future development and may be subject to stricter payment terms for land use rights with respect to land we acquire in the future as a result of any additional restrictive regulations promulgated by the PRC."

Location and product mix

The location of our projects and the type of properties sold are important factors affecting our results of operations. In general, for the same property product, properties developed in Beijing and Tianjin generate higher revenue and gross profit margins than those in Chongqing, Wuxi and Suzhou, primarily because of their higher unit prices in line with higher market prices in Beijing and Tianjin.

Among the types of residential properties we sell, detached villas and townhouses usually yield higher profit margins than high-rise and mid-rise apartments, as the former property types typically command higher sale prices per sq.m. In addition, commercial properties generally yield higher profit margins than residential complexes. As a result, the PRC Government's restrictions on the size and type of properties developed by property developers may affect our results of operations.

As such, our results of operations and sources of cash from operations may vary significantly from period to period, depending on, among other things, the location of the projects we have completed or sold and the type of products completed or sold in the period.

Timing and length of property development

Our results of operations tend to fluctuate from period to period. The number of property developments that a developer can undertake during any particular period is limited by the substantial amount of capital required to fund land acquisitions and to pay construction costs, as well as by the supply of land and other factors. It may take many months, or sometimes years, before any pre-sale of property occurs in a property development. According to our accounting policy for revenue recognition, although the pre-sale of a property generates positive cash flow for us in the period in which it is made, no revenue is recognized in respect of the sale of a property until its development has been completed and the property has been delivered to the buyer. As construction timetables vary, revenue in a particular period depends in part on the number of properties completed and delivered in the period.

In addition, as we focus on the development of large-scale, integrated residential and commercial properties, we typically develop properties in multiple phases over the course of several years. Generally, the selling prices of properties in such larger-scale developments tend to increase as the overall development approaches completion, thus offering a more established residential community to our purchasers. Because the length of time it takes to complete our projects varies depending on a variety of factors, such as the GFA of the project and the type of property constructed, and because the time of year that our projects are completed also varies, our results of operations may fluctuate significantly from period to period.

As a consequence, our results of operations may fluctuate and our interim results may not proportionally reflect our annual results.

Pre-sales

Pre-sales constitute the most important source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain conditions and requires us to use the pre-sale proceeds to develop the properties that have been pre-sold. See "Business – Project Development – Pre-sale" for additional details. The amount and timing of cash inflow from pre-sales are affected by a number of factors, including satisfaction of government regulations on the timing and other conditions relating to pre-sales, our construction and pre-sale schedules, and market demand for our properties available for pre-sale. The amount of cash inflow generated from pre-sales of properties affects our need for external financing and our financing expenses, which could in turn impact our ability to finance our continuing property developments as well as our financial condition and results of operations.

Access to capital and cost of financing

Borrowings from banks, related parties and third parties are an important source of funding for our property developments. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our total borrowings, including current and non-current borrowings, were RMB2,355.3 million, RMB2,517.1 million, RMB2,585.1 million and RMB2,328.0 million, respectively. A substantial portion of our borrowings are linked to benchmark lending rates published by the PBOC. The PBOC from time to time adjusts the benchmark lending rates. See "Risk Factors – Risks Relating to Our Business – We maintain a substantial level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations." Any change in the interest rate on our bank borrowings, including as a result of an interest rate adjustment by the PBOC, will affect our interest payments and finance costs and therefore affect our cash flow, financial condition and results of operations. In addition, our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC Government on bank lending for property development.

Price volatility of construction materials

A principal component of our cost of sales is construction costs, and historically, construction materials costs have been the primary driver of our construction costs. As such, our results of operations are affected by the price volatility of construction materials. A significant portion of the construction materials we use for our property development is procured by our construction contractors, which typically bear the risk of fluctuations in construction material prices during the term of the relevant contracts. However, we are exposed to the price volatility of construction materials to the extent that we enter into or renew our construction contracts from time to time and are not able to pass on any increased costs to our customers. Further, we typically pre-sell our properties prior to their completion and we may be unable to pass on the increased costs to our customers if construction costs increase subsequent to the pre-sale.

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in real property in the PRC and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, calculated as the proceeds of sales of properties less certain deductible items. We make LAT provisions based on our estimates of the full amount of applicable LAT payable in accordance with the requirements set forth in relevant PRC tax laws and regulations. Under relevant laws and regulations, we are also required to prepay an amount of LAT equal to 1% to 4.5% of the proceeds from pre-sales of our properties in the cities in which we operate. As such, we only prepay a portion of our total LAT provisions each year as required by the local tax authorities. If the relevant tax authorities disagree with the basis on which we have calculated our LAT liabilities for provision purposes, or determine that such provisions are insufficient to cover all LAT obligations that tax authorities may ultimately impose on us, our LAT liabilities as calculated by the relevant tax authorities may become substantially higher than our provisions, which could significantly affect our cash flow, financial position and results of operations. For more details of LAT, see "Appendix V – Summary of Principal Legal and Regulatory Provisions – PRC Taxation – Land Appreciation Tax" to this prospectus.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements as of and for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, which have been prepared in accordance with HKFRS. Our reported financial condition and results of operations are sensitive to accounting methods and assumptions and estimates that underlie the preparation of the financial statements. We continually evaluate our estimates and assumptions and base them on historical experience and on various other factors that our Directors believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results typically differ from these estimates. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

The selection of critical accounting policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our financial statements. Our Directors believe the following critical accounting policies are among those that involve the most significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue recognition

Revenue from sales of properties is recognized 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, which is when we determine the risks and rewards associated with the subject properties are transferred to the purchasers. Deposits and installments received on properties sold prior to the date of revenue recognition are included in our consolidated balance sheets as "advanced proceeds from customers" under "current liabilities."

Rental income generated from leasing of investment properties is recognized on a straight-line basis over the lease term.

Cost of sales

Cost of sales of our properties for a given period are recognized to the extent that revenue from such properties has been recognized in such period. Prior to the completion and delivery of our properties, such costs incurred are recorded in our consolidated balance sheets as "properties under development" under "current assets."

Cost of sales include construction costs, costs relating to the acquisition of land use rights, business tax, capitalized borrowing costs and other business costs, all of which are based upon the total saleable GFA of properties expected to be sold in each project which are allocated to each property based on the estimated relative saleable GFA of each property. We make such estimates based on information available at the time of completion of the relevant sales contracts, including the development plan and budget for the project. If there is any change to the estimated total development cost subsequent to the initial sales of a project, for example, due to fluctuations in construction costs or changes in development plans, we would typically finalize the cost with the contractor and allocate the increased or decreased cost to all properties in the project, including those that have been sold and delivered in prior periods, which would be expected to increase or decrease the unit costs of, and erode or improve the margins realizable on, the properties of the project during the period in which such change occurs.

Land use rights

All land in the PRC is state-owned and no individual land ownership right exists. We acquired the rights to use certain land and the land grant fee and other fees paid for such rights are recorded as land use rights. Land use rights which are held for development for sales are inventories and measured at the lower of cost and net realizable value. Land use rights are transferred to properties under development upon the commencement of development.

Properties under development

Properties under development are stated at the lower of cost and net realizable value on our consolidated balance sheet. Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and anticipated cost to completion. Development cost of properties comprises land use rights costs, construction costs, and capitalized finance costs incurred during the development period. On completion, the properties are transferred to completed properties held for sale on our consolidated balance sheet.

Completed properties held for sale

Completed properties remaining unsold at the end of each balance sheet date are stated on our consolidated balance sheet at the lower of cost and net realizable value. Cost comprises development costs attributable to the unsold properties. Net realizable 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 of the estimated selling prices based on prevailing marketing conditions.

Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date. Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing is derecognized when, and only when, the obligation specified in the control is discharged or cancelled or expires.

Deferred income tax

Deferred income tax is provided on our consolidated balance sheet in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that management believes it is probable that future taxable profit will be available against which the temporary differences can be utilized. Significant management estimation is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

Revenue

Revenue represents our income from sales of properties and rental income from leasing of investment properties. As income from sales of properties constitutes substantially all of our revenue, our results of operations for a given period are dependent upon the type and GFA of properties we have completed and delivered during that period, the market demand for those properties and the price we obtained from the pre-sale or sale of the properties. Conditions in the property markets in which we operate change from period to period and are affected significantly by the general economic, political and regulatory developments in the PRC, particularly in Tianjin, Beijing, Chongqing, Wuxi and Suzhou. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we recognized revenue from the sale of properties in the amount of RMB2,696.9 million, RMB2,998.2 million, RMB3,433.4 million and RMB720.0 million, respectively, in connection with the delivery of a total GFA of approximately 397,569 sq.m., 421,251 sq.m., 491,315 sq.m. and 79,265 sq.m., respectively.

The following table shows certain details of our revenue for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Sales of properties	2,696,915	99.6	2,998,190	99.6	3,433,384	99.5	967,882	99.2	720,012	98.9
Rental income	10,776	0.4	13,262	0.4	16,115	0.5	7,765	0.8	8,274	1.1
	2,707,691	100.0	3,011,452	100.0	3,449,499	100.0	975,647	100.0	728,286	100.0
Total GFA delivered (sq.m.)	397,569		421,251		491,315		119,279		79,265	
Average selling price per sq.m. sold(1) (RMB)	6,784		7,117		6,988		8,114		9,084	

Note:

(1) Average selling price per sq.m. sold refers to the average realized sales price of properties (excluding our leasing operations) and is derived by dividing income from sales of properties by the total GFA delivered.

Consistent with industry practice in the PRC, after satisfying the conditions for pre-sales set forth in PRC laws and regulations, we often enter into pre-sale contracts with customers while the relevant properties are still under development. We do not recognize any revenue from the pre-sale of our properties until we have completed the construction of such properties and delivered them to the customers. Typically there is a time gap ranging from one to two years between the time we commence pre-sales of properties and the time we deliver such properties. Before the completion of pre-sold properties, deposits and installments received from our customers are recorded as "advanced proceeds from customers" under "current liabilities" on our consolidated balance sheet.

Cost of sales

Cost of sales comprises the costs we incur directly in relation to our property development activities as well as our leasing operations. Cost of sales includes construction related costs, costs relating to the acquisition of land use rights, business tax, capitalized interest on relevant borrowings during the period of construction and other business costs as follows:

- *Construction costs*. These represent costs for the design and construction of a property project and consist primarily of fees paid to our contractors, including those responsible for civil engineering construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. Our construction related costs are affected by a number of factors such as the prices of construction materials, location and types of properties, choices of materials and investments in ancillary facilities.

- *Land use rights costs*. These represent costs relating to acquisition of the rights to occupy, use and develop land, including land grant fees, demolition and resettlement costs, and other land related taxes and government surcharges. Such costs are influenced by a number of factors, including the location of the property, market conditions, the project's plot ratios, the approved use of the land, our method of acquisition and changes in PRC regulations.

- *Business tax.* Our operating subsidiaries in the PRC are subject to business tax on their revenues. Sales of properties were subject to a 5% business tax during each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009.

- *Capitalized interest*. We capitalize a portion of our cost of borrowing to the extent that such costs are directly attributable to the construction of a particular project. In general, we capitalize finance costs incurred from the commencement of the planning and design of a project until the physical completion of its construction. Costs that are not directly attributable to the construction of a particular project are recorded as finance costs in our consolidated income statement and therefore fluctuations in the amount and timing of capitalization of our borrowing costs from period to period will affect our finance costs.

- *Other costs.* We incur other business costs primarily in relation to our leasing operations. This also includes a 5% business tax on the leasing of investment properties.

The following table shows certain information relating to our costs of sales for the periods indicated:

	For the year ended December 31,						For the six months June 30,			
	2006		2007		2008		2008		2009	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Development costs:										
Construction costs	1,467,467	66.7	1,419,163	64.2	1,493,245	63.0	409,269	63.1	273,176	58.7
Land use rights costs	491,963	22.3	484,114	21.9	551,772	23.3	143,392	22.1	114,297	24.6
Capitalized interest	90,033	4.1	140,143	6.3	134,045	5.6	40,464	6.2	36,226	7.8
	2,049,463	93.1	2,043,420	92.4	2,179,062	91.9	593,125	91.4	423,699	91.1
Other costs	1,954	0.1	2,328	0.1	4,468	0.2	1,940	0.3	1,942	0.4
	2,051,417	93.2	2,045,747	92.5	2,183,530	92.1	595,065	91.7	425,641	91.5
Business tax	149,640	6.8	165,810	7.5	188,210	7.9	53,859	8.3	39,810	8.5
Total	2,201,057	100.0	2,211,557	100.0	2,371,740	100.0	648,924	100.0	465,451	100.0
Total GFA delivered (sq.m.)	397,569		421,251		491,315		119,279		79,265	
Average cost per sq.m. sold (RMB)[1]	5,531		5,244		4,818		5,424		5,848	

Note:

(1) Average cost per sq.m. sold refers to the average cost of sales of properties (excluding our leasing operations) and is derived by dividing the sum of construction related costs, land use rights costs, capitalized interest and business tax by the total GFA delivered.

The components of our cost of sales may change in any given period based on the type and location of properties completed and sold. We recognize the cost of sales of our properties for a given period to the extent that revenue from such properties has been recognized in that period, i.e., upon completion and delivery of the relevant properties.

