The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

December 7, 2009

The Directors
Sunac China Holdings Limited

Deutsche Bank AG, Hong Kong Branch
UBS AG, Hong Kong Branch

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out in Sections I to II below, for inclusion in the prospectus of the Company dated December 7, 2009 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The Financial Information comprises the consolidated balance sheets as at December 31, 2006, 2007 and 2008 and June 30, 2009, the balance sheets of the Company as at December 31, 2007 and 2008 and June 30, 2009, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the Cayman Islands on April 27, 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.3 of Section I headed "Reorganisation" below, the Company became the holding company of the subsidiaries comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries, jointly controlled entities and associates as set out in Note 41, Note 10 and Note 11 of Section I below respectively. All of these companies are private companies.

No audited financial statements have been prepared by the Company as it has not involved in any significant business transactions since its date of incorporation other than the Reorganisation. The statutory financial statements of the subsidiaries, where there is a statutory audit requirement, were not audited by us but by other auditors in their respective places of incorporation as stated in Note 1 of Section I below.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Company for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs issued by the HKICPA.

For the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with HKFRSs issued by the HKICPA. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended June 30, 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in Note 2 of Section I below which are in conformity with HKFRSs issued by the HKICPA.

REPORTING ACCOUNTANT'S RESPONSIBILITY

For the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the financial information for the six months ended June 30, 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

OPINION AND REVIEW CONCLUSION

In our opinion, the financial information for each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at December 31, 2007 and 2008 and June 30, 2009 and of the state of affairs of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 and of the Group's results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended June 30, 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section I below which are in conformity with HKFRSs issued by the HKICPA.

I. FINANCIAL INFORMATION

The following is the Financial Information of the Group as of December 31, 2006, 2007 and 2008, and as of June 30, 2009, and for each of the years ended December 31, 2006, 2007 and 2008 and each of the six months ended June 30, 2008 and 2009.

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31,			As at June 30,
		2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	17,279	14,623	12,655	10,209
Investment properties	8	458,000	458,500	433,000	577,500
Intangible assets	9	92,134	295,826	288,011	285,036
Investment in jointly controlled entities	10	–	2,084	47,093	69,549
Investment in associates	11	–	67,530	53,389	324,509
Available-for-sale financial assets	12(a)	1,625	3,031	1,773	2,087
Held-to-maturity financial asset	12(b)	–	1,000	–	–
Deferred income tax assets	13	64,063	78,024	52,375	62,685
		633,101	920,618	888,296	1,331,575
Current assets					
Properties under development	14	3,914,322	5,538,831	4,875,187	5,337,478
Completed properties held for sale	15	1,432,592	1,599,452	2,228,961	1,854,606
Amounts due from related parties	40(d)	1,826,365	232,759	210,385	189,125
Other receivables	16	385,664	486,377	383,011	434,643
Held-to-maturity financial assets	12(b)	5,000	–	1,000	1,000
Restricted cash	17	201,894	159,607	230,806	307,263
Cash and cash equivalents	18	31,285	718,039	639,077	313,217
		7,797,122	8,735,065	8,568,427	8,437,332
Total assets		8,430,223	9,655,683	9,456,723	9,768,907
EQUITY					
Capital and reserves attributable to equity holder of the Company					
Ordinary shares	19	–	7	7	7
Other reserves	20	395,434	223,884	114,920	115,532
(Accumulated losses)/retained earnings		(138,791)	(6,517)	422,696	539,833
		256,643	217,374	537,623	655,372
Minority interests in equity		71,487	562,852	538,606	532,123
Total equity		328,130	780,226	1,076,229	1,187,495

	Note	As at December 31, 2006 RMB'000	2007 RMB'000	2008 RMB'000	As at June 30, 2009 RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	22	1,332,500	1,167,300	1,431,400	1,151,010
Long-term payable		–	81,137	87,628	91,066
Deferred income tax liabilities	13	30,455	218,969	189,782	203,328
		1,362,955	1,467,406	1,708,810	1,445,404
Current liabilities					
Trade and other payables	21	1,959,233	2,433,839	2,131,385	1,922,471
Advanced proceeds from customers		3,403,497	3,610,359	3,276,533	3,935,031
Amounts due to related parties	40(d)	351,777	4,168	9,253	–
Borrowings	22	1,022,800	1,349,840	1,153,674	1,176,967
Financial guarantee	37(b)	–	349	175	87
Current income tax liabilities		1,831	9,496	100,664	101,452
		6,739,138	7,408,051	6,671,684	7,136,008
Total liabilities		8,102,093	8,875,457	8,380,494	8,581,412
Total equity and liabilities		8,430,223	9,655,683	9,456,723	9,768,907
Net current assets		1,057,984	1,327,014	1,896,743	1,301,324
Total assets less current liabilities		1,691,085	2,247,632	2,785,039	2,632,899

BALANCE SHEETS

	Note	As at December 31, 2007 RMB'000	As at December 31, 2008 RMB'000	As at June 30, 2009 RMB'000
ASSETS				
Non-current assets				
Investment in subsidiaries	41	1,403,984	1,403,984	1,403,984
Current assets				
Other receivables	16	–	10,699	10,397
Cash and cash equivalents		–	8,906	8,887
		–	19,605	19,284
Total assets		1,403,984	1,423,589	1,423,268
EQUITY				
Capital and reserves attributable to the equity holder				
Share capital	19	7	7	7
Other reserves	20	1,399,568	1,418,778	1,418,778
Accumulated losses		(2,080)	(4,578)	(4,648)
Total equity		1,397,495	1,414,207	1,414,137
LIABILITIES				
Current liabilities				
Finance guarantee	37(b)	349	175	87
Amount due to subsidiaries		1,972	9,207	9,044
Amount due to a related party	40(d)	4,168	–	–
		6,489	9,382	9,131
Total equity and liabilities		1,403,984	1,423,589	1,423,268
Net current (liabilities)/assets		(6,489)	10,223	10,153
Total assets less current liabilities		1,397,495	1,414,207	1,414,137

CONSOLIDATED INCOME STATEMENTS

	Note	Year ended December 31, 2006 RMB'000	2007 RMB'000	2008 RMB'000	Six months ended June 30, 2008 RMB'000 (unaudited)	2009 RMB'000
Revenue	23	2,707,691	3,011,452	3,449,499	975,647	728,286
Cost of sales	25	(2,201,057)	(2,211,557)	(2,371,740)	(648,924)	(465,451)
Gross profit		506,634	799,895	1,077,759	326,723	262,835
Gain from disposal of subsidiaries, net	39	5,172	–	–	–	–
Gain/(loss) from fair value of investment properties, net	24	56,037	(8,873)	(25,852)	(10,700)	50,655
Selling and marketing costs	25	(127,729)	(65,300)	(124,559)	(43,252)	(32,377)
Administrative expenses	25	(106,365)	(83,506)	(93,045)	(38,714)	(42,001)
Other income	27	41,179	27,895	62,968	10,866	23,098
Other expenses	28	(16,997)	(62,180)	(15,750)	(6,090)	(9,045)
Operating profit		357,931	607,931	881,521	238,833	253,165
Finance costs, net	31	(98,424)	(82,633)	(110,860)	(42,469)	(58,804)
Share of (loss)/profit of jointly controlled entities	10	–	(24,916)	4,509	(8,023)	22,456
Share of loss of associates	11	–	(11,552)	(14,141)	(7,133)	(21,940)
Profit before income tax		259,507	488,830	761,029	181,208	194,877
Income tax expense	32	(140,992)	(275,787)	(284,106)	(74,505)	(84,291)
Profit for the year/period		118,515	213,043	476,923	106,703	110,586
Attributable to:						
Equity holder of the Company		83,205	174,382	495,606	123,756	117,137
Minority interests		35,310	38,661	(18,683)	(17,053)	(6,551)
		118,515	213,043	476,923	106,703	110,586
Basic earnings per share for profit attributable to equity holder during the year/period (RMB)	33	Not applicable	8.72	24.78	6.19	5.86
Dividends	34	87,808	–	–	–	–

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,			Six months ended June 30,	
	Note	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Profit for the year/period		118,515	213,043	476,923	106,703	110,586
Gain or loss recognised directly in equity						
– Gain from fair value of available-for-sale financial assets	12(a)	921	1,406	(1,409)	(1,116)	680
Total comprehensive income		119,436	214,449	475,514	105,587	111,266
Attributable to:						
Equity holder of the Company		83,783	175,837	494,339	122,782	117,749
Minority interests		35,653	38,612	(18,825)	(17,195)	(6,483)
		119,436	214,449	475,514	105,587	111,266

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holder of the Company					
	Ordinary shares RMB'000 (Note 19)	Other reserves RMB'000 (Note 20)	(Accumulated losses)/ Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At January 1, 2006	–	474,100	(112,146)	361,954	117,027	478,981
Profit for the year	–	–	83,205	83,205	35,310	118,515
Change in fair value	–	578	–	578	343	921
Investment in a subsidiary	–	–	–	–	5,950	5,950
Acquisition of minority interests	–	29,813	–	29,813	(29,813)	–
Deemed contribution from the investor	–	547	–	547	(347)	200
Deemed distribution to the investor	–	(131,646)	–	(131,646)	(4,791)	(136,437)
Transfer	–	22,042	(22,042)	–	–	–
Dividends paid	–	–	(87,808)	(87,808)	(52,192)	(140,000)
At December 31, 2006	–	395,434	(138,791)	256,643	71,487	328,130
Profit for the year	–	–	174,382	174,382	38,661	213,043
Change in fair value	–	1,455	–	1,455	(49)	1,406
Deemed contribution from the investor	–	11,740	–	11,740	1,110	12,850
Acquisition of minority interests	–	74,372	–	74,372	(74,372)	–
Distribution to the investor (note 40(f))	–	(1,700,793)	–	(1,700,793)	–	(1,700,793)
Issue of shares	7	–	–	7	–	7
Acquisition of subsidiary	–	–	–	–	526,015	526,015
Financial guarantee	–	(349)	–	(349)	–	(349)
Contribution from the equity holder of the Company	–	1,399,917	–	1,399,917	–	1,399,917
Transfer	–	42,108	(42,108)	–	–	–
At December 31, 2007	7	223,884	(6,517)	217,374	562,852	780,226
Profit for the year	–	–	495,607	495,607	(18,682)	476,924
Change in fair value	–	(1,268)	–	(1,268)	(141)	(1,409)
Acquisition of minority interests	–	(193,300)	–	(193,300)	(5,423)	(198,723)
Transfer	–	66,394	(66,394)	–	–	–
Contribution from the equity holder of the Company	–	19,210	–	19,210	–	19,210
At December 31, 2008	7	114,920	422,696	537,623	538,606	1,076,229
Profit for the period	–	–	117,137	117,137	(6,551)	110,586
Change in fair value	–	612	–	612	68	680
At June 30, 2009	7	115,532	539,833	655,372	532,123	1,187,495
(Unaudited)						
At December 31, 2007	7	223,884	(6,517)	217,374	562,852	780,226
Profit for the period	–	–	123,756	123,756	(17,053)	106,703
Change in fair value	–	(974)	–	(974)	(142)	(1,116)
Acquisition of minority interests	–	(189,395)	–	(189,395)	5,474	(183,921)
Contribution from the equity holder of the Company	–	19,210	–	19,210	–	19,210
At June 30, 2008	7	52,725	117,239	169,971	551,131	721,102

CONSOLIDATED CASH FLOW STATEMENTS

	Note	Year ended December 31, 2006 RMB'000	2007 RMB'000	2008 RMB'000	Six months ended June 30, 2008 RMB'000 (unaudited)	2009 RMB'000
Cash flows from operating activities						
Cash (used in)/generated from operations	35	10,792	521,230	376,838	(151,960)	583,765
PRC income tax paid		(107,042)	(133,269)	(137,561)	(69,690)	(102,467)
Net cash (used in)/generated from operating activities		(96,250)	387,961	239,277	(221,650)	481,298
Cash flows from investing activities						
Acquisition of subsidiaries, net of cash acquired	38	–	92,296	–	–	–
Acquisition of additional interest in subsidiaries		(162,855)	(134,397)	(180,486)	(124,955)	(121,965)
Acquisition of a jointly controlled entity		–	(27,000)	–	–	–
Additional investment in a jointly controlled entity		–	–	(40,500)	(40,500)	–
Investment to an associate		–	–	–	–	(293,060)
Disposals of subsidiaries and business, net of cash outflow	39	(51,476)	–	–	–	–
Purchase of property, plant and equipment (PPE)		(5,026)	(720)	(4,182)	(2,080)	(804)
Proceeds from disposal of PPE		2,074	1,220	1,993	1,111	662
Purchase of financial assets		–	(1,000)	(150)	–	–
Proceeds from disposals of financial assets		1,000	5,000	–	–	366
Net cash used in investing activities		(216,283)	(64,601)	(223,325)	(166,425)	(414,801)
Cash flows from financing activities						
Proceeds from issuance of ordinary shares		–	7	–	–	–
Interest paid		(98,425)	(82,633)	(110,859)	(42,469)	(58,803)
Borrowings obtained		1,921,100	1,013,300	1,612,600	976,600	340,000
Repayments of borrowings		(1,484,350)	(1,366,460)	(1,544,666)	(857,340)	(597,097)
Deposits for bank borrowings		61,990	42,287	(71,199)	(100,830)	(76,457)
Contribution from equity holder of the Company		–	1,399,917	19,210	19,210	–
Distribution to the investor	40(f)	–	(643,024)	–	–	–
Dividends paid to the investor		(87,808)	–	–	–	–
Dividends paid to minority equity holders		(52,192)	–	–	–	–
Net cash generated from/(used in) financing activities		260,315	363,394	(94,914)	(4,829)	(392,357)
Net (decrease)/increase in cash and equivalents		(52,218)	686,754	(78,962)	(392,904)	(325,860)
Cash and cash equivalents at beginning of the year/period		83,503	31,285	718,039	718,039	639,077
Cash and cash equivalents at end of the year/period		31,285	718,039	639,077	325,135	313,217

NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION AND GROUP REORGANISATION

1.1 General information

Sunac China Holdings Limited (the "Company") was incorporated in the Cayman Islands on April 27, 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and is engaged in investment holding. The Company and its subsidiaries (collectively the "Group") are principally engaged in property development and property investment in the People's Republic of China (the "PRC").

During the Relevant Periods, the Group's business was carried out by the following operating entities:

- Tianjin Sunac Zhidi Co., Ltd. ("Sunac Zhidi")
- Tianjin Sunac Ao Cheng Investment Co., Ltd. ("Sunac Ao Cheng")
- Chongqing Olympic Garden Real Estate Co., Ltd. ("Chongqing OG")
- Changchun Sunac Land Co., Ltd. ("Changchun Sunac")
- Chengdu Sunac Land Co., Ltd. ("Chengdu Sunac")
- Deyang Sunac Land Co., Ltd. ("Deyang Sunac")
- Tianjin Xiangchi Investment Co., Ltd. ("Tianjin Xiangchi")
- Chongqing Yuneng Sunco Real Estate Co., Ltd. ("Chongqing Yuneng")
- Chongqing Shangshan Real Estate Co., Ltd. ("Chongqing Shangshan")
- Beijing Shougang Sunac Real Estate Development Co., Ltd. ("Shougang Sunac")
- Beijing Shouchi Yuda Real Estate Co., Ltd. ("Shouchi Yuda")
- Wuxi Sunac Real Estate Co., Ltd. ("Wuxi Sunac Real Estate")
- Wuxi Sunac City Construction Co., Ltd. ("Wuxi Sunac City")
- Suzhou Chunshen Lake Land Co., Ltd. ("Suzhou Chunshen Lake")

The history of the above operating companies, as well as the details of the Group's reorganisation (the "Reorganisation") for the preparation of an initial public offering of the Company's share on the Stock Exchange of Hong Kong Limited (the "Listing"), is set out below:

1.2 History of the operating entities

(a) Sunac Zhidi was established in the PRC on January 31, 2003. On January 1, 2006, Tianjin Yingxin Xinheng Investment Consultancy Limited (formerly known as Tianjin Sunac Investment Co., Ltd., hereafter "Tianjin Sunac"), a company controlled by the Company's controlling equity holder, Mr. Sun Hongbin ("Mr. Sun"), held 50% equity interest in Sunac Zhidi. On February 17, 2006, Tianjin Sunac acquired the remaining 50% equity interest in Sunac Zhidi from a third party for consideration of RMB380 million.

(b) Sunac Ao Cheng was established in the PRC on February 25, 2003. On January 1, 2006, Tianjin Sunac held a direct 60.3% equity interest and an indirect 2.42% equity interest in Sunac Ao Cheng and the remaining equity interests were held by third party investors. On October 15, 2007, Tianjin Sunac acquired a further 24.58% equity interest in Sunac Ao Cheng from a third party investor for a consideration of RMB60 million. After the completion of the Reorganisation as set out in Note 1.3 below, a further 2.7% equity interest of Sunac Ao Cheng was acquired by the Group on July 1, 2008 for consideration of RMB13 million.

(c) Chongqing OG was established in the PRC on April 24, 2003. On January 1, 2006, Tianjin Sunac held a 50.82% equity interest in Chongqing OG and the remaining equity interests were held by third party investors. On January 5, 2006, Tianjin Sunac acquired a further 4.9% equity interest in Chongqing OG from a third party investor for a consideration of RMB3.6 million.

On March 7, 2006, Tianjin Sunac acquired a further 34.43% equity interest in Chongqing OG from a third party investor in exchange for certain investments owned by Tianjin Sunac. The consideration in the aforesaid transaction comprised Tianjin Sunac's equity interests in and amounts due from three subsidiaries of Tianjin Sunac, namely Chengdu Sunac, Changchun Sunac and Deyang Sunac. (Note 39)

On February 14, 2008 and April 15, 2008, after the Reorganisation, a further 9.85% equity interest in Chongqing OG was acquired by the Group from third party investors for a total consideration of RMB180 million.

(d) Changchun Sunac was established in the PRC on December 15, 2003. Tianjin Sunac held a 95.1% equity interest in Changchun Sunac from the date of establishment. Changchun Sunac ceased to be a subsidiary of Tianjin Sunac from March 7, 2006. (Note 39)

(e) Chengdu Sunac was established in the PRC on February 16, 2004. Tianjin Sunac held a 95.1% equity interest in Chengdu Sunac from the date of establishment. Chengdu Sunac ceased to be a subsidiary of Tianjin Sunac from March 7, 2006. (Note 39)

(f) Deyang Sunac was established in the PRC on March 5, 2004. Tianjin Sunac held a 95.1% equity interest in Deyang Sunac from direct and indirect investments from the date of establishment. Deyang Sunac ceased to be a subsidiary of Tianjin Sunac from March 7, 2006. (Note 39)

(g) Tianjin Xiangchi was established in the PRC on September 25, 2006, Sunac Zhidi held a 95% equity interest in Tianjin Xiangchi and the remaining equity interest was held by a third party investor. On March 11, 2007, Tianjin Sunac acquired the remaining 5% equity interest in Tianjin Xiangchi from the third party investor for a consideration of RMB5.95 million.

(h) Chongqing Yuneng was established in the PRC on September 26, 2005. On March 23, 2007, Tianjin Sunac acquired a 45% equity interest in Chongqing Yuneng. Chongqing Yuneng is a jointly controlled entity of the Group as the Group shares joint control with the other investors in this entity. (Note 10)

(i) On April 29, 2008, Chongqing Yuneng established a subsidiary, Chongqing Shangshan, in the PRC. Chongqing Yuneng held 99% equity interest in Chongqing Shangshan. Accordingly, Chongqing Shangshan is a jointly controlled entity of the Group. (Note 10)

(j) Shougang Sunac was established in the PRC on June 2, 2005. On August 28, 2007, Sunac Zhidi acquired a 50% equity interest in Shougang Sunac. It became an associated company of the Group due to Sunac Zhidi did not have control on Shougang Sunac. (Note 11)

(k) On the date of this acquisition, Shougang Sunac owned a 76% equity interest in Shouchi Yuda, which was originally established on January 26, 2006. From December 2007 to July 2008, Shougang Sunac acquired a 24% equity interest from a third party investor for total consideration of RMB4.8 million. Shouchi Yuda is another associated company of the Group. (Note 11)

(l) Wuxi Sunac Real Estate was established in the PRC on February 27, 2004. On December 24, 2007, Sunac Zhidi acquired a 51% equity interest in Wuxi Sunac Real Estate by injecting RMB633 million into Wuxi Sunac Real Estate as increased registered capital. On the date of this acquisition and up to the date of this report, Wuxi Sunac Real Estate owned 100% equity interest in Suzhou Chunshen Lake, which was acquired by Wuxi Sunac Real Estate on January 4, 2007.