Net gain from disposal of subsidiaries

Net gain from disposal of subsidiaries represents the proceeds we received from our disposal of three subsidiaries, namely Chengdu Sunac, Changchun Sunac and Deyang Sunac, less the amount of net assets of these subsidiaries attributable to us. We disposed of these subsidiaries to a third party in March 2006 and did not dispose of any other subsidiaries in subsequent periods.

Net gain or loss from fair value of investment properties

Investment properties, which are properties held for long-term rental yields, are stated at their fair value on each balance sheet date. During the Track Record Period, gains or losses from fair value of investment properties represents changes in such value arising from (i) adjustments to existing investment properties in accordance with prevailing market conditions and (ii) the recategorization of properties from certain completed properties held for sale to investment properties upon a decision to change the designated use of such properties. Gains or losses arising from changes in the fair value of investment properties are included in our consolidated income statement in the period in which they arise. However, any such gains or losses reflect unrealized capital gains or losses in the value of our investment properties and do not constitute profit generated from operations or generate any cash inflow to us. The fair values of our investment properties are based on valuations of such properties conducted by DTZ, an independent property valuer, using property valuation techniques involving certain assumptions of market conditions. Favorable or unfavorable changes to these assumptions would be expected to result in changes in the fair value of our investment properties and corresponding adjustments to the amount of gain or loss reported in our income statement.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we had a net gain from fair value of investment properties of RMB56.0 million, net losses of RMB8.9 million and RMB25.9 million, and a net gain of RMB50.7 million, respectively. The fluctuations in gain or loss from fair value of investment properties during the Track Record Period were primarily attributable to the revaluation of our investment properties at Magnetic Capital, primarily as a result of changes in investment income receivable on such properties, changes in prevailing market conditions and the recategorization of certain completed properties held for sale to investment properties as we decided to change the designated use of such properties.

The following table shows the changes in the fair value of our investment properties (before deferred tax effect), broken down by property type and project, for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2006		2007		2008		2008		2009	
	Saleable/ rentable GFA (sq.m.)	Change in fair value (RMB'000)	Saleable/ rentable GFA (sq.m.)	Change in fair value (RMB'000)	Saleable/ rentable GFA (sq.m.)	Change in fair value (RMB'000)	Saleable/ rentable GFA (sq.m.) (unaudited)	Change in fair value (RMB'000) (unaudited)	Saleable/ rentable GFA (sq.m.)	Change in fair value (RMB'000)
Existing investment properties										
Magnetic Capital	–	–	48,536	(18,000)	50,729	(25,735)	50,729	(13,400)	34,234	10,700
Joy Downtown	–	–	13,751	3,000	13,751	(117)	13,751	2,700	13,751	600
	–	–	62,287	(15,000)	64,480	(25,852)	64,480	(10,700)	47,985	11,300
Newly completed investment properties										
Magnetic Capital	48,536	61,729	2,193	6,127	–	–	–	–	54,462	39,355
Joy Downtown	13,751	(5,692)	–	–	–	–	–	–	–	–
	62,287	56,037	2,193	6,127	–	–	–	–	54,462	39,355
Total	62,287	56,037	64,480	(8,873)	64,480	(25,852)	64,480	(10,700)	102,447	50,655

Selling and marketing costs

Selling and marketing costs comprise primarily advertisement and promotion costs relating to the sale of properties, sales and marketing staff costs, and office and travel and other expenses relating to sales and marketing.

Administrative expenses

Administrative expenses comprise primarily administrative staff costs, general office and travel expenses, consulting expenses, other tax expenses and various other expenses.

Other income

Other income consists primarily of interest income from bank deposits, investment income primarily from interest receivable on shareholder's loan extended to our associated project companies, grants from local governments designed to encourage development in certain locations, and other various types of income. We may not receive government grants every year, and it is within the discretion of the local governments to determine whether and how much to grant to an enterprise. The criteria and basis of making a grant by each local government are different, but the decision usually depends on the local government's evaluation of the local economic conditions and the contribution made by the relevant enterprise. Other enterprises may also be entitled to government grants.

Other expenses

Other expenses consist of compensation we paid purchasers for our late delivery of properties, penalties imposed by government authorities, and miscellaneous other expenses.

Net finance costs

Net finance costs include primarily interest expense on bank borrowings, borrowings from non-bank financial institutions, related parties and third parties, and other finance costs, other than capitalized interest that is recognized as part of our cost of sales.

Share of profit or loss of jointly controlled entities

Share of profit or loss of jointly controlled entities represents our profit or loss after taxation that is attributable to our interests in Chongqing Yuneng, which engages in the development of the Asia Pacific Enterprise Valley project, and Chongqing Shangshan, which engages in primary land development. We acquired a 45% equity interest in Chongqing Yuneng in 2007, which owns an equity interest of 99% in Chongqing Shangshan.

Share of loss of associates

Share of loss of associates represents our share of loss attributable to our investment in Shougang Sunac and Shouchi Yuda. In August 2007, we acquired a 50% equity interest in Shougang Sunac, which, through its current 100% equity ownership of Shouchi Yuda, engages in the East Fairyland project and also engages in the Xibeiwang project.

As we hold a 50% equity interest in Shougang Sunac, which wholly and indirectly owns the East Fairyland project, we record a share of 50% of any post-acquisition profit or loss generated from the East Fairyland project. We have agreed, however, that out of our share of the dividends distributable from the East Fairyland project, 50% will be paid to the transferor as consideration for our acquisition of the 50% equity interest in Shougang Sunac.

Pursuant to a profit sharing arrangement that Sunac Zhidi entered into in 2008 with Beijing Shougang, the other shareholder of Shougang Sunac, we agree to be entitled to 35% of the net profit to be generated from the Xibeiwang project while we will fund less than 50% of the additional funding required for the Xibeiwang project. Both the East Fairlyland project and the Xibeiwang project have not yet been completed. As such, for the years ended December 31, 2007 and 2008 and the six months ended June 30, 2009, we recorded losses in the amounts of RMB11.6 million, RMB14.1 million and RMB21.9 million, respectively, representing our share of the initial capital expenditure expenses and costs incurred for these projects pursuant to the relevant profit sharing arrangements.

Income tax expenses

Income tax expenses represent current and deferred PRC corporate income tax and LAT payment made and provisions payable by our PRC subsidiaries. Our PRC corporate income tax has been calculated at the applicable tax rate on our assessable profits during the Track Record Period. For the two years ended December 31, 2006 and 2007, the corporate income tax rate generally applicable to our PRC subsidiaries was 33%. Under the Corporate Income Tax Law effective January 1, 2008, a uniform tax rate of 25% applies to all enterprises operating in the PRC, including foreign-owned enterprises which have set up production and operation facilities in the country. As a result of this new uniform income tax rate, we wrote off deferred tax assets of RMB10.5 million in 2007.

Minority interests

Minority interests represent third-party interests in our non-wholly owned subsidiaries which included primarily Sunac Ao Cheng, Wuxi Sunac Real Estate and Wuxi Sunac City during the Track Record Period. As of December 31, 2006, 2007 and 2008 and June 30, 2009, minority interests in Sunac Ao Cheng represented 37.3%, 12.7%, 10% and 10%, respectively. Minority interests in Wuxi Sunac Real Estate and Wuxi Sunac City have remained at 49% since we acquired a 51% equity interest in Wuxi Sunac Real Estate (the 100% equity owner of Wuxi Sunac City) in December 2007.

CONSOLIDATED RESULTS OF OPERATIONS

The following table shows the line items of our consolidated income statements, expressed in absolute figures and as a percentage of revenue, for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB'000)	(Percentage of revenue)	(RMB'000)	(Percentage of revenue)	(RMB'000)	(Percentage of revenue)	(RMB'000) (unaudited)	(Percentage of revenue)	(RMB'000)	(Percentage of revenue)
Revenue	2,707,691	100.0	3,011,452	100.0	3,449,499	100.0	975,647	100.0	728,286	100.0
Cost of sales	(2,201,057)	(81.3)	(2,211,557)	(73.4)	(2,371,740)	(68.8)	(648,924)	(66.5)	(465,451)	(63.9)
Gross profit	506,634	18.7	799,895	26.6	1,077,759	31.2	326,723	33.5	262,835	36.1
Gain from disposal of subsidiaries, net	5,172	0.2	–	–	–	–	–	–	–	–
Gain/(loss) from fair value of investment properties, net	56,037	2.1	(8,873)	(0.3)	(25,852)	(0.7)	(10,700)	(1.1)	50,655	7.0
Selling and marketing costs	(127,729)	(4.7)	(65,300)	(2.2)	(124,559)	(3.6)	(43,252)	(4.4)	(32,377)	(4.4)
Administrative expenses	(106,365)	(3.9)	(83,506)	(2.8)	(93,045)	(2.7)	(38,714)	(4.0)	(42,001)	(5.8)
Other income	41,179	1.5	27,895	0.9	62,968	1.8	10,866	1.1	23,098	3.2
Other expenses	(16,997)	(0.6)	(62,180)	(2.1)	(15,750)	(0.5)	(6,090)	(0.6)	(9,045)	(1.2)
Operating profit	357,931	13.2	607,931	20.2	881,521	25.6	238,833	24.5	253,165	34.8
Finance costs – net	(98,424)	(3.6)	(82,633)	(2.7)	(110,860)	(3.2)	(42,469)	(4.4)	(58,804)	(8.1)
Share of profit/(loss) of jointly controlled entities	–	–	(24,916)	(0.8)	4,509	0.1	(8,023)	(0.8)	22,456	3.1
Share of loss of associates	–	–	(11,552)	(0.4)	(14,141)	(0.4)	(7,133)	(0.7)	(21,940)	(3.0)
Profit before income tax	259,507	9.6	488,830	16.2	761,029	22.1	181,208	18.6	194,877	26.8
Income tax expenses	(140,992)	(5.2)	(275,787)	(9.2)	(284,106)	(8.2)	(74,505)	(7.6)	(84,291)	(11.6)
Profit for the year/period	118,515	4.4	213,043	7.1	476,923	13.8	106,703	10.9	110,586	15.2
Attributable to:										
Equity holder of the Company	83,205	3.1	174,382	5.8	495,606	14.4	123,756	12.7	117,137	16.1
Minority interests	35,310	1.3	38,661	1.3	(18,683)	(0.5)	(17,053)	(1.7)	(6,551)	(0.9)
	118,515	4.4	213,043	7.1	476,923	13.8	106,703	10.9	110,586	15.2
Dividends	(87,808)	(3.2)	–	–	–	–	–	–	–	–

Six months ended June 30, 2009 compared to six months ended June 30, 2008

Revenue

Our revenue decreased by RMB247.4 million, or 25.4%, from RMB975.6 million for the six months ended June 30, 2008 to RMB728.3 million for the six months ended June 30, 2009. This decrease was principally attributable to a decrease of approximately 40,014 sq.m., or 33.5%, in total GFA delivered from approximately 119,279 sq.m. for the six months ended June 30, 2008 to approximately 79,265 sq.m. for the six months ended June 30, 2009. The decrease in total GFA delivered was due primarily to the construction and property delivery schedule of our Mind-Land International project, for which a large number of properties in Phase 3 were delivered in the first six months of 2008 and a smaller number of properties were delivered in the first six months of 2009. The decrease in total GFA delivered was offset partially by a 12.0% increase in the average selling price per sq.m. of our properties from RMB8,114 per sq.m. for the six months ended June 30, 2008 to RMB9,084 per sq.m. for the six months ended June 30, 2009. The increase in the average selling price per sq.m. was due primarily to the increased revenue contribution from sales of villas and retail properties for the Mind-Land International project, which had significantly higher unit prices than other types of properties, for the six months ended June 30, 2009.