(m) Wuxi Sunac City was established in the PRC on May 11, 2005. On December 29, 2007, Wuxi Sunac Real Estate acquired a 100% equity interest in Wuxi Sunac City from a third party for approximately RMB289 million.

1.3 Group reorganisation

In preparation for the Listing, the Reorganisation was carried out in the period from August to December 2007 to transfer the ownership of the operating entities to the Company:

(a) Sunac Zhidi acquired the equity interests in all other operating entities comprising the Group from Tianjin Sunac and it became the immediate holding company of the operating entities.

(b) The Company acquired the entire issued share capital of six companies which are incorporated in the British Virgin Islands (collectively, the "BVI entities") for cash consideration of US$1 each as intermediate holding companies of the Group.

(c) The BVI entities then acquired the entire issued share capital of six companies incorporated in Hong Kong (collectively, the "HK entities") for cash consideration of US$1 for each. Thereafter, certain BVI entities and HK entities then established six wholly foreign owned enterprises in the PRC (collectively, the "China WFOEs").

(d) Pursuant to various share transfer agreements and capital increase agreements signed by the China WOFEs and Tianjin Sunac, Tianjin Sunac transferred its interests in Sunac Zhidi to China WFOEs and, thereafter, the Company became the holding company of the entities now comprising the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

For the purpose of this report, the financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), to reflect the reorganisation of the businesses held under common control, in which all the companies comprising the Group are ultimately controlled by Mr. Sun during the periods presented.

Accordingly, the financial statements present the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence since January 1, 2005 or if later, their respective dates of incorporation/establishment or when they became controlled by Mr. Sun. For companies acquired from (disposed to) a third party during the period, they are included in (excluded from) the financial statements of the Group from the date of the acquisition (disposal).

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

The preparation of the financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

These consolidated financial statements are presented in thousands of units of Chinese Renminbi (Chinese Yuan) unless otherwise stated.

Up to the date of issue of this report, the HKICPA has issued the following new standards, amendments and interpretations which are relevant to the Group's operation but not yet effective for the annual accounting period beginning January 1, 2009 and which have not been early adopted:

HKFRS 2 (Amendment)	Share-based Payment (effective for annual periods beginning on or after July 1, 2009)
HKFRS 3 (Revised)	Business Combinations (effective for annual period beginning on or after July 1, 2009)
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after July 1, 2009)
HKFRS 8 (Amendment)	Operating Segments (effective for annual periods beginning on or after January 1, 2010)
HKAS 1 (Amendment)	Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2010)
HKAS 7 (Amendment)	Statement of Cash Flows (effective for annual periods beginning on or after January 1, 2010)
HKAS 17 (Amendment)	Leases (effective for annual periods beginning on or after January 1, 2010)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 1, 2009)
HKAS 36 (Amendment)	Impairment of Assets (effective for annual periods beginning on or after January 1, 2010)
HKAS 38 (Amendment)	Intangible Assets (effective for annual periods beginning on or after July 1, 2009)
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after January 1, 2010)

HK(IFRIC) – Int 9 (Amendment)	Reassessment of Embedded Derivatives (effective for annual periods beginning on or after July 1, 2009)
HK(IFRIC) – Int 16 (Amendment)	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after July 1, 2009)
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009)
HK(IFRIC) – Int 18	Transfers of Assets from Customers (effective for annual periods beginning on or after July 1, 2009)
HKICPA's annual improvements project published in May 2009	Puttable Financial Instruments and Obligations Arising on Liquidation (effective from July 1, 2009)

The Group is in the process of making an assessment of the impact of these standards, amendments and interpretations on the financial statements of the Group in the initial application. The adoption of the above is not expected to have a material impact on the financial statements of the Group other than disclosure changes.

2.2 Business combinations

(a) Merger accounting for common control combinations

As set out in Note 1 above, the Reorganisation involved the combining of a number of entities that were under the control of Mr. Sun (the "Combined Entities") and is accounted for using merger accounting. The consolidated financial statements incorporate the results and financial position of these Combined Entities as if the entities had been acquired by the Company from the later of: the earliest date presented or the date when they first came under the control of Mr. Sun, regardless of the date of the Reorganisation under common control.

The net assets of the Combined Entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time the Reorganisation took place.

The consolidated income statements include the results of each of the Combined Entities from the later of: the earliest date presented or since the date when the combining entities first came under common control, regardless of the date of the Reorganisation under common control.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to equity holders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for using merger accounting is recognised as an expense in the period in which it is incurred.

(b) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, except for the Reorganisation which has been accounted for using the merger accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

In the Company balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Transactions with minority equity holders

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity.

(d) Jointly controlled entities

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

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

(e) Associates

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

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

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

– Assets and liabilities for each balance sheet of the companies now comprising the Group are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement of the companies now comprising the Group are translated at average exchange rates; and

– All resulting exchange differences are recognised as a separate component of equity.

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

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the Relevant Periods in which they are incurred.

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

– Vehicles	5 years
– Furniture and office equipment	5 years
– Leasehold improvements	Over the lesser of 5 years or the lease periods

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised as other (losses)/gains in the income statement.

2.6 Investment properties

Investment properties principally comprising properties that are held for long-term rental yields and are not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed at each balance sheet date by independent valuers.

Investment property is measured initially at its cost.

After initial recognition, investment property is carried at fair value. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recognized in the income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes occupied by the owner or intended for sale in the ordinary course of business, it is reclassified as property, plant and equipment or completed properties held for sale, and its fair value at the date of reclassification becomes its cost for accounting purposes. Prior to January 1, 2009, property that is being constructed or developed for future use as investment property is classified as property under development and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. Starting from January 1, 2009, investment properties that are under construction are stated at fair value.

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

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates or joint controlled entities is included in investments in associates or investment in joint controlled entities and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Trademark

Acquired trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives as agreed in the agreement.

2.8 Land use rights

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

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

2.9 Properties under development

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

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

2.10 Completed properties held for sale

Completed properties remaining unsold at the end of each Relevant Period are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

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

2.11 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Financial assets

The Group classifies its financial assets in the following categories: held-to-maturity, loans and receivable and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition and reviews the designation at each reporting date.

(a) Held-to-maturity financial assets
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date; these are classified as current assets.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are classified as trade and other receivables and cash and bank balances in the balance sheet and carried at the amortised cost using the effective interest method.

(c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets (except for unlisted equity investments that do not have quoted price in active market and whose fair value cannot be reliably measured) are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains or losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

Dividend income from available-for-sale financial assets is recognised as other gains in the income statement when the Group owns the right to receive such dividends.

The fair values of quoted investments are based on current bid prices. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment.

2.13 Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision or impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that it will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of trade and other receivables is reduced through the use of an allowance account, and the amount of the provision is recognised in the income statement.

When a trade or other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

Trade and other receivables are included in current assets, except for those mature after twelve months of the balance sheet date which are classified as non-current assets.

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

2.15 Cash and cash equivalents
Cash and cash equivalents include cash in hand and at banks and deposits held at call with banks or short-term maturity investments with original maturity of three months or less. Bank deposits which are restricted to use are not included in cash and cash equivalents.

2.16 Share capital
Ordinary shares are classified as equity.

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

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

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the 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 twelve months after the respective balance sheet date.

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

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

2.19 Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

2.20 Employee benefits

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

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

2.21 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest.

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

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

2.22 Revenue recognition

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

(a) Sales of properties

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

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

(b) Rental income

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

(c) Government grants

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

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

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

2.23 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) The Group is the lessee

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

(b) The Group is the lessor

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

2.24 Dividend distribution

Dividend distributions to the then equity holders of the companies now comprising the Group during the Relevant Periods are recognised in this report in the period in which the dividends are approved by the equity holders or the board of directors, where applicable, of relevant companies now comprising the Group.

2.25 Financial guarantee liabilities

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

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

3 FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by a central management team under the supervision of the Chief Finance Officer with the assistance of the central treasury department. The central management team identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The principles applied to overall risk management are a mixture of formal and informal policies that are continuing to evolve as the Group completes its recent restructuring activities.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. As at June 30, 2009, most of the operating entities' assets and liabilities were denominated in RMB and, in the opinion of the Directors, these entities did not have significant foreign currency risk exposure.

(ii) Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. During relevant periods, the Group's borrowings were all denominated in Renminbi.

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

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

	Floating rates			**Fixed rates**			
RMB 'million	**Less than 12 months**	**1 to 5 years**	**Sub-total**	**Less than 12 months**	**1 to 5 years**	**Sub-total**	**Total**
Borrowings							
At December 31, 2006	365	1,015	1,380	657	318	975	2,355
At December 31, 2007	595	1,013	1,608	755	154	909	2,517
At December 31, 2008	915	1,105	2,020	239	326	565	2,585
At June 30, 2009	993	739	1,732	184	412	596	2,328

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

At December 31, 2006, 2007 and 2008 and June 30, 2009, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, profit for the respecting year or period would have been lower/higher by RMB14.5 million, RMB16.4 million, RMB25.3 million and RMB8.6 million, respectively.

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

(iii) *Price risk*

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

In the opinion of the Directors, the Group's exposure to price risk with regard to its investments is not significant since it is the Group's policy not to invest significant amounts that might have a detrimental impact to the Group's financial results. All investments must be approved by the senior management team before they may be entered into.

(b) Credit risk

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

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

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

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

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

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

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank borrowings to meet its construction commitments.

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

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

In RMB 'million	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
At December 31, 2006				
Borrowings	1,022	529	804	2,355
Trade and other payables	1,959	–	–	1,959
At December 31, 2007				
Borrowings	1,350	619	548	2,517
Trade and other payables	2,434	–	–	2,434
At December 31, 2008				
Borrowings	1,154	1,391	40	2,585
Trade and other payables	2,131	–	–	2,131
At June 30, 2009				
Borrowings	1,177	1,004	147	2,328
Trade and other payables	1,922	–	–	1,922

3.2 Capital risk management

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

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

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

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

The Group's strategy is to maintain a gearing ratio of about 60%-75%. The gearing ratios of the Group as at December 31, 2006, 2007 and 2008 and June 30, 2009 are as follows:

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Total borrowings (Note 22)	2,355,300	2,517,140	2,585,074	2,327,977
Restricted cash (Note 17)	(201,894)	(159,607)	(230,806)	(307,263)
Cash and cash equivalents (Note 18)	(31,285)	(718,039)	(639,077)	(313,217)
Net debts	2,122,121	1,639,494	1,715,191	1,707,497
Total equity	328,130	780,226	1,076,229	1,187,495
Total capital	2,450,251	2,419,720	2,791,420	2,894,992
Gearing ratio	87%	68%	61%	59%

4 FAIR VALUE ESTIMATION

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

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

5.1 Construction costs estimation for revenue recognition

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

5.2 PRC corporate income taxes and deferred taxation

The Group is subject to corporate income tax in the PRC. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

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

5.3 PRC land appreciation taxes

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

5.4 Estimated fair value of investment properties

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

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

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

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

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

5.5 Provision for properties held for sale

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

5.6 Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7(a). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. Management regularly reviews the operating results by property development projects. As property development projects are all located in the PRC, their revenue is primarily derived from the sales of properties, and is related and subject to common risk and returns. All property development projects are aggregated into a single reportable segment in accordance with HKFRS 8 "Operating segments". No segment information is presented.