The following table shows certain revenue information relating to the properties we delivered for sales for the periods indicated:

	For the six months ended June 30,							
	2008				2009			
Project/property type/phase	Revenue (RMB'000) (unaudited)	Percentage of total (%)	Total GFA delivered (sq.m.)	Average selling price (RMB)	Revenue (RMB'000)	Percentage of total (%)	Total GFA delivered (sq.m.)	Average selling price (RMB)
Magnetic Capital								
Residential properties, Phase 1	5,000	0.5	352	14,213	1,587	0.2	198	7,999
Retail properties, Phase 1	16,279	1.6	885	18,394	–	–	–	–
Serviced apartments, Phase 1	26,813	2.8	2,106	12,729	3,257	0.5	324	10,037
Offices, Phase 1	59,817	6.2	5,341	11,200	–	–	–	–
Parking spaces, Phase 1	–	–	–	–	9,902	1.4	2,769	3,576
Retail properties, Phase 2	–	–	–	–	23,612	3.3	1,135	20,810
Offices, Phase 2	–	–	–	–	15,186	2.1	1,206	12,591
Serviced apartments, Phase 2	188,950	19.5	18,590	10,164	5,491	0.8	483	11,380
Parking spaces, Phase 2	–	–	–	–	2,580	0.4	862	2,993
Residential properties, Phase 3	12,700	1.3	1,189	10,680	24,259	3.4	2,619	9,264
Parking spaces, Phase 3	–	–	–	–	8,371	1.2	2,244	3,731
Residential properties, Phase 4	–	–	–	–	9,972	1.4	859	11,603
Residential properties, Phase 5	–	–	–	–	277,953	38.6	28,782	9,657
Subtotal	309,559	32.0	28,463	10,876	382,170	53.1	41,481	9,213
Mind-Land International								
Residential properties, Phase 1	1,280	0.1	199	6,447	74,960	10.4	3,202	23,414
Parking spaces, Phase 1	1,350	0.1	338	3,989	2,319	0.3	627	3,698
Residential properties, Phase 2	3,368	0.3	434	7,766	–	–	–	–
Parking spaces, Phase 2	615	0.1	183	3,370	15,564	2.2	4,026	3,866
Residential properties, Phase 3	498,056	51.5	64,138	7,765	3,275	0.5	430	7,608
Parking spaces, Phase 3	7,060	0.7	1,632	4,326	3,461	0.5	945	3,662
Residential properties, Phase 4	–	–	–	–	72,369	10.1	8,005	9,040
Retail properties	52,346	5.4	2,900	18,051	92,978	12.9	5,081	18,300
Parking spaces, Phase 4	–	–	–	–	2,422	0.3	586	4,133
Subtotal	564,075	58.2	69,823	8,079	267,348	37.2	22,902	11,673
Joy Downtown								
Retail properties	1,642	0.2	208	7,906	–	–	–	–
Subtotal	1,642	0.2	208	7,906	–	–	–	–

Project/property type/phase	For the six months ended June 30,							
	2008				2009			
	Revenue (RMB'000) (unaudited)	Percentage of total (%)	Total GFA delivered (sq.m.)	Average selling price (RMB)	Revenue (RMB'000)	Percentage of total (%)	Total GFA delivered (sq.m.)	Average selling price (RMB)
Chongqing Olympic Garden								
Residential properties, Phase 1. . . .	905	0.1	253	3,579	2,630	0.4	774	3,398
Residential properties, Phase 2. . . .	7,277	0.8	1,319	5,516	16,311	2.3	3,189	5,115
Retail properties, Phase 2	–	–	–	–	9,878	1.4	928	10,639
Parking spaces, Phase 2.	–	–	–	–	50	–	34	1,468
Residential properties, Phase 3. . . .	7,803	0.8	1,713	4,555	8,617	1.1	2,047	4,210
Parking spaces, Phase 3.	–	–	–	–	210	–	104	2,023
Residential properties, Phase 4. . . .	–	–	–	–	13,437	1.9	3,621	3,711
Subtotal	15,985	1.7	3,285	4,866	51,133	7.1	10,696	4,780
Swan Lake								
Residential properties, Phase 1. . . .	2,522	0.3	457	5,512	1,185	0.2	255	4,639
Residential properties, Phase 2. . . .	34,185	3.5	6,979	4,898	7,538	1.0	1,474	5,115
Residential properties, Phase 3. . . .	–	–	–	–	1,531	0.2	98	15,557
Subtotal	36,707	3.8	7,437	4,936	10,254	1.4	1,827	5,609
Dream of City								
Residential properties, Phase 1. . . .	28,981	3.0	7,134	4,063	6,663	0.9	1,685	3,954
Residential properties, Phase 2. . . .	10,934	1.1	2,931	3,731	2,445	0.3	673	3,632
Subtotal	39,915	4.1	10,064	3,966	9,108	1.3	2,358	3,863
Total	967,882	100.0	119,279	8,114	720,012	100.0	79,265	9,084

Cost of sales

Our cost of sales decreased by RMB183.4 million, or 28.3%, from RMB648.9 million for the six months ended June 30, 2008 to RMB465.5 million for the six months ended June 30, 2009. This decrease was primarily attributable to a decrease in construction related costs, which was generally in line with the decrease in total GFA delivered. Our average cost per sq.m. sold increased by 7.8%, from RMB5,424 for the six months ended June 30, 2008 to RMB5,848 for the six months ended June 30, 2009, primarily because of the increased proportion of villas and retail properties sold and delivered for the Mind-Land International project. Our cost of sales as a percentage of total revenue decreased from 66.5% for the six months ended June 30, 2008 to 63.9% for the six months ended June 30, 2009.

The following table shows development costs (i.e., total of construction costs, land use rights costs and capitalized interest) and the percentage of total development costs of properties delivered in our projects for the periods indicated:

	For the six months ended June 30,			
	2008		2009	
Project	Development costs (RMB'000) (unaudited)	Percentage of total (%)	Development costs (RMB'000)	Percentage of total (%)
Magnetic Capital	170,090	28.7	233,621	55.1
Mind-Land International. . .	327,122	55.1	137,827	32.5
Joy Downtown.	1,528	0.3	–	–
Chongqing Olympic Garden	9,267	1.6	27,619	6.5
Swan Lake	49,968	8.4	12,971	3.1
Dream of City	35,150	5.9	11,661	2.8
Total	593,125	100.0	423,699	100.0

Gross profit

As a result of the foregoing, our gross profit decreased by RMB63.9 million, or 19.6%, from RMB326.7 million for the six months ended June 30, 2008 to RMB262.8 million for the six months ended June 30, 2009. Between these periods, our gross profit margin increased from 33.5% to 36.1%. This increase in gross profit margin resulted from the fact that the increase in average selling prices was greater than the increase in average cost of sales, which was partly attributable to the increased contribution to our revenue from our sales of detached villas and retail properties, which typically yield higher profit margins, for the six months ended June 30, 2009.

Net gain from fair value of investment properties

Our net gain from fair value of investment properties was RMB50.7 million for the six months ended June 30, 2009 compared to a net loss of RMB10.7 million for the six months ended June 30, 2008. This was due primarily to the increase in fair value of certain investment properties at Magnetic Capital resulting from the increasing development of the commercial district in which Magnetic Capital is located.

Selling and marketing costs

Our selling and marketing costs decreased by RMB10.9 million, or 25.1%, from RMB43.3 million for the six months ended June 30, 2008 to RMB32.4 million for the six months ended June 30, 2009, which was due mainly to a decrease in our advertisement and promotion costs as a result of a stronger market demand in general in the second quarter of 2009. In 2009, we also continued to implement cost controls to adopt more cost-effective advertising and promotional channels.

Administrative expenses

Our administrative expenses increased by RMB3.3 million, or 8.5%, from RMB38.7 million for the six months ended June 30, 2008 to RMB42.0 million for the six months ended June 30, 2009. This increase was primarily attributable to an increase in our staff costs for the six months ended June 30, 2009, which were partially offset by a decrease in consulting expenses. Our consulting expenses for the six months ended June 30, 2008 consisted primarily of legal and financial advisory fees we incurred in connection with our proposed Listing.

Other income

Our other income increased by RMB12.2 million, or 111.9%, from RMB10.9 million for the six months ended June 30, 2008 to RMB23.1 million for the six months ended June 30, 2009. This increase was due primarily to higher interest income on shareholder's loans extended by Sunac Zhidi to our associated project companies and from government grants received in connection with our projects in Tianjin.

Other expenses

Our other expenses increased by RMB2.9 million, or 47.5%, from RMB6.1 million for the six months ended June 30, 2008 to RMB9.0 million for the six months ended June 30, 2009. This increase was due primarily to a RMB5.3 million increase in compensation for delay of delivery of properties to purchasers for our Mind-Land International project. Mind-Land International is located in close proximity to the Tianjin Olympic Stadium, and in 2008 we were required by the local government to suspend construction of the project temporarily due to preparation for the 2008 Olympics, which resulted in our late delivery of properties.

Operating profit

As a result of the foregoing, our operating profit increased by RMB14.4 million, or 6.0%, from RMB238.8 million for the six months ended June 30, 2008 to RMB253.2 million for the six months ended June 30, 2009. Our operating margin increased from 24.5% for the six months ended June 30, 2008 to 34.8% for the six months ended June 30, 2009.

Net finance costs

Our net finance costs increased by RMB16.3 million, or 38.4%, from RMB42.5 million for the six months ended June 30, 2008 to RMB58.8 million for the six months ended June 30, 2009. This increase was due primarily to the capitalization of a lower amount of our borrowing costs. As we completed construction of a large number of properties in Tianjin in the second half of 2008, our payments for development costs decreased for the six months ended June 30, 2009, which led to a lower apportionment of capitalized borrowing costs for the six months ended June 30, 2009.

Share of profit or loss of jointly controlled entities

Our share of profit of jointly controlled entities was RMB22.5 million for the six months ended June 30, 2009 compared to our share of loss of RMB8.0 million for the six months ended June 30, 2008. This change represented the revenue recognized by Chongqing Yuneng for the six months ended June 30, 2009 due primarily to the completion of Phase 1 of the Asia Pacific Enterprise Valley project in December 2008, and delivery of some of the properties in the project in the six months ended June 30, 2009.

Share of loss of associates

Our share of loss of associates increased by RMB14.8 million, or 208.5%, from RMB7.1 million for the six months ended June 30, 2008 to RMB21.9 million for the six months ended June 30, 2009. This increase in share of loss was attributable to the higher interest expense incurred by Shougang Sunac for the six months ended June 30, 2009 due primarily to the Xibeiwang project which launched in December 2008, and the significant costs and expenses in connection with the project incurred for the six months ended June 30, 2009.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by RMB13.7 million, or 7.6%, from RMB181.2 million for the six months ended June 30, 2008 to RMB194.9 million for the six months ended June 30, 2009.

Income tax expenses

Our income tax expenses increased by RMB9.8 million, or 13.2%, from RMB74.5 million for the six months ended June 30, 2008 to RMB84.3 million for the six months ended June 30, 2009. Our LAT increased by RMB9.3 million, or 33.7%, from RMB27.7 million to RMB37.0 million largely as a result of our delivery of properties with higher selling prices resulting in a higher appreciation in value for our Magnetic Capital project.

Profit for the period

As a result of the cumulative effect of the foregoing factors, our profit for the year, after income tax, increased by RMB3.9 million, or 3.7%, from RMB106.7 million for the six months ended June 30, 2008 to RMB110.6 million for the six months ended June 30, 2009.

Minority interests

Loss attributable to minority shareholders of our non-wholly owned subsidiaries decreased from RMB17.1 million for the six months ended June 30, 2008 to RMB6.6 million for the six months ended June 30, 2009. Such amounts represented primarily losses attributable to the minority shareholder holding a 49% equity interest, directly and indirectly, in Wuxi Sunac Real Estate and Wuxi Sunac City, which are engaged in the Swan Lake and Dream of City projects, respectively.

2008 compared to 2007

Revenue

Our revenue increased by RMB438.0 million, or 14.5%, from RMB3,011.5 million in 2007 to RMB3,449.5 million in 2008. This increase was due primarily to an increase of approximately 70,064 sq.m., or 16.6%, in total GFA delivered, from approximately 421,251 sq.m. in 2007 to approximately 491,315 sq.m. in 2008, which was largely attributable to the completion and delivery of properties for the Swan Lake and Dream of City projects in Wuxi. We acquired a controlling interest in the companies engaging in such projects in December 2007, for which we began to recognize substantial revenue in 2008. Such increase in total GFA delivered was offset slightly by a 1.8% decrease in the average selling price per sq.m. of our properties from RMB7,117 per sq.m. in 2007 to RMB6,988 per sq.m. in 2008, due primarily to the proportional increase in revenue contribution of our properties in Wuxi and Chongqing in 2008, which generally had lower average prices than our properties in Tianjin.

The following table shows certain information relating to the properties we delivered for sales for the periods indicated:

Project/property type/phase	For the year ended December 31, 2007				For the year ended December 31, 2008			
	Revenue (RMB'000)	Percentage of total (%)	Total GFA delivered (sq.m.)	Average selling price (RMB)	Revenue (RMB'000)	Percentage of total (%)	Total GFA delivered (sq.m.)	Average selling price (RMB)
Magnetic Capital								
Residential properties, Phase 1	210,969	7.0	26,970	7,822	15,134	0.4	1,397	10,831
Serviced apartments, Phase 1	448,206	14.9	47,485	9,439	42,302	1.2	3,619	11,689
Retail properties, Phase 1	16,877	0.6	980	17,221	18,859	0.5	1,014	18,599
Offices, Phase 1	41,460	1.3	4,255	9,744	59,817	1.7	5,341	11,200
Parking spaces, Phase 1	6,115	0.2	1,705	3,586	(171)	–	(70)	(2,443)
Residential properties, Phase 2	337,216	11.2	41,249	8,175	–	–	–	–
Serviced apartments, Phase 2	–	–	–	–	198,837	5.8	19,471	10,212
Offices, Phase 2	–	–	–	–	71,492	2.1	5,750	12,433
Retail properties, Phase 2	–	–	–	–	76,929	2.2	3,322	23,157
Parking spaces, Phase 2	4,642	0.2	1,313	3,536	–	–	–	–
Residential properties, Phase 3	393,452	13.1	47,591	8,267	39,372	1.1	3,827	10,287
Parking spaces, Phase 3	5,999	0.2	1,664	3,606	–	–	–	–
Others	53,737	1.8	1,895	28,355	–	–	–	–
Residential properties, Phase 4	–	–	–	–	361,942	10.5	41,505	8,720
Subtotal	1,518,673	50.7	175,107	8,673	884,514	25.8	85,177	10,384
Mind-Land International								
Residential properties, Phase 1	79,084	2.6	11,349	6,968	77,806	2.3	4,483	17,356
Parking spaces, Phase 1	15,035	0.8	3,948	3,808	1,200	–	302	3,980
Residential properties, Phase 2	721,753	24.1	96,978	7,442	3,368	0.1	434	7,766
Parking spaces, Phase 2	15,698	0.5	3,796	4,135	300	–	109	2,757
Residential properties, Phase 3	–	–	–	–	551,366	16.1	70,004	7,876
Parking spaces, Phase 3	–	–	–	–	6,910	0.2	1,598	4,323
Residential properties, Phase 4	–	–	–	–	735,914	21.4	83,878	8,773
Parking spaces, Phase 4	–	–	–	–	8,314	0.2	1,789	4,647
Retail properties	126,106	4.2	7,279	17,325	52,399	1.5	2,816	18,608
Subtotal	957,675	31.9	123,350	7,764	1,437,577	41.9	165,413	8,691
Joy Downtown								
Retail properties	6,973	0.2	715	9,751	1,642	–	209	7,857
Subtotal	6,973	0.2	715	9,751	1,642	–	209	7,857