7 PROPERTY, PLANT AND EQUIPMENT ("PPE")

	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
At January 1, 2006				
Cost	19,861	10,035	2,957	32,853
Accumulated depreciation	(4,475)	(2,637)	(290)	(7,402)
Net book amount	15,386	7,398	2,667	25,451
Year ended December 31, 2006				
Opening net book amount	15,386	7,398	2,667	25,451
Additions	2,437	708	1,881	5,026
Disposal of subsidiaries	(2,503)	(1,783)	–	(4,286)
Disposals	(2,306)	(1)	–	(2,307)
Depreciation	(3,329)	(1,771)	(1,505)	(6,605)
Closing net book amount	9,685	4,551	3,043	17,279
At December 31, 2006				
Cost or valuation	16,738	8,247	4,427	29,412
Accumulated depreciation	(7,053)	(3,696)	(1,384)	(12,133)
Net book amount	9,685	4,551	3,043	17,279
Year ended December 31, 2007				
Opening net book amount	9,685	4,551	3,043	17,279
Additions	333	386	–	719
Acquisition of subsidiaries	2,370	834	–	3,204
Disposals	(1,407)	(117)	–	(1,524)
Depreciation	(2,676)	(1,644)	(735)	(5,055)
Closing net book amount	8,305	4,010	2,308	14,623
At December 31, 2007				
Cost	17,961	10,223	3,997	32,181
Accumulated depreciation	(9,656)	(6,213)	(1,689)	(17,558)
Net book amount	8,305	4,010	2,308	14,623
Year ended December 31, 2008				
Opening net book amount	8,305	4,010	2,308	14,623
Additions	3,143	1,039	–	4,182
Disposals	(1,947)	(82)	–	(2,029)
Depreciation	(1,609)	(1,777)	(735)	(4,121)
Closing net book amount	7,892	3,190	1,573	12,655
At December 31, 2008				
Cost	18,185	11,065	2,308	31,558
Accumulated depreciation	(10,293)	(7,875)	(735)	(18,903)
Net book amount	7,892	3,190	1,573	12,655

	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold improvement RMB'000	Total RMB'000
Six months ended June 30, 2009				
Opening net book amount	7,892	3,190	1,573	12,655
Additions	604	200	–	804
Disposals	(525)	(379)	–	(904)
Depreciation	(1,260)	(719)	(367)	(2,346)
Closing net book amount	6,711	2,292	1,206	10,209
At June 30, 2009				
Cost	16,205	10,279	2,308	28,792
Accumulated depreciation	(9,494)	(7,987)	(1,102)	(18,583)
Net book amount	6,711	2,292	1,206	10,209
Unaudited				
Six months ended June 30, 2008				
Opening net book amount	8,305	4,009	2,308	14,622
Additions	1,455	626	–	2,081
Disposals	(1,067)	(66)	–	(1,133)
Depreciation	(596)	(937)	(367)	(1,900)
Closing net book amount	8,097	3,632	1,941	13,670
At June 30, 2008				
Cost	17,376	10,668	2,308	30,352
Accumulated depreciation	(9,279)	(7,036)	(367)	(16,682)
Net book amount	8,097	3,632	1,941	13,670

Depreciation charge of the Group for year ended December 31, 2006, 2007 and 2008 and six months ended June 30, 2009 was expensed in selling and administrative expenses in the consolidated income statements.

8 INVESTMENT PROPERTIES

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
At beginning of year/period	–	458,000	458,500	458,500	433,000
Transfer from properties under development	401,963	9,373	352	–	226,845
Transfer to completed properties held for sale	–	–	–	–	(133,000)
Gain/(loss) from fair value (Note 24)	56,037	(8,873)	(25,852)	(10,700)	50,655
At end of year/period	458,000	458,500	433,000	447,800	577,500

The following amounts have been recognised in the income statement:

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Rental income (Note 23)	10,776	13,262	16,115	7,765	8,274

The investment properties were revalued at December 31, 2006, 2007 and 2008 and June 30, 2009 by an independent professional valuer, DTZ Debenham Tie Leung Ltd. Valuations were based on current prices in an active market for all properties.

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

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Outside Hong Kong, held on:				
Leases of between 10 to 50 years	458,000	458,500	433,000	577,500

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Not later than 1 year	12,755	12,791	13,289	13,917
Later than 1 year and less than 5 years	51,925	56,307	57,917	59,013
Later than 5 years	214,730	206,837	191,938	183,889
	279,410	275,935	263,144	256,819

As at June 30, 2009, certain investment properties with balance totalling RMB109 million was pledged as collaterals for the Group's borrowings (Note 22). As at December 31, 2006, 2007 and 2008, no investment properties were pledged.

9 INTANGIBLE ASSETS

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Goodwill (Note a)	48,308	258,261	258,261	258,261
Trademark (Note b)	43,826	37,565	29,750	26,775
	92,134	295,826	288,011	285,036

(a) Goodwill

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Beginning of year/period	48,308	48,308	258,261	258,261	258,261
Acquisition of new subsidiaries	–	209,953	–	–	–
End of year/period	48,308	258,261	258,261	258,261	258,261

The goodwill addition in 2007 arose from two acquisitions. On December 24, 2007, Sunac Zhidi acquired Wuxi Real Estate together with its subsidiary Suzhou Chunshen Lake. On December 29, 2007, Wuxi Sunac Real Estate acquired Wuxi Sunac City. The goodwill is mainly attributable to the expected future income arising from appreciation of land use rights included in properties under development of Wuxi Sunac Real Estate and Wuxi Sunac City. (Note 38)

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

	As at December 31,			As at June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Chongqing OG	48,308	48,308	48,308	48,308
Wuxi Sunac Real Estate	–	85,708	85,708	85,708
Wuxi Sunac City	–	124,245	124,245	124,245
	48,308	258,261	258,261	258,261

The discount rate of 13% is consistently used for the analysis of each cash-generating unit in the operating entities.

(b) Trademark

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

	RMB'000
Cost	
At January 1, 2006, December 31, 2006 and 2007	60,000
Decrease (*)	(1,864)
At December 31, 2008 and June 30, 2009	58,136
Amortisation	
As at January 1, 2006	9,913
Charged for the year	6,261
At December 31, 2006	16,174
Charged for the year	6,261
At December 31, 2007	22,435
Charged for the year	5,951
At December 31, 2008	28,386
Charged for the period	2,975
At June 30, 2009	31,361
Net book value	
At June 30, 2009	26,775
At December 31, 2008	29,750
At December 31, 2007	37,565
At December 31, 2006	43,826
Cost	
At January 1, 2008	60,000
Decrease	(1,864)
At June 30, 2008	58,136
Amortisation	
At January 1, 2008	22,434
Charged for the period	2,976
At June 30, 2008	25,410
Net book value	
At June 30, 2008	32,726

* Pursuant to a supplemental agreement dated January 7, 2008, the consideration for the trademark was adjusted from RMB60,000,000 to RMB58,135,625. The decrease reflected such change.

10 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Beginning of year/period	–	–	2,084	2,084	47,093
Investment in Chongqing Yuneng	–	27,000	40,500	40,500	–
Share of (loss)/profit	–	(24,916)	4,509	(8,023)	22,456
End of year/period	–	2,084	47,093	34,561	69,549

On March 23, 2007, the Group acquired a 45% equity interest in an unlisted PRC entity, Chongqing Yuneng, from a related party. Chongqing Yuneng has a 99% interest in Chongqing Shangshan. The Group share joint control over this entity with the other investors.

Investment in jointly controlled entities at December 31, 2007, December 31, 2008 and June 30, 2009 includes goodwill of RMB14.1 million, RMB14.1 million and RMB14.1 million.

There are no contingent liabilities relating to the Group's interests in jointly controlled entities, and no contingent liabilities of the ventures themselves.

The Group's interests in Chongqing Yuneng for years ended December 31, 2007, December 31, 2008 and six months ended June 30, 2009 are as follows:

	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	(Loss)/Gain RMB'000	Interest held %
Year ended December 31, 2007						
Chongqing Yuneng	PRC	486,400	505,758	–	(24,916)	45
Year ended December 31, 2008						
Chongqing Yuneng	PRC	513,295	486,818	139,331	4,813	45
Chongqing Shangshan	PRC	33,833	25,226	–	(304)	44.55
Six months ended June 30, 2009						
Chongqing Yuneng	PRC	528,504	479,091	101,670	22,654	45
Chongqing Shangshan	PRC	33,837	25,427	–	(198)	44.55

11 INVESTMENT IN ASSOCIATES

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Beginning of year/period	–	–	67,530	67,530	53,389
Equity investment in Shougang Sunac and its subsidiary Shouchi Yuda (Note (a))	–	79,082	–	–	–
Share of loss	–	(11,552)	(14,141)	(7,133)	(21,940)
End of year/period	–	67,530	53,389	60,397	31,449
Entrusted loan to Shougang Sunac (Note (b))	–	–	–	–	293,060
	–	67,530	53,389	60,397	324,509

Notes:

(a) Shougang Sunac is treated as an associate of the Group because the other shareholder of Shougang Sunac has the casting vote at board meetings in the event that the directors of Shougang Sunac cannot reach a majority decision. As described in Note 1.2(k), Shouchi Yuda is a subsidiary of Shougang Sunac.

(b) On December 4, 2008, Sunac Zhidi has entered into an agreement with the third party investor in Shougang Sunac, Beijing Shougang Real Estate Development Co., Ltd. ("Beijing Shougang"), about investment in a new property project named Xibeiwang in Shougang Sunac. According to the agreement, the funds are provided by Sunac Zhidi and Beijing Shougang in form of loans to Shougang Sunac at the ratio of 20% and 80% respectively. It is also agreed that from the commencement of the project, 65% and 35% of the net profits from the Xibeiwang project are attributable to Beijing Shougang and Sunac Zhidi, respectively. Up to June 30, 2009, no revenue was accounted for on Xibeiwang project.

As described in Note 1.2(i), Sunac Zhidi acquired a 50% equity interest in Shougang Sunac on August 28, 2007. The consideration for this acquisition is 50% of dividends distributable from Shougang Sunac attributable to the existing project named East Fairyland. The fair value of the related future payable for the consideration is included in long-term payable.

Investment in associates at December 31, 2007, December 31, 2008 and June 30, 2009 includes goodwill of RMB7.4 million, RMB7.4 million and RMB7.4 million.

The Group's interests in its associates for years ended December 31, 2007, December 31, 2008 and for six months ended June 30, 2009 are as follows:

	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Loss RMB'000	Interest held %
Year ended December 31, 2007						
Shougang Sunac	PRC	48,204	56,197	–	(112)	50
Shouchi Yuda	PRC	247,351	256,714	–	(11,440)	38
Year ended December 31, 2008						
Shougang Sunac	PRC	199,037	151,056	–	(165)	50
Shouchi Yuda	PRC	679,420	705,714	–	(13,976)	50
Six months ended June 30, 2009						
Shougang Sunac	PRC	1,046,264	1,022,430	–	(16,902)	50
Shouchi Yuda	PRC	1,081,613	1,112,945	–	(5,038)	50

12 FINANCIAL ASSETS

(a) Available-for-sale financial assets

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Beginning of the year/period	1,704	1,625	3,031	3,031	1,773
Subscription	–	–	150	–	–
Redemption	(1,000)	–	–	–	(366)
Fair value adjustment	921	1,406	(1,408)	(1,115)	680
End of the year/period	1,625	3,031	1,773	1,916	2,087

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

(b) Held-to-maturity financial assets

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Beginning of the year/period	5,000	5,000	1,000	1,000	1,000
Addition	–	1,000	–	–	–
Redemption upon maturity	–	(5,000)	–	–	–
End of the year/period	5,000	1,000	1,000	1,000	1,000
Non-current portion	–	1,000	–	1,000	–
Current portion	5,000	–	1,000	–	1,000
	5,000	1,000	1,000	1,000	1,000

13 DEFERRED INCOME TAX

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Deferred income tax assets recoverable:				
– after 12 months	21,692	49,737	48,030	62,685
– within 12 months	42,371	28,287	4,345	–
	64,063	78,024	52,375	62,685
Deferred income tax liabilities to be settled:				
– after 12 months	30,455	214,981	189,782	203,328
– within 12 months	–	3,988	–	–
	30,455	218,969	189,782	203,328

(a) Deferred income tax assets

The movement in deferred income tax assets and liabilities during the Relevant Periods is as follows:

	Deferred deductible expenses RMB'000	Tax loss RMB'000	Total RMB'000
At January 1, 2006	71,171	37,092	108,263
(Charged)/credited to the income statement	(24,377)	7,499	(16,878)
Disposal of subsidiaries	(12,515)	(14,807)	(27,322)
At December 31, 2006	34,279	29,784	64,063
Credited to the income statement	8,597	(1,972)	6,625
Acquisition of subsidiary	8,830	15,642	24,472
Effect on change of tax rate charged to income statement	(10,394)	(6,742)	(17,136)
At December 31, 2007	41,312	36,712	78,024
Charged to the income statement	(11,575)	(14,074)	(25,649)
At December 31, 2008	29,737	22,638	52,375
(Charged)/credited to the income statement	(1,394)	11,704	10,310
At June 30, 2009	28,343	34,342	62,685
Unaudited			
At January 1, 2008	41,312	36,712	78,024
(Charged)/credited to the income statement	(10,637)	10,512	(124)
At June 30, 2008	30,675	47,224	77,899

(b) Deferred income tax liabilities

	Fair value on properties under development RMB'000	Fair value gain of investment properties RMB'000	Others RMB'000	Total RMB'000
At January 1, 2006	10,469	–	–	10,469
(Credited)/charged to the income statement	(385)	20,371	–	19,986
At December 31, 2006	10,084	20,371	–	30,455
(Credited)/charged to the income statement	(769)	(3,918)	–	(4,687)
Charged directly to goodwill	37,972	–	–	37,972
Effect on change of tax rate credited to income statement	(2,679)	(3,988)	–	(6,668)
Acquisition of subsidiary (Note 38)	161,897	–	–	161,897
At December 31, 2007	206,505	12,464	–	218,969
(Credited)/charged to the income statement	(26,701)	(2,486)	–	(29,187)
At December 31, 2008	179,804	9,978	–	189,782
(Credited)/charged to the income statement	(2,598)	12,514	3,630	13,546
At June 30, 2009	177,206	22,492	3,630	203,328
Unaudited				
At January 1, 2008	206,505	12,464	–	218,969
(Credited)/charged to the income statement	(10,864)	638	–	(10,226)
At June 30, 2008	195,641	13,102	–	208,743

14 PROPERTIES UNDER DEVELOPMENT

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Comprising:				
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
Capitalised financial cost	91,929	97,880	97,175	116,540
	3,914,322	5,538,831	4,875,187	5,337,478

The properties under development are all located in the PRC.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, certain properties under development with balances totalling RMB1,281 million, RMB1,832 million, RMB1,771 million and RMB1,929 million, respectively, were pledged as collateral for the Group's borrowings (Note 22).

15 COMPLETED PROPERTIES HELD FOR SALE

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Completed properties held for sale, at cost	1,432,592	1,599,452	2,228,961	1,854,606

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

As at December 31, 2006, 2007 and 2008 and June 30, 2009, certain completed properties held for sale with balances totalling RMB879 million, RMB416 million, RMB950 million and RMB654 million, were pledged as collaterals for the Group's borrowings (Note 22).

As at June 30, 2009, the Group is in the process of applying for the ownership certificate in respect of the completed car parks of RMB308 million. The Directors consider that the title of car parks will be obtained in due course upon the completion of certain procedures in 2010 with no additional cost to the Group.

16 OTHER RECEIVABLES

	The Group				The Company	
	December 31,			June 30,	December 31,	June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 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	10,699	10,397
	385,664	486,377	383,011	434,643	10,699	10,397

As at December 31, 2006, 2007 and 2008 and June 30, 2009, the fair value of other receivables approximated their carrying amounts.

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

17 RESTRICTED CASH

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

18 CASH AND CASH EQUIVALENTS

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Cash at bank and in hand				
– Denominated in RMB	31,285	709,646	627,973	302,132
– Denominated in USD	–	–	6,189	6,182
– Denominated in HKD	–	8,393	4,915	4,903
	31,285	718,039	639,077	313,217

The conversion of Renminbi denominated balances into foreign currencies and the remittance of such foreign currency-denominated bank balances and cash out of the PRC are subject to restrictive rules and regulations on the foreign exchange control issued in the PRC.

Cash and banks earn interest at floating bank deposit rates.

19 SHARE CAPITAL

	Note	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares RMB
Authorised:				
Ordinary shares of US$1.00 each upon incorporation	(a)	50,000	US$50,000	
Subdivision of shares to US$0.0001 each	(b)	499,950,000	US$–	
As at December 31, 2007 and 2008 and June 30, 2009		500,000,000	US$50,000	
Ordinary shares of HK$0.1 each as of the date of this report	(e)	10,000,000,000	HK$1,000,000,000	
Issued:				
Ordinary shares of US$1.00 each	(a)	1	US$1	7
Subdivision of shares to US$0.0001 each	(b)	9,999	US$–	–
		10,000	US$1	7
Issue of ordinary shares of US$0.0001 each	(c)	9,990,000	US$999	7,404
As at December 31, 2007 and 2008 and June 30, 2009		10,000,000	US$1,000	7,411
Issue of ordinary shares of HK$0.1 each as of the date of this report	(e)	20,000,000	HK$2,000,000	

Notes:

(a) On April 27, 2007 (the date of incorporation of the Company), the authorised share capital of the Company was US$50,000 divided into 50,000 shares of US$1.00 each.

(b) On October 10, 2007, every issued and unissued ordinary share of US$1.00 each was subdivided into 10,000 shares of US$0.0001 each. The authorised share capital of the Company was increased from US$50,000 divided into 50,000 shares of US$1.00 each to US$50,000 divided into 500,000,000 shares of US$0.0001 each.

(c) On October 10, 2007, 9,990,000 ordinary shares of the Company were allotted to Sunac International at par.

(d) On August 28, 2009, certain funds contributed by Sunac International to the Company was capitalized by allotting and issuing 10,000,000 shares of US$0.0001 each, credited as fully paid, to Sunac International.

(e) On November 27, 2009, the authorized share capital of the Company was increased by HK$1,000,000,000 by the creation of 10,000,000,000 shares of par value of HK$0.1 each. On the same day, the Company allotted and issued 20,000,000 shares of par value of HK$0.1 each to the holders of the then issued shares of par value of US$0.0001 each ("US$ Shares") to repurchase of all then existing 20,000,000 US$ Shares. The 20,000,000 US$ Shares were cancelled immediately after the exchange of shares. After the repurchase, all the 500,000,000 authorized but unissued US$ Shares were cancelled.

(f) Pursuant to a resolution in writing of the shareholders of the Company passed on November 27, 2009, subject to the share premium account of the Company having sufficient balance or otherwise being credited as a result of the global offering, the directors of Company are authorized to capitalize a sum of HK$238,000,000 from the amount standing to the credit of the share premium account of the Company by applying such sum in paying up in full 2,380,000,000 shares at par for issue and allotment to the holders of shares of the Company whose names appear on the register of members of the Company as at 8:00 a.m. on the listing date in accordance with their respective shareholding.