Project/property type/phase	For the year ended December 31, 2007 Revenue (RMB'000)	Percentage of total (%)	Total GFA delivered (sq.m.)	Average selling price (RMB)	For the year ended December 31, 2008 Revenue (RMB'000)	Percentage of total (%)	Total GFA delivered (sq.m.)	Average selling price (RMB)
Chongqing Olympic Garden								
Residential properties, Phase 1. . . .	87,026	2.9	22,400	3,885	1,374	–	395	3,476
Residential properties, Phase 2. . . .	136,948	4.6	34,463	3,974	11,305	0.3	2,136	5,294
Retail properties, Phase 2	21,665	0.7	3,536	6,127	–	–	–	–
Parking spaces, Phase 2.	422	–	545	775	–	–	–	–
Residential properties, Phase 3. . . .	266,352	8.9	60,035	4,437	10,565	0.3	2,356	4,484
Retail properties, Phase 3	455	–	62	7,309	–	–	–	–
Parking spaces, Phase 3.	2,001	0.1	1,038	1,927	–	–	–	–
Residential properties, Phase 4. . . .	–	–	–	–	643,967	18.8	159,574	4,036
Subtotal	514,869	17.2	122,079	4,218	667,212	19.4	164,461	4,057
Swan Lake								
Residential properties, Phase 1. . . .	–	–	–	–	4,157	0.1	831	5,003
Residential properties, Phase 2. . . .	–	–	–	–	50,655	1.5	10,126	5,003
Residential properties, Phase 3. . . .	–	–	–	–	326,450	9.5	49,680	6,571
Subtotal	–	–	–	–	381,262	11.1	60,637	6,288
Dream of City								
Residential properties, Phase 1. . . .	–	–	–	–	44,584	1.3	11,020	4,046
Residential properties, Phase 2. . . .	–	–	–	–	16,593	0.5	4,398	3,773
Subtotal	–	–	–	–	61,177	1.8	15,418	3,968
Total	2,998,190	100.0	421,251	7,117	3,433,384	100.0	491,315	6,988

Cost of sales

Our cost of sales increased by RMB160.1 million, or 7.2%, from RMB2,211.6 million in 2007 to RMB2,371.7 million in 2008. This increase was primarily attributable to increases in construction costs and land use rights costs due to the increase in total GFA delivered, offset partially by a lower average cost of sales in 2008. Our average cost of sales per sq.m. decreased by 8.1%, from RMB5,244 in 2007 to RMB4,818 in 2008, primarily because of the relatively lower unit cost of our projects in Wuxi that were included in our consolidated financial results in 2008 as compared to the unit costs of our projects in Tianjin. As a result, our cost of sales as a percentage of total revenue decreased from 73.4% in 2007 to 68.8% in 2008.

The following table shows development costs (i.e., total of construction costs, land use rights costs and capitalized interest) and the percentage of total development costs of properties delivered in our projects for the periods indicated:

	For the year ended December 31, 2007		For the year ended December 31, 2008	
Project	**Development costs (RMB'000)**	**Percentage of total (%)**	**Development costs (RMB'000)**	**Percentage of total (%)**
Magnetic Capital	1,098,686	53.8	514,766	23.6
Mind-Land International. . .	587,372	28.7	797,047	36.6
Joy Downtown.	5,266	0.3	14,809	0.7
Chongqing Olympic Garden	352,096	17.2	465,194	21.3
Swan Lake	–	–	325,563	14.9
Dream of City	–	–	61,683	2.8
Total	2,043,420	100.0	2,179,062	100.0

Gross profit

As a result of the foregoing, our gross profit increased by RMB277.9 million, or 34.7%, from RMB799.9 million in 2007 to RMB1,077.8 million in 2008. Between these years, our gross profit margin increased from 26.6% to 31.2%, primarily as a result of the decrease in the average cost of properties completed and delivered in 2008.

Net loss from fair value of investment properties

Our net loss from fair value of investment properties increased by RMB17.0 million, or 191.0%, from RMB8.9 million in 2007 to RMB25.9 million in 2008, primarily as a result of a decrease in fair value of certain properties at Magnetic Capital leased for the operation of the Maison Mode Outlets store, in respect of which we terminated the lease agreement in 2009.

Selling and marketing costs

Our selling and administrative costs increased by RMB59.3 million, or 90.7%, from RMB65.3 million in 2007 to RMB124.6 million in 2008. This increase was due mainly to an increase in advertisement and promotion costs for our existing projects in Tianjin and Chongqing as well as for newly acquired projects in Wuxi. Due to the change in market conditions in 2008, in general we increased our advertisement and promotion expenditures in 2008 from those made in 2007.

Administrative expenses

Our administrative expenses increased by RMB9.5 million, or 11.4%, from RMB83.5 million in 2007 to RMB93.0 million in 2008. This increase was due primarily to additional administrative expenses relating to our newly acquired subsidiaries in Wuxi and Suzhou.

Other income

Our other income increased by RMB35.1 million, or 125.8%, from RMB27.9 million in 2007 to RMB63.0 million in 2008. This increase was primarily attributable to our recovery of a prepayment of RMB20.0 million that had been written down in a prior period in relation to our Mind-Land International project and an increase in investment income we received from shareholder's loans we made to certain associated project companies in 2008.

Other expenses

Our other expenses decreased by RMB46.4 million, or 74.6%, from RMB62.2 million in 2007 to RMB15.8 million in 2008. This decrease was due mainly to a decrease in compensation to purchasers for our delayed delivery of properties from RMB59.5 million in 2007 to RMB6.4 million in 2008. The compensation we paid in 2007 was incurred primarily in relation to delays in delivery of our Mind-Land International and Magnetic Capital projects, due primarily to (i) interruptions to our construction schedules caused by former occupants of the sites who sought additional resettlement compensation from the local government, and (ii) delays in the government's completion of the permanent public utilities infrastructure for our projects.

Operating profit

As a result of the foregoing, our operating profit increased by RMB273.6 million, or 45.0%, from RMB607.9 million in 2007 to RMB881.5 million in 2008. Our operating margin increased from 20.2% in 2007 to 25.6% in 2008.

Net finance costs

Our net finance costs increased by RMB28.3 million, or 34.3%, from RMB82.6 million in 2007 to RMB110.9 million in 2008. This increase was attributable to a RMB23.0 million increase in total interest expense on our borrowings due to our higher level of borrowings in 2008 than in 2007, resulting primarily from the consolidation into our income statement of the borrowings of our subsidiaries in Wuxi acquired in 2008, as well as the higher interest rates in 2008.

Share of profit or loss of jointly controlled entities

Our share of profit of jointly controlled entities was RMB4.5 million in 2008 compared to our share of loss of RMB24.9 million in 2007. These represented our share of profit or loss of Chongqing Yuneng. Such change in the financial results of Chongqing Yuneng was due primarily to its completion and delivery of properties in Phase 1 of the Asia Pacific Enterprise Valley project in December 2008 and the associated recognition of revenue from sales of these properties.

Share of loss of associates

Our share of loss of associates increased by RMB2.5 million, or 21.6%, from RMB11.6 million in 2007 to RMB14.1 million in 2008. Such increase was attributable to our share of loss of Shougang Sunac in connection with the East Fairyland project, the construction of which commenced in April 2007 and continued through 2008. In addition, since we acquired an equity interest of 50% in Shougang Sunac in August 2007, we had a share of its loss only for a period of less than five months in 2007, while our share of its loss was for a full year in 2008.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by RMB272.2 million, or 55.7%, from RMB488.8 million in 2007 to RMB761.0 million in 2008.

Income tax expenses

Our income tax expenses increased by RMB8.3 million, or 3.0%, from RMB275.8 million in 2007 to RMB284.1 million in 2008. This increase was due mainly to an increase in LAT, which rose by RMB13.3 million, or 13.2%, from RMB100.6 million in 2007 to RMB113.9 million in 2008 primarily as a result of the additional LAT incurred for our then newly acquired projects in Wuxi. Meanwhile, our corporate income tax decreased by RMB5.0 million, or 2.9%, from RMB175.2 million to RMB170.2 million largely as a result of the lowering of the PRC corporate income tax rate from 33% to 25%.

Profit for the year

As a result of the cumulative effect of the foregoing factors, our profit for the year, after income tax, increased by RMB263.9 million, or 123.9%, from RMB213.0 million in 2007 to RMB476.9 million in 2008.

Minority interests

Loss attributable to minority shareholders of our non-wholly owned subsidiaries was RMB18.7 million in 2008 as compared to profit attributable to minority shareholders of RMB38.7 million in 2007. This change was due mainly to the losses of the then newly acquired projects in Wuxi in 2008, coupled with a decrease in profit attributable to the minority shareholders of Sunac Ao Cheng resulting from both a decrease in profit of the subsidiary and a decrease in the minority interests from 12.7% to 10% from 2007 to 2008.

2007 compared to 2006

Revenue

Our revenue increased by RMB303.8 million, or 11.2%, from RMB2,707.7 million in 2006 to RMB3,011.5 million in 2007. This increase was principally attributable to an increase of approximately 23,682 sq.m., or 6.0%, in total GFA delivered, from approximately 397,569 sq.m. in 2006 to approximately 421,251 sq.m. in 2007, which represented primarily an increase in the completion and delivery of properties in our Chongqing Olympic Garden project. The increase in revenue was also attributable to a 4.9% increase in the average selling price per sq.m. of our properties from RMB6,784 per sq.m. in 2006 to RMB7,117 per sq.m. in 2007. Such increase in average selling price per sq.m. was largely driven by the stronger demand for medium to high-end properties in Tianjin, offset partially by the increased revenue contribution of our Chongqing Olympic Garden project in 2007, which generally had lower average prices than our projects in Tianjin.

The following table shows certain information relating to the properties we delivered for sales for the periods indicated:

Project/property type/phase	For the year ended December 31, 2006				For the year ended December 31, 2007			
	Revenue (RMB'000)	Percentage of total (%)	Total GFA delivered (sq.m.)	Average selling price (RMB)	Revenue (RMB'000)	Percentage of total (%)	Total GFA delivered (sq.m.)	Average selling price (RMB)
Magnetic Capital								
Residential properties, Phase 1	1,177,291	43.7	152,097	7,740	210,969	7.0	26,970	7,822
Serviced apartments, Phase 1	–	–	–	–	448,200	14.9	47,485	9,439
Retail properties, Phase 1	142,224	5.3	7,887	18,032	16,877	0.6	980	17,221
Offices, Phase 1	61,755	2.3	7,219	8,555	41,460	1.3	4,255	9,744
Parking spaces, Phase 1	28,722	1.1	8,143	3,527	6,115	0.2	1.705	3,586
Residential properties, Phase 2	–	–	–	–	337,216	11.2	41,249	8,175
Parking spaces, Phase 2	–	–	–	–	4,642	0.2	1,313	3,536
Residential properties, Phase 3	–	–	–	–	393,452	13.1	47,591	8,267
Parking spaces, Phase 3	–	–	–	–	5,999	0.2	1,664	3,606
Others	38,930	1.4	1,291	30,161	53,737	1.8	1,895	28,355
Subtotal	1,448,922	53.7	176,636	8,203	1,518,673	50.7	175,107	8,673
Mind-Land International								
Residential properties, Phase 1	901,877	33.4	143,036	6,305	79,084	2.6	11,349	6,968
Parking spaces, Phase 1	22,117	0.8	5,715	3,870	15,035	0.5	3,948	3,808
Residential properties, Phase 2	–	–	–	–	721,753	24.1	96,978	7,442
Parking spaces, Phase 2	–	–	–	–	15,698	0.5	3,796	4,135
Retail properties	–	–	–	–	126,106	4.2	7,279	17,325
Subtotal	923,994	34.3	148,752	6,212	957,675	31.9	123,350	7,764
Joy Downtown								
Retail properties	23,554	0.9	2,103	11,200	6,973	0.2	715	9,751
Subtotal	23,554	0.9	2,103	11,200	6,973	0.2	715	9,751
Chongqing Olympic Garden								
Residential properties, Phase 1	42,340	1.5	9,639	4,393	87,026	2.9	22,400	5,580
Residential properties, Phase 2	141,339	5.2	37,181	3,801	136,948	4.6	34,463	3,974
Retail properties, Phase 2	75,605	2.8	11,320	6,679	21,665	0.7	3,536	6,127
Parking spaces, Phase 2	1,693	0.1	2,043	829	422	–	545	775
Residential properties, Phase 3	11,028	0.4	2,227	4,952	266,352	8.9	60,035	4,674
Retail properties, Phase 3	–	–	–	–	455	–	62	7,309
Parking spaces, Phase 3	–	–	–	–	2,001	0.1	1,038	1,927
Subtotal	272,006	10.1	62,409	4,358	514,869	17.2	122,079	4,218
Other projects[1]								
Residential	28,439	1.1	7,668	3,709	–	–	–	–
Total	2,696,915	100.0	397,569	6,784	2,998,190	100.0	421,251	7,117

Note:

(1) Other projects in 2006 included (i) the completed project of Binhu Building, which we purchased from a third party in 2003 and held subsequently for sales; and (ii) the property development projects undertaken by Changchun Sunac and Deyang Sunac, which were disposed of in March 2006 to a third party.

Cost of sales

Our cost of sales increased by RMB10.5 million, or 0.5%, from RMB2,201.1 million in 2006 to RMB2,211.6 million in 2007. This increase was primarily attributable to an increase in capitalized interest, offset partially by decreases in construction costs and land use rights costs. While the total GFA we delivered was higher in 2007, our average cost of sales per sq.m. decreased by 5.2% from RMB5,531 in 2006 to RMB5,244 in 2007, primarily because of the higher contribution of Chongqing Olympic Garden, which generally had lower average costs than our projects in Tianjin. As a consequence, our cost of sales as a percentage of total revenue decreased from 81.3% in 2006 to 73.4% in 2007.

The following table shows development costs (i.e., total of construction costs, land use rights costs and capitalized interest) and the percentage of total development costs of properties delivered in our projects for the periods indicated:

	For the year ended December 31, 2006		For the year ended December 31, 2007	
Project	**Development costs (RMB'000)**	**Percentage of total (%)**	**Development costs (RMB'000)**	**Percentage of total (%)**
Magnetic Capital	1,128,450	55.1	1,098,686	53.8
Mind-Land International	699,841	34.1	587,372	28.7
Joy Downtown	15,481	0.7	5,266	0.3
Chongqing Olympic Garden	181,092	8.8	352,096	17.2
Other projects[1]	24,599	1.2	–	–
Total	2,049,463	100	2,043,420	100

Note:

(1) Other projects in 2006 included (i) the completed project of Binhu Building, which we purchased from a third party in 2003 and held subsequently for sales; and (ii) the property development projects undertaken by Changchun Sunac and Deyang Sunac, which were disposed of in March 2006 to a third party.

Gross profit

As a result of the foregoing, our gross profit increased by RMB293.3 million, or 57.9%, from RMB506.6 million in 2006 to RMB799.9 million in 2007. During the same period, our gross profit margin increased from 18.7% to 26.6%, principally as a result of the increase in average selling price and the decrease in average cost of properties completed and delivered in 2007.

Net gain from disposal of subsidiaries

Our net gain from disposal of subsidiaries was nil in 2007 compared to RMB5.2 million in 2006 due to gains realized from our disposal of Chengdu Sunac, Changchun Sunac and Deyang Sunac in March 2006.

Net gain from fair value of investment properties

Our net gain from fair value of investment properties was RMB56.0 million in 2006 compared to our net loss from fair value of investment properties of RMB8.9 million in 2007. Such net gain in 2006 was due primarily to a substantial fair value gain in 2006 for certain new investment properties at Magnetic Capital. In 2007, we recorded a fair value loss of RMB18.0 million for certain investment properties at Magnetic Capital primarily as a result of our waiving of the rental payments receivable from Maison Mode Outlets due to its underperforming business.

Selling and marketing costs

Our selling and marketing costs decreased by RMB62.5 million, or 48.9%, from RMB127.7 million in 2006 to RMB65.3 million in 2007. This decrease was mainly attributable to lower advertisement and promotion costs in 2007 when market demand was more active, as well as our enhanced cost control efforts in 2007.

Administrative expenses

Our administrative expenses decreased by RMB22.9 million, or 21.5%, from RMB106.4 million in 2006 to RMB83.5 million in 2007. This increase was mainly attributable to the disposal of three subsidiaries in 2006 and the reduction of staff costs resulting from our cost control initiatives.

Other income

Our other income decreased by RMB13.3 million, or 32.3%, from RMB41.2 million in 2006 to RMB27.9 million in 2007. This was due primarily to a decrease in income from government grants in 2007. In 2006, we received RMB35.7 million in government grants in relation to Mind-Land International, Magnetic Capital and certain of our other projects, while we received only RMB16.3 million in grants in 2007 solely in relation to our Magnetic Capital project.

Other expenses

Our other expenses increased by RMB45.2 million, or 265.9%, from RMB17.0 million in 2006 to RMB62.2 million in 2007. This increase was due primarily to an increase in compensation to purchasers for our delayed delivery of properties from RMB15.6 million in 2006 to RMB59.5 million in 2007, incurred primarily in relation to delays in delivery of our Mind-Land International and Magnetic Capital projects due primarily to (i) interruptions to our construction schedules caused by former occupants of the sites who sought additional resettlement compensation from the local government, and (ii) delays in the government's completion of the permanent public utilities infrastructure for our projects.

Operating profit

As a result of the foregoing, our operating profit increased by RMB250.0 million, or 69.9%, from RMB357.9 million in 2006 to RMB607.9 million in 2007. Our operating margin increased from 13.2% in 2006 to 20.2% in 2007.

Net finance costs

Our net finance costs decreased by RMB15.8 million, or 16.0%, from RMB98.4 million in 2006 to RMB82.6 million in 2007. This decrease resulted from a RMB50.2 million increase in capitalization of borrowing costs, offset partially by a RMB34.4 million increase in total interest expense on our borrowings, due to our increased levels of borrowings, as well as an increase in the interest rates on our borrowings, in 2007.

Share of loss of a jointly controlled entity

Our share of loss of a jointly controlled entity was RMB24.9 million in 2007 compared to nil in 2006. Our share of loss in 2007 was attributable to the results of operations of Chongqing Yuneng, which commenced construction of the Asia Pacific Enterprise Valley project in March 2007 and had yet to complete and deliver properties in 2007.

Share of loss of associates

Our share of loss of associates was RMB11.6 million in 2007 compared to nil in 2006. In 2007, we recorded a loss of RMB11.6 million relating to our investment in Shougang Sunac, which was due primarily to significant operating expenses incurred in its early stages of business operations before revenue was generated.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by RMB229.3 million, or 88.4%, from RMB259.5 million in 2006 to RMB488.8 million in 2007.

Income tax expenses

Our income tax expenses increased by RMB134.8 million, or 95.6%, from RMB141.0 million in 2006 to RMB275.8 million in 2007. Our corporate income tax increased by RMB68.0 million, or 63.4%, from RMB107.2 million to RMB175.2 million largely as a result of the increase in our profit before income tax. Our LAT increased by RMB66.8 million, or 197.9%, from RMB33.8 million to RMB100.6 million largely as a result of an LAT provision we made relating to the completion of a large number of residential properties and serviced apartments in Phase 3 and Phase 1, respectively, of the Magnetic Capital project in 2007.

Profit for the year

As a result of the cumulative effect of the foregoing factors, our profit for the year, after income tax, increased by RMB94.5 million, or 79.7%, from RMB118.5 million in 2006 to RMB213.0 million in 2007.

Minority interests

Profit attributable to minority shareholders of our non-wholly owned subsidiaries increased by RMB3.4 million, or 9.5%, from RMB35.3 million in 2006 to RMB38.7 million in 2007, primarily as a result of a reduction of loss of Chongqing OG, offset partially by a decrease in profit attributable to minority shareholders of Sunac Ao Cheng as a result of a decrease in the equity interest held by its minority shareholders.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

Cash flow

The following table summarizes our cash flow for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2006 (RMB'000)	2007 (RMB'000)	2008 (RMB'000)	2008 (RMB'000) (unaudited)	2009 (RMB'000)
Selected cash flow statement data					
Net cash (used in)/ generated from operating activities	(96,250)	387,961	239,277	(221,650)	481,298
Net cash (used in)/ generated from investing activities	(216,283)	(64,601)	(223,325)	(166,425)	(414,801)
Net cash generated from/(used in) financing activities	260,315	363,394	(94,914)	(4,829)	(392,357)
Net (decrease)/increase in cash and cash equivalents	(52,218)	686,754	(78,962)	(392,904)	(325,860)

Net cash generated from or used in operating activities

Net cash generated from operating activities was RMB481.3 million for the six months ended June 30, 2009, compared to net cash used in operating activities RMB221.7 million for the six months ended June 30, 2008. For the six months ended June 30, 2009, we had profit before income taxes of RMB194.9 million which was adjusted for (i) finance costs in the amount of RMB58.8 million to account for the fact that net finance costs are also recorded as cash outflow from financing activities and (ii) gain from fair value of investment properties in the amount of RMB50.7 million as such gain did not generate any cash flow. We had changes in working capital representing a cash inflow of RMB375.7 million, consisting mainly of a

RMB588.2 million increase in trade and other payables due primarily to higher pre-sales and lower GFA delivery, offset by a RMB181.8 million increase in properties under development and completed properties held for sale due primarily to lower GFA delivery for the period.

Net cash generated from operating activities was RMB239.3 million in 2008. We had profit before income taxes of RMB761.0 million which was adjusted for finance costs in the amount of RMB110.9 million. We had changes in working capital representing a cash outflow of RMB540.6 million, consisting mainly of a RMB524.3 million decrease in trade and other payables due primarily to the completion of a large number of properties in the second half of 2008 and fewer advanced proceeds from pre-sales in general in 2008.

Net cash generated from operating activities was RMB388.0 million in 2007. We had profit before income taxes of RMB488.8 million which was adjusted for finance costs in the amount of RMB82.6 million. We had changes in working capital representing a cash outflow of RMB107.2 million due primarily to the large amount of GFA delivery in 2007. Such changes consisted mainly of a RMB945.8 million decrease in trade and other payables (including advanced proceeds from pre-sales), offset partially by a RMB482.6 million decrease in properties under development and completed properties held for sale and a RMB355.7 million decrease in other receivables.

Net cash used in operating activities was RMB96.3 million in 2006. We had profit before income taxes of RMB259.5 million, which was adjusted for net finance costs in the amount of RMB98.4 million and gain from fair value of investment properties in the amount of RMB56.0 million. We had changes in working capital representing a cash outflow of RMB299.0 million, due primarily to a RMB763.3 million decrease in trade and other payables, which was offset partially by a RMB854.6 million decrease in properties under development and completed properties held for sale primarily as a result of the disposals of three subsidiaries, Changchun Sunac, Chengdu Sunac and Deyang Sunac, in 2006.

Net cash used in or generated from investing activities

Net cash used in investing activities increased by 149.2% from RMB166.4 million for the six months ended June 30, 2008 to RMB414.8 million for the six months ended June 30, 2009. This change was due primarily to a RMB293.1 million shareholder's loan to Shougang Sunac in connection with the Xibeiwang project and a RMB122.0 million payment in part for the 50% equity interest in Sunac Zhidi.

Net cash used in investing activities was RMB223.3 million in 2008. This was due primarily to a RMB159.3 million payment for the 50% equity interest in Sunac Zhidi and a RMB40.5 million payment for the increase in capital of Chongqing Yuneng.

Net cash used in investing activities was RMB64.6 million in 2007. This was due primarily to the payments of RMB161.4 million in aggregate for the equity interests in Chongqing OG, Chongqing Yuneng, Sunac Ao Cheng and Sunac Zhidi, offset primarily by the net cash acquired from the acquisitions of Wuxi Sunac Real Estate, which had cash and cash equivalents of RMB59.8 million, and Wuxi Sunac City, which had cash and cash equivalents of RMB32.5 million.

Net cash used in investing activities was RMB216.3 million in 2006. This was due primarily to a RMB162.9 million payment for the equity interests in Sunac Zhidi, Sunac Ao Cheng and Chongqing OG. This was also due to our disposal of Changchun Sunac, Chengdu Sunac and Deyang Sunac for non-cash consideration, while these disposed entities had a combined cash and cash equivalents of RMB51.5 million.

Net cash generated from or used in financing activities

Net cash used in financing activities increased from RMB4.8 million for the six months ended June 30, 2008 to RMB392.4 million for the six months ended June 30, 2009. For the six months ended June 30, 2008, we had a RMB119.3 million increase in net borrowings, while for the six months ended June 30, 2009, we had a RMB257.1 million decrease in net borrowings.

Net cash used in financing activities was RMB94.9 million in 2008. This was due primarily to our payment of uncapitalized interest of RMB110.9 million due in part to higher interest rates in 2008, offset partially by a RMB67.9 million increase in net borrowings in 2008.

Net cash generated from financing activities was RMB363.4 million in 2007. While we had a RMB353.2 million decrease in net borrowings in 2007, we received RMB1,399.9 million in cash contributions from Sunac International in relation to the Exchangeable Bonds financing. We also made a deemed distribution of RMB643.0 million to Yingxin Xinheng in 2007.