20 OTHER RESERVES

		The Group				
	Note	Other reserves RMB'000	Merger Reserve RMB'000	Statutory reserve RMB'000	Financial guarantee reserve RMB'000	Total RMB'000
At January 1, 2006		453,373	–	20,727	–	474,100
Change in fair value		578	–	–	–	578
Acquisition of minority interests	(a)(i)	29,813	–	–	–	29,813
– Transaction with minority interests		*(577,748)*	–	–	–	*(577,748)*
– Deemed contribution from the investor		*607,561*	–	–	–	*607,561*
Deemed contribution by the investor		547	–	–	–	547
Deemed distribution to the investor	(a)(ii)	(131,646)	–	–	–	(131,646)
Transfer	(b)	–	–	22,042	–	22,042
At December 31, 2006		352,665	–	42,769	–	395,434
Change in fair value		1,455	–	–	–	1,455
Deemed contribution by the investor		11,740	–	–	–	11,740
Acquisition of minority interests	(a)(iii)	74,372	–	–	–	74,372
– Transaction with minority interests		*8,422*	–	–	–	*8,422*
– Deemed contribution from the investor		*65,950*	–	–	–	*65,950*
Distribution to the investor	(a)(iv)	(277,684)	(1,423,109)	–	–	(1,700,793)
Financial guarantee	Note 37(b)	–	–	–	(349)	(349)
Contribution from the equity holder of the Company	(c)	1,399,917	–	–	–	1,399,917
Transfer	(b)	–	–	42,108	–	42,108
At December 31, 2007		1,562,465	(1,423,109)	84,877	(349)	223,884
Change in fair value		(1,268)	–	–	–	(1,268)
Acquisition of minority interests	(a)(v)	(193,300)	–	–	–	(193,300)
Transfer	(b)	–	–	66,394	–	66,394
Contribution from the equity holder of the Company	(c)	19,210	–	–	–	19,210
At December 31, 2008		1,387,107	(1,423,109)	151,270	(349)	114,920
Change in fair value		612	–	–	–	612
At June 30, 2009		1,387,719	(1,423,109)	151,270	(349)	115,532
Unaudited						
At January 1, 2008		1,562,465	(1,423,109)	84,877	(349)	223,884
Change in fair value		(974)	–	–	–	(974)
Acquisition of minority interests	(a)(v)	(189,395)	–	–	–	(189,395)
Contribution from the equity holder of the Company		19,210	–	–	–	19,210
At June 30, 2008		1,391,306	(1,423,109)	84,876	(349)	52,725

		The Company		
	Note	Capital reserve RMB'000	Financial guarantee reserve RMB'000	Total RMB'000
At January 1, 2007		–	–	–
Contribution from the equity holder of the Company	(c)	1,399,917	–	1,399,917
Financial guarantee	Note 37(b)	–	(349)	(349)
At December 31, 2007		1,399,917	(349)	1,399,568
Contribution from the equity holder of the Company	(c)	19,210	–	19,210
At December 31, 2008 and June 30, 2009		1,419,127	(349)	1,418,778
Unaudited				
At January 1, 2008		1,399,917	(349)	1,399,568
Contribution from the equity holder of the Company	(c)	19,210	–	19,210
At June 30, 2008		1,419,127	(349)	1,418,778

Notes:

(a) Other reserves

(i) Increase in Tianjin Sunac's shareholding in Sunac Zhidi from 50% to 100% (Note 1.2(a)) and increase in Chongqing OG from 55.72% to 90.15% (Note 1.2(c)).

(ii) Being the proceeds retained by Tianjin Sunac arising from the disposal of Chengdu Sunac, Changchun Sunac and Deyang Sunac (Note 1.2(d)(e)(f), Note 39).

(iii) Increase in Tianjin Sunac's shareholding in Sunac Ao Cheng from 62.72% to 87.30% on 15 Oct 2007 and an increase in Tianjin Sunac's shareholding in Tianjin Xiangchi from 95% to 100% on March 11, 2007 (Note 1.2(b), Note 1.2(g)).

(iv) As part of the Reorganisation, the Company acquired certain subsidiaries from Tianjin Sunac, the former holding company of the Group. As these equity transactions were made under common control, no fair value is applied to the entities. The consideration paid to Tianjin Sunac in connection with such reorganisation attributable to those entities is recorded as a distribution to the equity holder. The original investment by the equity holder recorded in other reserve is reversed and the difference between the consideration paid to the equity holder and the original investment of the equity holder is recorded as a merger reserve (Note 1.3(a), (d)).

(v) In April 2008, Sunac Zhidi acquired the outstanding 9.85% equity interest of Chongqing OG owned by minority investors (Note 1.2(c)). In July 2008, Sunac Zhidi acquired a further 2.7% equity interest in Sunac Ao Cheng (Note 1.2(b)).

(b) Statutory reserves

In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of the PRC companies now comprising the Group, 10% of its net profit as shown in the accounts prepared under PRC accounting regulations is required to be appropriated to statutory common reserve, until the reserve reaches 50% of the registered capital. Appropriation of statutory reserve must be made before distribution of dividends to equity holders.

This reserve shall only be used to make up losses; to expand the Company's production operation; or to increase the capital of the Company.

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

After the PRC companies now comprising the Group were converted into wholly foreign owned enterprises pursuant to the Reorganisation (described in Note 1), these companies are required, in accordance with relevant rules and regulations concerning foreign investment enterprises established in the PRC and the revised Articles of Association of these companies, to make appropriations from net profit to the reserve fund and staff and workers' bonus and welfare fund, after offsetting accumulated losses from prior years, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above funds are solely determined by the board of directors of the PRC companies now comprising the Group, except for those which are also wholly foreign owned enterprises. Their transfer of 10% of the profit of each year to the reserve fund is mandatory until the accumulated total of the fund reaches 50% of their registered capital.

(c) Contribution from the equity holder of the Company

The equity holder of the Company had contributed funds in cash to the Company during 2007 and 2008. It is resolved by the equity holder of the Company that the fund contribution was for future increment of share capital of the Company.

21 TRADE AND OTHER PAYABLES

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (Note (a))	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 payables	84,543	226,833	252,534	234,989
	1,959,233	2,433,839	2,131,385	1,922,471

Note (a):

The ageing analysis of the Group's trade payables at each balance sheet date of the Relevant Periods is as follows:

	December 31,			June 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	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

22 BORROWINGS

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

Group's borrowings of RMB2,355 million, RMB2,297 million, RMB2,399 million and RMB2,152 million at each balance sheet date of the Relevant Periods were jointly secured by certain properties and land use rights of the Group. (Note 8, Note 15 and Note 16)

(a) Long-term borrowings

The Group's borrowings as at each of the balance sheet date in the Relevant Periods were repayable as follows:

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Within 1 year	370,000	562,340	688,100	871,393
Between 1 and 2 years	528,500	619,600	1,391,400	1,003,510
Between 2 and 5 years	804,000	547,700	40,000	147,500
	1,702,500	1,729,640	2,119,500	2,022,403

The weighted average effective interest rates at each of the balance sheet date in the Relevant Periods were as follows:

	December 31,			June 30,
	2006 %	2007 %	2008 %	2009 %
Bank borrowings	6.95	7.55	8.54	6.74

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

	December 31,			June 30,
	2006 **RMB'000**	**2007** **RMB'000**	**2008** **RMB'000**	**2009** **RMB'000**
6 months or less	251,000	657,300	1,160,180	877,673
6-12 months	1,128,500	950,840	859,900	854,310
	1,379,500	1,608,140	2,020,080	1,731,983

(c) As at each of the balance sheet date in the Relevant Periods, the Group had the following committed undrawn banking facilities:

	December 31,			June 30,
	2006 **RMB'000**	**2007** **RMB'000**	**2008** **RMB'000**	**2009** **RMB'000**
– Expiring within one year	–	183,700	132,600	132,600
– Expiring beyond one year	20,000	–	–	–
	20,000	183,700	132,600	132,600

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

23 REVENUE

	Year ended December 31,			Six months ended June 30,	
	2006 **RMB'000**	**2007** **RMB'000**	**2008** **RMB'000**	**2008** **RMB'000** **(unaudited)**	**2009** **RMB'000**
Sales of properties	2,696,915	2,998,190	3,433,384	967,882	720,012
Rental income	10,776	13,262	16,115	7,765	8,274
	2,707,691	3,011,452	3,449,499	975,647	728,286

24 GAIN/(LOSS) FROM FAIR VALUE OF INVESTMENT PROPERTIES, NET

	Year ended December 31,			Six months ended June 30,	
	2006 **RMB'000**	**2007** **RMB'000**	**2008** **RMB'000**	**2008** **RMB'000** **(unaudited)**	**2009** **RMB'000**
Gains/(losses) from fair value of investment properties, net	56,037	(8,873)	(25,852)	(10,700)	50,655
– fair value losses	*(25,503)*	*(20,000)*	*(33,117)*	*(24,000)*	*(6,227)*
– fair value gains	*81,540*	*11,127*	*7,265*	*13,300*	*56,882*

25 EXPENSES BY NATURE

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Cost of properties sold:					
– Land use rights costs	491,963	484,114	551,772	143,392	114,297
– Construction costs	1,467,467	1,419,163	1,493,245	409,269	273,176
– Capitalised interest	90,033	140,143	134,045	40,464	36,226
– Business tax (Note 26)	149,640	165,810	188,210	53,859	39,810
– Other costs	1,954	2,328	4,468	1,940	1,942
Staff costs – excluding Directors' emoluments (Note 29)	71,595	64,346	47,917	11,744	22,200
Depreciation and other amortisation	12,866	11,316	10,073	4,875	5,321
Advertisement and promotion costs	103,012	36,432	95,876	31,439	19,641
Office and travel expenses	26,209	11,252	17,051	6,735	6,034
Entertainment expense	6,218	4,393	8,774	3,984	3,843
Consulting expenses	1,033	3,863	9,397	8,140	1,720
Other tax expenses	5,027	10,793	16,638	9,249	8,144
Others	8,132	6,411	11,877	5,799	7,476
Total cost of sales, selling and marketing costs and administrative expenses	2,435,151	2,360,363	2,589,344	730,890	539,830

26 BUSINESS TAX

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

Category	Tax rate
Sales of properties	5%
Rental income of investment properties	5%

27 OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Investment income	18	7,228	17,797	7,130	16,631
Government grants	35,708	16,258	17,143	320	4,079
Interest income	3,096	2,657	5,094	1,651	2,019
Recovery of bad debts written off in previous years	–	–	20,000	–	–
Others	2,357	1,752	2,934	1,765	369
	41,179	27,895	62,968	10,866	23,098

28 OTHER EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Compensation for delay of delivery of properties	15,590	59,458	6,400	1,410	6,705
Penalty charges	322	1,248	7,429	3,960	1,920
Others	1,085	1,474	1,921	720	421
	16,997	62,180	15,750	6,090	9,046