Net cash generated from financing activities was RMB260.3 million in 2006. We had a RMB436.8 million increase in net borrowings, offset partially by interest payment of RMB98.4 million in 2006.

Net current assets

As of September 30, 2009, we had net current assets of RMB1,957.4 million, consisting of current assets of RMB8,919.9 million and current liabilities of RMB6,962.5 million. As of June 30, 2009, we had net current assets of RMB1,301.3 million. Our net current assets as of September 30, 2009 increased by RMB656.1 million from our net current assets as of June 30, 2009. This increase was a consequence of a RMB482.6 million increase in current assets, due primarily to an increase in cash and cash equivalents and restricted cash as a result of an increase in long-term borrowings and an increase in advanced proceeds from customers, and a RMB173.5 million decrease in current liabilities, due primarily to a decrease in current borrowings offset partially by an increase in advanced proceeds from customers. Our current assets as of September 30, 2009 comprised primarily properties under development of RMB5,750.8 million, completed properties held for sale of RMB1,459.5 million and cash and cash equivalents of RMB693.4 million. Our current liabilities as of September 30, 2009 comprised primarily advanced proceeds from customers of RMB4,039.8 million, trade and other payables of RMB1,847.5 million and current borrowings of RMB911.1 million.

Working capital

Taking into account the estimated net proceeds from the Global Offering and cash flow from our operations, our Directors confirm that we have sufficient working capital for our operations for at least the next twelve months from the date of this prospectus.

Restricted cash

Pursuant to relevant regulations, proceeds we receive from pre-sales of properties may only be used for construction of the project from which such proceeds were generated. As of December 31, 2006, 2007 and 2008 and June 30, 2009, the balance of such restricted cash was RMB201.9 million, RMB159.6 million, RMB230.8 million and RMB307.3 million, respectively.

Indebtedness

The following table shows our outstanding borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2006 (RMB'000)	2007 (RMB'000)	2008 (RMB'000)	2009 (RMB'000)	2009 (RMB'000) (unaudited)
Current					
Secured, borrowed from:					
– Banks	368,700	446,500	229,580	129,580	120,000
– Other financial institutions	284,100	121,000	50,000	–	–
Unsecured, borrowed from:					
– Banks	–	80,000	–	–	–
– Other financial institutions	–	–	46,000	46,000	46,000
– Third parties	–	140,000	139,994	129,994	119,862
Current portion of long-term borrowings	370,000	562,340	688,100	871,393	625,200
Current borrowings	1,022,800	1,349,840	1,153,674	1,176,967	911,062
Non-current					
Secured, borrowed from:					
– Banks	1,540,500	1,487,640	1,965,500	1,872,403	2,096,720
– Other financial institutions	162,000	242,000	154,000	150,000	148,000
Less: current portion of long-term borrowings	(370,000)	(562,340)	(688,100)	(871,393)	(625,200)
Non-current borrowings	1,332,500	1,167,300	1,431,400	1,151,010	1,619,520
Total	2,355,300	2,517,140	2,585,074	2,327,977	2,530,582

As of September 30, 2009, we had unutilized bank facilities of approximately RMB193 million.

The carrying amounts of our borrowings are denominated in Renminbi and approximate their fair value.

As of June 30, 2009, we had current borrowings from third parties of RMB130.0 million. Such borrowings represented primarily a shareholder loan provided by Tianjin Binhai to Wuxi Sunac Real Estate to fund its business operations. The loan was provided in the form of an entrusted loan through Shanghai Pudong Development Bank at an interest rate of 10% per year.

We obtained long-term borrowings primarily to finance payment for property development costs prior to the generation of any income from pre-sales or sales. The non-current portion of our long-term borrowings increased from RMB1,151.0 million as of June 30, 2009 to RMB1,619.5 million as of September 30, 2009. Changes in the non-current portion of our long-term borrowings were generally due to borrowings incurred in connection with the progress of construction on our subsidiaries' projects and the timing of the repayment schedule of such borrowings.

Except as disclosed in the prospectus, we did not have any outstanding debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding at the close of business on September 30, 2009.

The following table shows the weighted average effective interest rates for our bank borrowings as of each of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2006	**2007**	**2008**	**2009**	**2009**
Bank borrowings	6.95%	7.55%	8.54%	6.74%	6.83%

The following table shows the maturity profile of our non-current borrowings (including current portion of long-term borrowings) as of each of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2006 (RMB'000)	**2007 (RMB'000)**	**2008 (RMB'000)**	**2009 (RMB'000)**	**2009 (RMB'000)**
Borrowings					
Within one year	370,000	562,340	688,100	871,393	625,200
Between one and two years	528,500	619,600	1,391,400	1,003,510	931,860
Between two and five years	804,000	547,700	40,000	147,500	687,660
Total	1,702,500	1,729,640	2,119,500	2,022,403	2,244,720

Consistent with others in the industry, we monitor capital on the basis of our gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and long-term borrowings) less cash and cash equivalents. Total capital is calculated as total equity plus net debt. The following table shows our gearing ratio as of the dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
Gearing ratio	87%	68%	61%	59%

Collateral
Part of our bank borrowings listed above were secured by certain properties held for future development and under development for sale, investment properties and restricted bank deposits, the details of which are as follows:

	As of December 31,			As of June 30,	As of September 30,
	2006 (RMB million)	2007 (RMB million)	2008 (RMB million)	2009 (RMB million)	2009 (RMB million)
Properties under development	1,281	1,832	1,771	1,929	1,623
Completed properties held for sale	879	416	950	654	588
Investment properties	–	–	–	109	109
Total	2,160	2,248	2,721	2,692	2,320

Contingent Liabilities

Guarantees for mortgage facilities
We have arranged bank financing for certain purchasers of our property units and provided guarantees to secure the obligations of such purchasers for repayment of their mortgage loans. Such guarantees terminate upon any of (i) the issuance of the Property Ownership Certificate and the property encumbrance certificate, which generally takes place within two to three years after we deliver possession of the relevant property to the purchasers; (ii) the settlement of the relevant mortgage loans between banks and purchasers of our properties; or (iii) the completion of advance registration of the mortgage, which is generally conducted when the purchasers apply for mortgage loans. Our guarantee period starts from the dates of grant of the mortgages. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. See "Risk Factors – Risks Relating to Our Business – We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee banks if our purchasers default on their mortgage payments." As of December 31, 2006, 2007 and 2008, June 30, 2009 and September 30, 2009, we had financial guarantees of RMB684.4 million, RMB1,081.7 million, RMB1,500.8 million, RMB1,737.2 million and RMB842.6 million, respectively, in respect of mortgage facilities for certain purchasers of our properties.

Guarantee for Exchangeable Bonds

On October 26, 2007, Sunac International issued the Exchangeable Bonds, which were partly guaranteed by our investments in our subsidiaries as security for the performance by Mr. Sun and Sunac International of their obligations under the Exchangeable Bonds. Such guarantee(s) and/or security given will be released upon Listing. Our relevant financial guarantee liability was initially recognized at its fair value, which was US$47,830 (equivalent to RMB349,000), as valued by DTZ, on October 26, 2007. The following shows the fair value of the guarantees for the Exchangeable Bonds as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2006 (RMB'000)	**2007 (RMB'000)**	**2008 (RMB'000)**	**2009 (RMB'000)**	**2009 (RMB'000)**
Guarantee for Exchangeable Bonds	–	349	175	87	44

Contractual commitments and obligations

The following table shows our commitments for capital expenditure as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2006 (RMB'000)	**2007 (RMB'000)**	**2008 (RMB'000)**	**2009 (RMB'000)**	**2009 (RMB'000)**
Property development expenditure					
– Contracted but not provided for	537,360	2,825,348	3,129,236	2,948,388	2,399,111
– Authorized but not contracted for	7,011,984	11,514,938	10,635,786	9,857,826	9,582,221
Total	7,549,344	14,340,286	13,765,022	12,806,214	11,981,332

The following table shows our minimum lease payments under non-cancelable operating leases as of September 30, 2009:

	Payments due by period		
	No later than one year (RMB'000)	**Later than one year and no later than five years (RMB'000)**	**Total (RMB'000)**
Operating lease commitments	3,404	1,306	4,710

We expect to fund these contractual obligations principally from proceeds from pre-sales and sales of our properties, borrowings from commercial banks and other parties and internal funds.

Off-balance sheet commitments and arrangements

Except for the contingent liabilities set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have a retained or contingent interest in assets transferred to an unconsolidated entity or a similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

CERTAIN BALANCE SHEET ITEMS

Properties under development

Properties under development are properties in respect of which we have obtained the relevant Land Use Right Certificates as well as Construction Permits and are classified as current assets on our consolidated balance sheet. Properties under development are stated at the lower of cost and net realizable value. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had properties under development valued at RMB3,914.3 million, RMB5,538.8 million, RMB4,875.2 million and RMB5,337.5 million, respectively. The changes in properties under development during the Track Record Period were primarily attributable to the timing of commencement of construction and completion of relevant projects. Completed and undelivered properties are transferred from properties under development to completed properties held for sale.

The following table shows the breakdown of our properties under development as of the dates indicated:

	As of December 31,			As of June 30,
	2006 (RMB'000)	2007 (RMB'000)	2008 (RMB'000)	2009 (RMB'000)
Land use rights	2,378,934	3,618,042	3,178,289	3,243,062
Construction costs	1,443,459	1,822,909	1,599,723	1,977,876
Capitalized financial cost	91,929	97,880	97,175	116,540
Total	3,914,322	5,538,831	4,875,187	5,337,478

Completed properties held for sale

Completed properties held for sale represent completed properties remaining unsold at the end of each financial period and are stated at the lower of cost and net realizable value. Cost comprises development costs attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable selling expenses, or by management estimates of the estimated selling prices based on prevailing market conditions. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had completed properties held for sale of RMB1,432.6 million, RMB1,599.5 million, RMB2,229.0 million and RMB1,854.6 million, respectively. We have obtained the Land Use Right Certificates in respect of all completed properties held by us for sale.

Investment properties

We hold a certain amount of investment properties, which principally comprise properties held for long-term rental yields and not occupied by us. We classify investment properties as non-current assets. We have obtained the Land Use Right Certificates in respect of all investment properties held by us. As of June 30, 2009, our investment properties had a total saleable/rentable GFA of approximately 102,447 sq.m. and were valued by DTZ, an independent property valuer, at RMB577.5 million based on valuations of current prices in an active market for all properties. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our investment properties had a value of RMB458.0 million, RMB458.5 million and, RMB433.0 million and RMB577.5 million, respectively.

Other receivables

As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had other receivables of RMB385.7 million, RMB486.4 million, RMB383.0 million and RMB434.6 million, respectively. The following table shows the breakdown of our other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2006 (RMB'000)	**2007 (RMB'000)**	**2008 (RMB'000)**	**2009 (RMB'000)**
Prepaid taxes	296,858	257,128	244,029	325,850
Prepayment to minority investor for equity transaction	42,437	177,534	–	–
Prepayment for property projects	41,466	20,976	61,678	55,082
Deposits for guarantee to customers' bank loans	1,528	21,262	48,078	31,625
Others	3,375	9,477	29,226	22,086
Total	385,664	486,377	383,011	434,643

Amounts due from related parties

	As of December 31,			As of June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Amounts due from related parties:				
– Tianjin Sunac	1,754,847	2,237	45	45
– Sunco Group	70,870	–	–	–
– Shougang Sunac	–	–	–	9,049
– Shouchi Yuda	–	94,762	56,000	56,000
– Chongqing Yuneng	647	135,760	104,390	108,538
– Chongqing Shangshan	–	–	49,950	15,493
	1,826,365	232,759	210,385	189,125

The amounts due from Shouggang Sunac, Shouchi Yuda, Chongqing Yuneng and Chongqing Shangshan as of June 30, 2009 represented the shareholder's loans granted by us in the capacity of joint venture partner to finance the construction and development cost of these associated project companies. These amounts will be repaid upon the completion and sales of the respective projects and may not be repaid in full prior to the Listing. The principal amounts of those loans were determined in accordance with the relevant agreements with our joint venture partners or in proportion to our interest in the relevant associated project companies, as applicable.

Trade and other payables

As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had trade and other payables of RMB1,959.2 million, RMB2,433.8 million, RMB2,131.4 million and RMB1,922.5 million, respectively. The following table shows the breakdown of our trade and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2006 (RMB'000)	2007 (RMB'000)	2008 (RMB'000)	2009 (RMB'000)
Trade payables	1,736,029	1,563,810	1,329,577	1,258,174
Notes payable	16,526	36,300	74,000	153,204
Other payables	112,815	576,635	459,955	271,198
Payroll and welfare payables	9,320	30,261	15,319	4,906
Other taxes payable	84,543	226,833	252,534	234,989
Total	1,959,233	2,433,839	2,131,385	1,922,471

Our trade payables represented mainly the construction fees payable to our construction contractors. We do not have uniform settlement terms with our contractors. We typically agree with our construction contractors to settle up to 80% of the total construction costs by the time the construction of the project is completed and up to 85-90% by the time we finally agree with the contractor on the amount of the aggregate construction costs. Our contractual arrangements also typically provide for our withholding of a warranty fee or retention money of up to 5% of the aggregate construction costs to provide additional quality assurance, subject to settlement within one to two months after the expiry of the warranty period. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our trade payables were RMB1,736.0 million, RMB1,563.8 million, RMB1,329.6 million and RMB1,258.2 million, respectively.

The following table shows the aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2006 (RMB'000)	**2007 (RMB'000)**	**2008 (RMB'000)**	**2009 (RMB'000)**
Within 90 days	642,867	548,589	603,596	577,246
90-180 days	607,658	256,392	41,244	76,868
180-365 days	343,826	19,716	141,823	124,209
Over 365 days	141,678	739,113	542,914	479,852
	1,736,029	1,563,810	1,329,577	1,258,174

Consistent with the industry practice, the construction period of our projects is typically longer than a year and our trade payables are recorded on an accrual basis according to the percentage of work completed for individual contracts. As such, as of June 30, 2009, a significant amount of our trade payables aged more than 365 days and none of such amount was overdue.

Advanced proceeds from customers

We record the proceeds we receive from pre-sales of our properties as advanced proceeds from customers within current liabilities on our consolidated balance sheet. We do not recognize these proceeds from pre-sales as revenue until we have completed the construction and delivered the relevant property to the purchaser. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our advanced proceeds from customers were RMB3,403.5 million, RMB3,610.4 million, RMB3,276.5 million and RMB3,935.0 million, respectively.

The following table shows our advanced proceeds from customers by project as of the dates indicated:

	As of December 31,			As of June 30,
	2006 (RMB'000)	**2007 (RMB'000)**	**2008 (RMB'000)**	**2009 (RMB'000)**
Magnetic Capital	1,523,447	1,055,433	1,155,269	1,042,280
Mind-Land International	1,495,655	1,378,202	443,699	603,957
Joy Downtown	15,075	8,556	13,695	13,614
Chongqing Olympic Garden	369,320	607,122	835,459	1,159,739
Swan Lake	–	455,938	571,016	805,710
Dream of City	–	105,108	257,395	305,262
Suzhou 81	–	–	–	4,469
Total	3,403,497	3,610,359	3,276,533	3,935,031

MARKET RISKS

Our activities expose us to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Interest rate risk

Our income and operating cash flows are substantially independent from changes in market interest rates. We have no significant interest-bearing assets. Our exposure to changes in interest rates is mainly attributable to our long-term borrowings. Borrowings at variable rates expose us to cash flow interest-rate risk. See "Risk Factors – Risks Relating to Our Business – We maintain a substantial level of indebtedness to finance our capital intensive business, and we may not have adequate cash flow to fund our operations or to service our financing obligations." Borrowings issued at fixed rates expose us to fair value interest-rate risk.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, if interest rates on bank borrowings had been 1.0% higher or lower with all other variables held constant, our profit for the respective year or period would have been lower or higher by RMB14.5 million, RMB16.4 million, RMB25.3 million and RMB8.6 million, respectively.

As of the Latest Practicable Date, we had not used any interest rate swaps to hedge our exposure to interest rate risk. We analyze our interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

Credit and liquidity risks

Our cash transactions are limited to high-credit-quality institutions. The extent of our credit exposure is represented by the aggregate balance of cash deposited in banks and trade and other receivables. We have arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments, and we bear an associated credit risk. See "– Liquidity and Capital Resources – Indebtedness – Contingent liabilities."

Our management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank borrowings to meet our construction commitments. Due to the dynamic nature of the underlying business, our finance department maintains flexibility in funding by maintaining adequate amounts of cash and cash equivalents and flexibility in funding through having available source of financing.

Commodity risk

We are exposed to fluctuations in the prices of raw materials for our property development, including steel and cement. We have not engaged in any hedging activities. Purchasing costs of raw materials are generally accounted for as part of the construction contractor fees pursuant to our arrangements with the relevant construction contractors. Accordingly, rising prices for construction materials can be expected to affect our construction costs in the form of increased fee quotes by our construction contractors and increased costs for such materials to the extent we bear such costs ourselves. As a result, fluctuations in the prices of our construction materials can be expected to have a significant impact on our business, financial condition and results of operations.

Inflation risk

According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by changes in the general consumer price index, was approximately 1.5%, 4.8% and 5.9% for the years ended December 31, 2006, 2007 and 2008, respectively. The inflation rate in China has been subject to an upward trend since 2007. Although inflation has not had a significant effect on our business during the Track Record Period, there can be no assurance as to its impact in future periods.

Foreign exchange risk

We conduct our business principally in Renminbi. As of June 30, 2009, all or substantially all of our assets and liabilities were denominated in Renminbi. In the opinion of the Directors, we do not have significant foreign currency risk exposure. Subsequent to this Global Offering, a depreciation of the Renminbi would be likely to adversely affect the amount of any dividends we pay to investors outside of the PRC, while an appreciation of the Renminbi would be likely to adversely affect the amount of proceeds we receive from the Global Offering and any subsequent overseas debt or equity offering depending on the timing of the conversion of such proceeds into Renminbi. See "Risk Factors – Risks Relating to the PRC – Fluctuation in the value of RMB may have a material adverse effect on our business and on your investment" for more information.

PROPERTY INTERESTS AND PROPERTY VALUATION

We own all of our properties located in the PRC. These properties include properties held for future development and under development for sale, completed properties and investment properties. Please refer to the property valuation report in Appendix IV to this prospectus for details of our property interests as of June 30, 2009.

The following shows the reconciliation of the net book value of our properties as derived from our audited financial statements as of June 30, 2009 to the property valuation report in Appendix IV as of September 30, 2009:

	RMB'000
Net book value of our properties as of June 30, 2009	
– Investment properties	577,500
– Properties under development	5,337,478
– Completed properties held for sale	1,854,606
	7,769,584
Less: Cost of sales of properties in the period from July 1, 2009 to September 30, 2009 (unaudited)	(554,592)
Add: Addition to properties under development and completed properties (unaudited)	572,884
Add: Revaluation surplus of investment properties	3,000
Net book value of properties as of September 30, 2009 subject to valuation as set forth in the property valuation report included in Appendix IV	7,790,876
Revaluation surplus, before income tax, LAT and minority interests.	21,337,024
	29,127,900
Capital value of properties as of September 30, 2009, as set forth in the property valuation report in Appendix IV	29,127,900

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As of the Latest Practicable Date, our Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

Set forth below is certain information relating to our profit forecast for the year ending December 31, 2009.

The following forecast earnings per Share has been prepared on the basis of the notes set forth below for the purpose of illustrating the effect of the Global Offering. The unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of our financial results for the year ending December 31, 2009 or any future period.

Forecast consolidated net profit attributable to equity holders of the Company (net of fair value gains on investment properties (net of deferred tax effect))(1)	Not less than RMB775 million
Forecast gross fair value gains on investment properties(2)	RMB52 million
Less: Provision for deferred tax liabilities on fair value gains on investment properties	(RMB13 million)
Forecast fair value gains on investment properties (net of deferred tax)	RMB39 million
Forecast consolidated net profit attributable to equity holders of the Company(1)	Not less than RMB814 million

Forecast earnings per Share

(i) Pro forma basis(3)

– Before fair value gains on investment properties	Not less than RMB0.258 (HK$0.293)
– After fair value gains on investment properties	Not less than RMB0.271 (HK$0.308)

(ii) Weighted average basis(4)

– Before fair value gains on investment properties	Not less than RMB0.320 (HK$0.363)
– After fair value gains on investment properties	Not less than RMB0.336 (HK$0.381)

Notes:

(1) Our Directors have prepared the forecast consolidated net profit attributable to equity holders of the Company for the year ending December 31, 2009 based on our audited consolidated financial statements for the six months ended June 30, 2009, the unaudited consolidated results based on our management accounts for the two months ended August 31, 2009 and an estimate of our consolidated results for the remaining four months ending December 31, 2009. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by us as set forth in Note 2 to the Accountant's Report in Appendix I to this prospectus.

(2) All forecast fair value gains on investment properties are attributable to our existing completed investment properties and have been estimated based on (i) the market value of such investment properties as of June 30, 2009 and August 31, 2009 assessed by DTZ, an independent property valuer; and (ii) our forecast value as of December 31, 2009 based on the anticipated property-specific market trends of each of the properties projected by such independent valuer.

(3) The calculation of the forecast earnings per Share on a pro forma basis is based on the forecast consolidated net profit attributable to equity holders of our Company for the year ending December 31, 2009 and assumes that a total of 3,000,000,000 Shares were in issue during the entire year, without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.

(4) The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast consolidated net profit attributable to equity holders of our Company for the year ending December 31, 2009 and assumes that a weighted average number of approximately 2,423,013,699 Shares were in issue during the year and the Shares to be issued in the Global Offering will be issued on December 18, 2009, without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.

In order to provide you with greater transparency as to the basis of our profit forecast, we have disclosed below certain relevant information in respect of our major projects that are projected to contribute nearly all our revenue for the year ending December 31, 2009 and an analysis of our estimated fair value gain on investment properties. Such information is included in this prospectus to assist the reader to better understand and assess the reasonableness of the assumptions on which our profit forecast is based.

Basis of preparation

Our Directors have prepared the forecast of our consolidated net profit attributable to equity holders of the Company for the year ending December 31, 2009 based on our audited consolidated results for the year ended December 31, 2008 and the six months ended June 30, 2009, the unaudited management accounts for the two months ended August 31, 2009, and a forecast of our consolidated results for the remaining four months of the year ending December 31, 2009. The forecast for the year ending December 31, 2009 has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by us as set forth in Note 2 to the Accountant's Report in Appendix I to this prospectus and the assumptions set forth below.

Principal assumptions for the profit forecast

The principal assumptions adopted by our Directors in preparing the profit forecast are as follows:

- There will be no material change in the existing government policies or political, legal, financial or economic conditions in China, Hong Kong or any other country or territory in which we currently operate or which are otherwise material to our financial performance;

- With respect to the real estate industry, particularly in the areas in which our projects are located, the PRC Government will not impose material regulatory changes or additional austerity measures to dampen the sales and prices of the real estate market;

- There will be no change in legislation, regulations or rules in China, Hong Kong or any other country or territory in which we operate or with which we have arrangements or agreements, which may materially and adversely affect our business and financial performance;

- There will be no material change in the bases or rates of taxation in the countries or territories in which we operate, except as otherwise disclosed in this prospectus; and

- There will be no material change in interest rates or foreign currency exchange rates from those prevailing.

Sales and marketing of major properties to be delivered in 2009

As of August 31, 2009, approximately 95% of our forecast revenue had been contractually sold. In general, our sales are relatively higher in the spring and fall of each year, which is in line with the industry norm. Our marketing plan for the second half of 2009 in respect of properties to be completed and delivered in 2009 is consistent with our past marketing practices. We expect to continue our media exposure and advertising campaigns to promote our properties.

The following table provides certain information, as of August 31, 2009, in respect of the contracted sales of our major properties to be delivered in 2009 which would contribute the majority of our forecast revenue for the year ending December 31, 2009:

	For the year ended December 31, 2008	For the eight months ended August 31, 2009		
Project / property type / phase	Average selling price per sq.m. of contracted sales (RMB)	Contracted sales (RMB'000)	GFA contractually sold (sq.m.)	Average selling price per sq.m. of contracted sales (RMB)
Magnetic Capital				
Retail properties, Phase 2	24,620	145,829	6,065	21,257
Offices, Phase 2.	–	107,034	8,597	12,293
High-rise apartments, Phase 3	9,377	142,366	14,772	10,222
High-rise apartments, Phase 5	9,615	286,853	29,766	11,140
High-rise apartments, Phase 6	10,226	440,443	41,164	10,893
Mind-Land International				
Retail properties.	22,852	112,035	5,915	18,300
Detached villas, Phase 1	25,336	166,699	6,822	21,197
High-rise apartments, Phase 1	7,913	9,218	1,076	8,675
High-rise apartments, Phase 4	9,011	203,990	21,707	9,218
Chongqing Olympic Garden				
High/mid-rise apartments, Phase 5 . . .	3,865	856,223	214,272	4,362
Townhouses, Phase 6.	7,895	246,288	28,255	9,114
Swan Lake				
High/mid-rise apartments, Phase 4 . . .	6,363	212,232	35,099	5,174
High/mid-rise apartments, Phase 5 . . .	5,385	403,308	74,655	5,448
Townhouses, Phase 5.	14,009	143,166	10,450	12,752
Dream of City				
High/mid-rise apartments, Phase 3 . . .	3,765	136,993	34,852	4,333
High/mid-rise apartments, Phase 4 . . .	4,018	126,200	31,457	3,967

Construction progress of major projects to be delivered in 2009

In 2009 and up to the Latest Practicable Date, we had delivered certain completed properties, including residential properties in Phases 1-6 and serviced apartments, retail properties and office buildings in Phases 1-2 of Magnetic Capital; residential properties in Phases 1-4, townhouses in Phase 1 and retail properties of Mind-Land International; residential and retail properties in Phases 1-4 and six blocks of buildings in Phase 5 of Chongqing Olympic Garden; residential properties in Phases 1-4 and retail properties in Phases 1, 3 and 4 of Swan Lake; and residential and retail properties in Phases 1-2 and residential properties in Phase 4 of Dream of City.