29 STAFF COSTS – EXCLUDING DIRECTORS' EMOLUMENTS

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Wages and salaries	51,422	68,302	54,894	17,809	22,875
Pension costs	3,140	4,763	4,956	2,191	2,355
Other social security costs	10,050	5,074	6,839	3,130	3,041
Staff welfare	6,983	703	1,471	506	1,285
	71,595	78,842	68,160	23,636	29,556
Less: Staff costs capitalised in properties under development	–	(14,496)	(20,243)	(11,892)	(7,356)
Charged to income statements (Note 25)	71,595	64,346	47,917	11,744	22,200

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and senior management's emoluments

The Directors' emoluments are set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Inducement fees RMB'000	Other benefits (note (a)) RMB'000	Employer's contribution to pension scheme RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
Year ended December 31, 2006								
Mr. Sun Hongbin	–	1,361	–	–	–	–	–	1,361
Mr. Li Shaozhong	–	678	–	–	40	–	–	718
Ms. Ma Zhixia	–	601	–	–	40	–	–	641
Mr. Wang Mengde	–	80	–	–	–	–	–	80
Year ended December 31, 2007								
Mr. Sun Hongbin	–	1,151	–	–	–	–	–	1,151
Mr. Li Shaozhong	–	1,151	–	–	45	–	–	1,196
Ms. Ma Zhixia	–	948	–	–	45	–	–	993
Mr. Wang Mengde	–	1,058	–	–	45	–	–	1,103
Year ended December 31, 2008								
Mr. Sun Hongbin	–	890	–	–	–	–	–	890
Mr. Li Shaozhong	–	876	–	–	49	–	–	925
Ms. Ma Zhixia	–	565	–	–	49	–	–	614
Mr. Wang Mengde	–	621	–	–	49	–	–	670
Six months ended June 30, 2009								
Mr. Sun Hongbin	–	322	–	–	–	–	–	322
Mr. Li Shaozhong	–	308	–	–	26	–	–	334
Ms. Ma Zhixia	–	156	–	–	26	–	–	182
Mr. Wang Mengde	–	199	–	–	26	–	–	225
Six months ended June 30, 2008 (unaudited)								
Mr. Sun Hongbin	–	381	–	–	–	–	–	381
Mr. Li Shaozhong	–	367	–	–	24	–	–	391
Ms. Ma Zhixia	–	282	–	–	24	–	–	306
Mr. Wang Mengde	–	311	–	–	24	–	–	335

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in each of the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, include 3, 4, 3, 4 and 3 directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals in each of the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, respectively, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	1,044	1,005	1,200	254	431
Pension	–	–	–	–	–
	1,044	1,005	1,200	254	431

The emoluments fell within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008 (unaudited)	2009
Emolument bands					
HK$0 – HK$1,000,000	2	–	2	1	2
HK$1,000,001 – HK$1,500,000	–	1	–	–	–
	2	1	2	1	2

(c) During the Relevant Periods, no director or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

31 FINANCE COSTS, NET

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Interest expense on:					
– Bank borrowings	126,021	133,300	186,124	83,644	71,019
– Borrowings from non-bank financial institutions	27,379	39,084	19,177	9,795	9,221
– Borrowings from third parties	–	22,398	15,700	7,816	6,729
– Other finance costs	44,174	37,225	33,990	11,393	10,576
Less: Capitalised interests	(99,150)	(149,374)	(144,131)	(70,178)	(38,741)
	98,424	82,633	110,860	42,469	58,804

32 INCOME TAX EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Corporate income tax charge ("CIT") (Note (a))	107,219	175,169	170,188	46,800	47,246
Current income tax	70,356	176,012	173,727	56,902	44,010
Deferred income tax	36,863	(843)	(3,539)	(10,102)	3,236
Land appreciation tax ("LAT") (Note (b))	33,773	100,618	113,918	27,705	37,045
	140,992	275,787	284,106	74,505	84,291

(a) CIT

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

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Profit before tax	259,507	488,830	761,030	181,208	194,877
Income tax calculated at statutory rate	85,637	161,314	190,257	45,302	48,719
Effect from change of statutory tax rate	–	10,469	–	–	–
Effect of LAT deduction	(11,145)	(33,204)	(28,479)	(6,925)	(9,261)
Provision for LAT	33,773	100,618	113,918	27,706	37,045
Non-deductible expenses	32,727	36,590	8,410	8,424	4,158
Others	–	–	–	–	3,630
	140,992	275,787	284,106	74,505	84,291

PRC CIT is provided at the rate of 33% of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC enterprise income tax purpose.

On March 16, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from January 1, 2008. Under the new CIT Law, the CIT rate applicable to the Group's subsidiaries located in mainland China from January 1, 2008 is 25%, replacing the applicable tax rate of 33%.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets.

In the financial statements, deferred tax assets or liabilities in certain subsidiaries to be realised after January 1, 2008 have been adjusted to reflect the recoverable amounts calculated based on CIT of 25% causing a debit of RMB10.5 million to income tax expenses for the year ended December 31, 2007.

Under the new CIT Law, enterprises established outside of the China whose "de facto management bodies" are located in China are considered "resident enterprises" and will be generally be subject to the uniform 25% corporate income tax rate for their global income. The new CIT law does not define the term "de facto management bodies" and the circumstances under which an enterprise's "de facto management bodies" would be considered to be located in China are currently unclear. The directors consider that there is no material impact on the Group during the Relevant Periods if the enterprises established outside of China be treated as resident enterprises.

(b) LAT

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

33 EARNINGS PER SHARE

Basic earning per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year/period.

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Profit attributable to equity holders of the Company	N/A	174,382	495,606	123,756	117,137
Weighted average number of ordinary shares in issue	N/A	20,000,000	20,000,000	20,000,000	20,000,000

34 DIVIDENDS

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Dividends – paid and declared by a subsidiary	87,808	–	–	–	–

The dividends were declared and paid by a Group subsidiary to its then equity holders prior to the Reorganisation.

35 CASH GENERATED FROM/(USED IN) OPERATIONS

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Profit before income taxes	259,507	488,830	761,029	181,208	194,877
Adjustments for:					
– Finance costs	98,424	82,633	110,860	42,469	58,804
– Gain on Disposal of subsidiaries	(5,172)	–	–	–	–
– Loss on disposal of PPE	233	304	36	22	242
– (Gain)/Loss from fair value of investment properties, net	(56,037)	8,873	25,852	10,700	(50,655)
– Amortisation of intangible assets	6,261	6,261	5,951	2,975	2,975
– Depreciation	6,605	5,055	4,121	1,900	2,346
– Share of loss/(gain) from associates and jointly control entities	–	36,468	9,632	15,156	(516)
Changes in working capital	–	–	–	–	–
– Properties under development and completed properties held for sale	854,550	482,617	33,783	(417,521)	(181,781)
– Other receivables	(390,247)	355,680	(49,933)	73,552	(30,596)
– Trade and other payables	(763,332)	(945,840)	(524,319)	(62,334)	588,157
– Financial guarantee	–	349	(174)	(87)	(88)
Cash (used in)/generated from operations	10,792	521,230	376,838	(151,960)	583,765

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Net book amount (Note 7)	2,307	1,524	2,029	1,133	904
Loss on disposal of PPE	(233)	(304)	(36)	(22)	(242)
Proceeds from disposal of PPE . . .	2,074	1,220	1,993	1,111	662

36 COMMITMENTS

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

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Property development expenditure:				
– Contracted but not provided for	537,360	2,825,348	3,129,236	2,948,388
– Authorised but not contracted for	7,011,984	11,514,938	10,635,786	9,857,826
	7,549,344	14,340,286	13,765,022	12,806,214

(b) Operating lease commitments

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

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
No later than 1 year	585	1,761	1,690	4,356
Later than 1 year and no later than 5 years.	2,307	3,325	–	2,415
	2,892	5,086	1,690	6,771

37 FINANCIAL GUARANTEE

(a) Guarantee on mortgage facilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities as at each balance sheet date in the Relevant Periods:

	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	684,357	1,081,720	1,500,806	1,737,229

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

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

(b) Guarantee for exchangeable bond

	December 31,			June 30,
	2006 RMB'000	**2007 RMB'000**	**2008 RMB'000**	**2009 RMB'000**
Guarantees for exchangeable bond	–	349	175	87

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

The relevant financial guarantee liability, together with its corresponding credit to the equity reserve, was initially recognised at its fair value as such guarantee qualified as a "Financial Guarantee Contract" under HKAS 39 and HKFRS 4.

The fair value of such guarantee on October 26, 2007 was US$47,830 (equivalent to RMB349,000) as valued by an independent professional valuer, DTZ Debenham Tie Leung Ltd.

(c) The Group has given guarantees of approximately RMB60 million to bankers for certain subsidiaries in respect of bank borrowings as at December 31, 2006. There was no corporate guarantee provided to the Group's subsidiaries in respect of bank borrowings as at December 31, 2007 and 2008 and June 30, 2009. The Directors consider the subsidiaries to be sufficiently financially resourced to settle their obligations.

38 BUSINESS COMBINATIONS

(a) On December 24, 2007, the Group, through subsidiary Sunac Zhidi, acquired a 51% equity interest in Wuxi Sunac Real Estate, a real estate development company, for total consideration of about RMB633 million by means of a capital injection into Wuxi Sunac Real Estate, including RMB104 million as paid-in capital and the remaining RMB529 million as capital surplus.

The acquired business contributed no revenues or net profit to the Group for the period from December 24, 2007 to December 31, 2007. If the acquisition had occurred on January 1, 2007, Group revenue would have been increased by RMB587 million, and profit before allocations would have been increased by RMB11 million for year 2007. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2007, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	633,193
Less: Fair value of net assets acquired – shown as below	547,485
Goodwill	85,708

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

	Fair value RMB'000	Acquiree's consolidated carrying amount RMB'000
Cash and cash equivalents	59,845	59,845
Property, plant and equipment	2,693	2,693
Properties under development and completed properties	1,863,302	1,215,713
Trade and other receivables	557,762	557,762
Goodwill	–	41,905
Deferred tax assets	19,328	19,328
Trade and other payables	(981,664)	(981,664)
Advances proceeds from customers	(447,648)	(447,648)
Borrowings	(465,000)	(465,000)
Deferred tax liabilities	(168,311)	(6,414)
Net assets/(liabilities)	440,307	(3,480)
Add: Capital injection	633,193	
Net assets after capital injection	1,073,500	
Less: Minority interests (49%)	(526,015)	
Fair value of net assets acquired	547,485	
Purchase consideration settlement by cash	(633,193)	
Capital injection to the subsidiary	633,193	
Cash and cash equivalents in subsidiary acquired	59,845	
Cash inflow on acquisition	59,845	

(b) On December 29, 2007, the Group acquired 100% equity interest in Wuxi Sunac City, a real estate development company, for a total consideration of about RMB289 million.