In additional to the above completed properties, as of the Latest Practicable Date, we were developing certain properties which we expect would be completed and delivered by the end of December 2009. The construction progress in respect of such properties is as follows:

(i) Chongqing Olympic Garden, Phase 5

Phase 5 of Chongqing Olympic Garden comprises 12 blocks of 12-story to 33-story residential buildings, of which we completed and delivered six blocks in October 2009 and expect to complete and deliver five other blocks in December 2009. In respect of those five blocks, the buildings were topped out in May 2009, and works on interior and exterior decoration, installation of various equipment and facilities, and landscaping and gardening works were completed in November 2009. We expect to obtain the Certificates of Completion for and deliver such properties by the end of December 2009.

(ii) Chongqing Olympic Garden, Phase 6

Phase 6 of Chongqing Olympic Garden comprises 24 blocks of buildings, mainly three-story to four-story townhouses, which were topped out in March, April and May 2009. Works on interior and exterior decoration and installation of various equipment and facilities were completed in October 2009. As of the Latest Practicable Date, landscaping and gardening works were in progress and were expected to be completed by the end of December 2009. We expect to obtain the Certificates of Completion for and deliver all such properties by the end of December 2009.

(iii) Swan Lake, Phase 5

Phase 5 of Swan Lake comprises 19 blocks of three-story townhouses and 10 blocks of 11-story to 18-story residential buildings, which were topped out in December 2008. Works on interior and exterior decoration, installation of various equipment and facilities, and landscaping and gardening works were completed in November 2009. We expect to obtain the Certificates of Completion for and deliver all such properties by the end of December 2009.

(iv) Dream of City, Phase 3

Phase 3 of Dream of City comprises six blocks of 11-story to 18-story residential buildings, which were topped out in October 2008. Works on interior and exterior decoration and installation of various equipment and facilities were completed in August 2009. As of the Latest Practicable Date, landscaping and gardening works were in progress and were expected to be completed by the end of December 2009. We expect to obtain the Certificates of Completion for and deliver all such properties by the end of December 2009.

Forecast fair value gains on existing completed investment properties

Under HKFRS, changes in the fair value of our investment properties are reflected in our consolidated financial information and are accounted for as "Gain/(loss) from fair value of investment properties, net" in our consolidated income statement.

Our investment properties were valued by DTZ, an independent property valuer, as of June 30, 2009 and August 31, 2009. The income approach was adopted to assess the market value of our investment properties.

All investment properties based on which our forecast fair value gains on investment properties are derived are existing completed properties of our Group. The valuer has taken into account the rental income of such properties, either derived from existing leases or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have then been capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to comparable sales as available in the relevant market.

We arrived at the forecast fair value gains on investment properties based on:

(i) the market value of such properties as of June 30, 2009 and August 31, 2009 valued by the independent valuer; and

(ii) our forecast value as of December 31, 2009 based on the anticipated property-specific market trends analysis in relation to each of the properties carried out by the independent valuer.

We expect the fair value of our investment properties as of December 31, 2009, and in turn any fair value changes, to continue to be dependent on market conditions and other factors that are beyond our control and be based on the market movement anticipation performed by an independent property valuer involving the use of assumptions that are, by their nature, subjective and uncertain.

Fair value gain or loss from investment properties is estimated based on certain property valuation techniques which involve, among other things, certain estimates, including comparable sales in the relevant market, current market rental prices and forecast rental price movement for similar properties in a similar location and condition. We forecast that rental prices for our investment properties for the year ending December 31, 2009 will increase between 0-5%.

The tables below set forth certain information relating to the fair value change of our existing completed investment properties for the year ended December 31, 2008 and the six months ending December 31, 2009.

	Saleable/ rentable GFA as of January 1 and December 31, 2008 (sq.m.)	Fair value As of January 1, 2008 (RMB'000)	Fair value As of December 31, 2008 (RMB'000)	Pre-tax fair value loss for the year ended December 31, 2008 (RMB'000)
Magnetic Capital	50,729	398,335	372,600	(25,735)
Joy Downtown	13,751	60,517	60,400	(117)
	64,480	458,852	433,000	(25,852)

	Saleable/ rentable GFA as of June 30, August 31 and December 31, 2009 (sq.m.)	Fair value As of June 30, 2009 (RMB'000)	Fair value As of August 31, 2009 (RMB'000)	Forecast fair value As of December 31, 2009 (RMB'000)	Pre-tax fair value gains for the six months ending December 31, 2009 (RMB'000)
Magnetic Capital	88,696	516,500	518,000	522,500	6,000
Joy Downtown	13,751	61,000	61,000	62,000	1,000
	102,447	577,500	579,000	584,500	7,000

Sensitivity analysis

(i) Sensitivity analysis on target average selling price

As approximately 95% of our forecast revenue is attributable to properties that had been contractually sold as of August 31, 2009, the potential change in average selling price is applicable only to the 5% of forecast revenue to be generated from properties forecast to be delivered in the four months ending December 31, 2009.

The following table illustrates the sensitivity of our forecast consolidated net profit attributable to equity holders of the Company to the average selling price of the properties forecast to be delivered in the four months ending December 31, 2009.

% change in target average selling price per sq.m. . .	-15%	-10%	-5%	+5%	+10%
Impact on forecast consolidated net profit attributable to equity holders of the Company (RMB'000)	(19,836)	(13,224)	(6,612)	6,612	13,224
	(2.44%)	*(1.62%)*	*(0.81%)*	*0.81%*	*1.62%*
Adjusted forecast consolidated net profit attributable to equity holders of the Company (RMB'000)	794,014	800,626	807,238	820,462	827,074

(ii) Sensitivity analysis on target GFA to be sold and delivered

As approximately 95% of our target GFA to be delivered is attributable to properties that had been contractually sold as of August 31, 2009, the potential change in target GFA to be sold and delivered is applicable only to the 5% of target GFA forecast to be delivered in the four months ending December 31, 2009.

The following table illustrates the sensitivity of our net profit attributable to equity holders of the Company to the GFA forecast to be sold and delivered in the four months ending December 31, 2009.

% change in target GFA to be sold and delivered in the four months ending December 31, 2009	-15%	-10%	-5%
Impact on forecast consolidated net profit attributable to equity holders of the Company (RMB'000).	(7,611)	(5,074)	(2,537)
	(0.94%)	*(0.62%)*	*(0.31%)*

As of August 31, 2009, approximately 95% of our target GFA to be delivered for the year ending December 31, 2009 had been contractually sold, of which approximately 65% was not completed and delivered as of August 31, 2009.

The following table illustrates the sensitivity of our forecast net profit attributable to equity holders of the Company to the uncompleted portion of the GFA to be completed and delivered in the four months ending December 31, 2009.

% change in GFA to be completed and delivered in the four months ending December 31, 2009	-15%	-10%	-5%
Impact on forecast consolidated net profit attributable to equity holders of the Company (RMB'000)	(54,664)	(36,443)	(18,221)
	(6.72%)	*(4.48%)*	*(2.24%)*

(iii) Sensitivity analysis on fair value changes of investment properties

The total forecast amount of fair value gains on investment properties for the year ending December 31, 2009 is RMB52 million and its related deferred taxation expense is RMB13 million. The following table illustrates the sensitivity of our net profit attributable to equity holders of the Company (net of deferred tax effect) to levels of revaluation increase/decrease on investment properties for the year ending December 31, 2009:

Changes in revaluation increase percentage on investment properties compared to our estimated revaluation increase percentage on investment properties	-15%	-10%	-5%	5%	10%	15%
Impact on forecast consolidated net profit attributable to equity holders of the Company (RMB'000)	(6,486)	(4,324)	(2,162)	2,162	4,324	6,486
	(0.8%)	*(0.5%)*	*(0.3%)*	*0.3%*	*0.5%*	*0.8%*
Adjusted forecast consolidated net profit attributable to equity holders of the Company (RMB'000)	807,364	809,526	811,688	816,012	818,174	820,336

The above illustrations are intended for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not meant to be exhaustive. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the average selling price, GFA to be sold and delivered, and fair value changes of investment properties for the year ending December 31, 2009, such information as at the relevant time may differ materially from our estimates and is dependent on market conditions and other factors which are beyond our control.

DIVIDENDS AND DISTRIBUTABLE RESERVES

Dividends

Subject to the Companies Law, we, through a general meeting, may declare final dividends in any currency, but no dividend may be declared in excess of the amount recommended by our Board. Our Articles of Association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which may be authorized for this purpose in accordance with the Companies Law.

Except insofar as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends will be declared and paid according to the amount paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a Share in advance of equity calls will for this purpose be treated as paid up on the Share and (ii) all dividends will be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend on:

- our general business condition;
- our financial results;
- our capital requirements;
- the interests of our Shareholders; and
- any other factors which our Board may deem relevant.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC law requires that dividends be paid only out of net profits, calculated in accordance with PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. All dividends declared and paid upon the equity interests in each of our WFOEs, to our Company and our relevant overseas subsidiaries, as the case may be, in Renminbi may be converted into foreign currencies and transferred out of the PRC, provided that: (a) such WFOE has duly adopted resolutions approving the distribution and payment of such dividends in accordance with applicable PRC laws and its articles of association; (b) the losses (if any) of previous fiscal years of such WFOE have been properly made up in accordance with applicable PRC laws and its articles of association; (c) such WFOE has fully paid the applicable tax in accordance with the PRC laws; (d) such WFOE has made provisions for the reserve fund and employees bonus and welfare fund in accordance with the PRC laws and its articles of association; (e) the remittance of dividends outside the PRC complies with relevant procedures as required by the PRC laws on foreign exchange control; and (f) such WFOE has deducted and withheld from the dividends distributed to its shareholder a withholding tax at a rate in accordance with the PRC laws, and has paid such withholding tax on behalf of its shareholder since January 1, 2008. PRC laws also require foreign-invested enterprises to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

Our Directors will declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to the approval of our Shareholders.

In 2006, we paid dividends of RMB140.0 million. The dividends were declared and paid by our subsidiary Sunac Ao Cheng to its then equity holders prior to the Reorganization. No dividends were declared and paid in each of 2007, 2008 and the six months ended June 30, 2009. Our past dividend payment history is not, and should not be taken as, an indication of our potential future practice with respect to dividend payments.

Our current policy regarding dividends after the Listing is that not more than 30% of the net profit of Sunac Zhidi is expected to be distributed for each year from 2009 to 2012. The amount of dividends to be distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year.

Distributable reserves

As of June 30, 2009, our Company did not have any reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of our adjusted net tangible assets prepared on the basis of the notes set forth below for the purpose of illustrating the effect of the Global Offering on our net tangible assets attributable to equity holders of the Company as of June 30, 2009 as if the Global Offering had taken place on June 30, 2009, assuming the Over-allotment option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of June 30, 2009 or any future dates following the Global Offering.

	Audited consolidated net tangible assets attributable to equity holders of the Company as of June 30, 2009(1) (RMB'000)	Estimated net proceeds from the Global Offering(2) (RMB'000)	Unaudited adjusted net tangible assets (RMB'000)	Unaudited pro forma adjusted net tangible assets per Share(3) (RMB)	(HK$)(4)
Based on an Offer Price of HK$2.90 per Share .	370,336	1,435,133	1,805,469	0.60	0.68
Based on an Offer Price of HK$3.70 per Share .	370,336	1,847,394	2,217,730	0.74	0.84

Notes:

(1) Our audited consolidated net tangible assets attributable to equity holders of the Company as of June 30, 2009 is based on our audited consolidated net assets attributable to equity holders of the Company of RMB655.4 million, as extracted from the Accountant's Report included in Appendix I to this prospectus, with an adjustment for our intangible assets of RMB285.0 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer prices of HK$2.90 per Share and HK$3.70 per Share after deduction of the underwriting fees and other related expenses payable by our Company. We may pay the Underwriters an additional discretionary incentive fee ranging from 1.0% to 2.0% of the Offer Price multiplied by the total number of Offer Shares. If we decide to pay such additional incentive fee, the net proceeds from the Global Offering and the pro forma adjusted net tangible assets of our Group attributable to the equity holders of our Company will decrease. The calculation for estimated net proceeds takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option. Such amounts are converted from Hong Kong dollars into Renminbi at the rate of HK$1.00 to RMB0.8809, rounded from the exchange rate set by the PBOC for foreign transactions prevailing on November 27, 2009.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 3,000,000,000 Shares were in issue assuming that the Global Offering has been completed on June 30, 2009 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted net tangible assets per Share are converted from Renminbi into Hong Kong dollars at the rate of RMB0.8809 to HK$1.00, rounded from the exchange rate set by the PBOC for foreign transactions prevailing on November 27, 2009.

(5) As of September 30, 2009, our properties under development and completed properties held for sale were valued by DTZ, an independent property valuer. The net revaluation surplus, representing the excess of market value of these property interests over their book value, has not been included in our consolidated financial information as of June 30, 2009 and will not be included in our financial statements for the year ending December 31, 2009 because our properties under development and completed properties held for sale are stated at lower of cost and net realizable value for accounting purposes. The above adjustment does not take into account such revaluation surplus.

(6) No adjustment has been made to reflect any trading result or other transaction we have entered into subsequent to June 30, 2009.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that as of the Latest Practicable Date there had been no material adverse change in our financial or trading position or our prospects since June 30, 2009, being the date of the latest audited consolidated balance sheet as set forth in "Appendix I – Accountant's Report" to this prospectus.