The acquired business contributed no revenue or net profit to the Group for the period from December 29, 2007 to December 31, 2007. If the acquisition had occurred on January 1, 2007, Group revenue would have been increased by RMB267 million, and profit before allocations would have been increased by RMB13 million for the year ended December 31, 2007. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2007, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration – all in payables	288,910
Less: Fair value of net assets acquired – shown as below	164,665
Goodwill	124,245

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

	Fair value RMB'000	Acquiree's carrying amount RMB'000
Cash and cash equivalents	32,451	32,451
Property, plant and equipment	511	511
Properties under development and completed properties	420,057	293,823
Trade and other receivables	26,725	26,725
Deferred tax assets	5,144	5,144
Trade and other payables	(133,556)	(133,556)
Advances proceeds from customers	(105,108)	(105,108)
Borrowings	(50,000)	(50,000)
Deferred tax liabilities	(31,559)	–
Net assets	164,665	69,990
Purchase consideration settlement by cash	–	
Cash and cash equivalents in subsidiary acquired	32,451	
Cash inflow on acquisition	32,451	

39 DISPOSAL OF SUBSIDIARIES

On March 7, 2006, the Group disposed of three of its subsidiaries, Chengdu Sunac, Changchun Sunac and Deyang Sunac, in exchange for an additional equity interest in Chongqing OG. (Note 1.2(c))

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

	Chengdu Sunac RMB'000	Changchun Sunac RMB'000	Deyang Sunac RMB'000	Total RMB'000
Cash and cash equivalents	33,655	5,496	12,325	51,476
Property, plant and equipment	3,004	1,078	204	4,286
Properties under development and completed properties	626,196	539,223	56,242	1,221,661
Long-term investment	400	800	–	1,200
Trade and other receivables	258,021	75,698	68,768	402,487
Deferred tax assets	17,134	9,506	683	27,323
Trade and other payables	(422,585)	(460,398)	(22,186)	(905,169)
Tax payable	(16,073)	–	–	(16,073)
Advances proceeds from customers	(486,323)	(101,912)	(67,691)	(655,926)
Net assets	13,429	69,491	48,345	131,265
Minority interests	–	(2,234)	(2,370)	(4,604)
Net assets attributable to the Group	13,429	67,257	45,975	126,661
Proceeds settled in cash	–	–	–	–
Cash and cash equivalents in disposed entities	33,655	5,496	12,325	51,476
Cash outflow on disposal	33,655	5,496	12,325	51,476

Details of the net assets and gain on disposal of the three entities are as follows:

	RMB'000
Proceeds on disposal	131,833
Net assets attributable to the Group	(126,661)
Gain on disposal	5,172

40 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Mr. Sun	The controlling equity holder and the director of the Company
Sunac International Investment Holdings Ltd. ("Sunac International")	Equity holder of the Company
Tianjin Sunac	Company controlled by Mr. Sun
Tianjin Sunco Real Estate Co., Ltd. and its related entities ("Sunco Group")	Companies controlled by Mr. Sun
Shougang Sunac	Associate
Beijing Shouchi Yuda Real Estate Development Co., Ltd. ("Shouchi Yuda")	Associate
Chongqing Yuneng	Jointly controlled entity
Chongqing Shangshan Land Co., Ltd. ("Shangshan")	Jointly controlled entity

* Mr. Sun has ceased his control of Sunco Group in August 2007.

(b) Transactions with related parties

During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, the Group had the following significant transactions with related parties:

	The Group				
	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Provision/(return) of fund advance to/(from) related parties:					
Chongqing Yuneng	123,000	–	(40,500)	–	–
Chongqing Shangshan	45,000	–	(35,000)	–	–
Shougang Sunac	–	–	–	–	293,060
Shouchi Yuda	–	56,000	–	–	–
Sunac International	–	4,168	(4,168)	(4,168)	–

	The Company				
	Year ended December 31,			Six months ended June 30,	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Provision/(return) of fund advance with Sunac International	–	4,168	(4,168)	(4,168)	–

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

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

(c) Key management compensation

Key management mainly represent the Company's executive directors, their compensation have been disclosed in Note 27 of the financial statements.

(d) Related party balances

	December 31,			June 30,
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**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
Amounts due to related parties:				
– Tianjin Sunac	265,921	–	9,253	–
– Sunco Group	85,856	–	–	–
– Sunac International	–	4,168	–	–
	351,777	4,168	9,253	–

(i) Amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment, which are cash advances in nature.

(ii) Amounts due from Shougang Sunac, Shouchi Yuda, Chongqing Yuneng and Chongqing Shangshan at June 30, 2009 were used to fund the respective property projects and may not be repaid upon the Listing.

(iii) Amounts due from Tianjin Sunac at June 30, 2009 will be settled upon the Listing.

(e) Other transactions

During the Relevant Periods, other than the Reorganisation, the Group had the following equity acquisitions with related parties:

Subsidiary/associate	**Related parties**	**Acquisition dates**	**Acquired interests %**	**Consideration amounts RMB'000**
Shougang Sunac	Sunco Group	August 28, 2007	50	79,082
Chongqing Yuneng	Sunco Group	March 23, 2007	45	27,000

(f) Distribution to the investor

The distribution to the investor pursuant to the Reorganization amounting to RMB1,700,793,000 was settled by cash of RMB643,024,000 and the remaining RMB1,057,769,000 by setting off against amount due from the investors.

41 INVESTMENTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	The Company			
	December 31,			June 30,
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
Investment at cost	–	74	74	74
Quasi-equity loans	–	1,403,910	1,403,910	1,403,910
	–	1,403,984	1,403,984	1,403,984

(b) Particulars of the subsidiaries of the Group

Particulars of the subsidiaries of the Group as at the date of this report and during the Relevant Periods are set out below:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest								Principal activities
			December 31, 2006		December 31, 2007		December 31, 2008		June 30, 2009		
			Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Incorporated in the British Virgin Islands:											
Sunac Real Estate Investment Holdings Ltd.	January 2, 2007	US$10,000	–	–	100%	–	100%	–	100%	–	Investment holding
Qiwei Real Estate Investment Holdings Ltd.	June 6, 2007	US$1	–	–	100%	–	100%	–	100%	–	Investment holding
Yingzi Real Estate Investment Holdings Ltd.	August 31, 2007	US$1	–	–	100%	–	100%	–	100%	–	Investment holding
Jujin Real Estate Investment Holdings Ltd.	September 6, 2007	US$1	–	–	100%	–	100%	–	100%	–	Investment holding
Dingsheng Real Estate Investment Holdings Ltd.	September 6, 2007	US$1	–	–	100%	–	100%	–	100%	–	Investment holding
Zhuoyue Real Estate Investment Holdings Ltd.	September 13, 2007	US$1	–	–	100%	–	100%	–	100%	–	Investment holding
Incorporated in Hong Kong:											
Sunac Property Investment Holdings Ltd.	September 10, 2007	HK$1	–	–	–	100%	–	100%	–	100%	Investment holding
Qiwei Property Investment Holdings Ltd.	September 10, 2007	HK$1	–	–	–	100%	–	100%	–	100%	Investment holding
Yingzi Property Investment Holdings Ltd.	September 10, 2007	HK$1	–	–	–	100%	–	100%	–	100%	Investment holding
Jujin Property Investment Holdings Ltd.	September 14, 2007	HK$1	–	–	–	100%	–	100%	–	100%	Investment holding
Dingsheng Property Investment Holdings Ltd.	September 14, 2007	HK$1	–	–	–	100%	–	100%	–	100%	Investment holding
Zhuoyue Property Investment Holdings Ltd.	September 20, 2007	HK$1	–	–	–	100%	–	100%	–	100%	Investment holding

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest December 31, 2006 Directly	December 31, 2006 Indirectly	December 31, 2007 Directly	December 31, 2007 Indirectly	December 31, 2008 Directly	December 31, 2008 Indirectly	June 30, 2009 Directly	June 30, 2009 Indirectly	Principal activities
Incorporated in the PRC:											
Tianjin Sunac Real Estate Investment Management Co., Ltd.	February 6, 2007	RMB460 million	–	–	–	100%	–	100%	–	100%	Investment holding
Tianjin Qiwei Real Estate Investment Management Co., Ltd.	July 20, 2007	RMB225 million	–	–	–	100%	–	100%	–	100%	Investment holding
Tianjin Yingzihuijin Property Management Ltd.	September 26, 2007	RMB220 million	–	–	–	100%	–	100%	–	100%	Investment holding
Tianjin Jujin Property Management Ltd.	October 31, 2007	RMB200 million	–	–	–	100%	–	100%	–	100%	Investment holding
Tianjin Dingsheng Juxian Property Management Ltd.	October 31, 2007	RMB200 million	–	–	–	100%	–	100%	–	100%	Investment holding
Tianjin Zhuo Yue Property Management Ltd.	October 31, 2007	US$15 million	–	–	–	100%	–	100%	–	100%	Investment holding
Sunac Zhidi	January 31, 2003	RMB900 million	–	100%	–	100%	–	100%	–	100%	Real estate development and investment
Sunac Ao Cheng	February 25, 2003	RMB222 million	–	62.72%	–	87.3%	–	90%	–	90%	Real estate development and investment
Chongqing OG	April 24, 2004	RMB180 million	–	90.15%	–	90.15%	–	100%	–	100%	Real estate development
Tianjin Xiangchi	September 25, 2006	RMB160 million	–	100%	–	100%	–	100%	–	100%	Real estate development
Wuxi Sunac Real Estate	February 27, 2004	RMB204.1 million	–	–	–	51%	–	51%	–	51%	Real estate development
Suzhou Chunshen Lake	February 8, 2005	RMB140 million	–	–	–	51%	–	51%	–	51%	Real estate development
Wuxi Sunac City	May 11, 2005	RMB220 million	–	–	–	51%	–	51%	–	51%	Real estate development

No statutory audited financial statements have been prepared for those companies incorporated in the British Virgin Islands where there is no statutory audit requirement. The companies that have statutory audited financial statements and the name of the auditors are as follows:

	Name of Statutory auditors 2006	2007	2008
Incorporated in Hong Kong:			
Sunac Property Investment Holdings Ltd.	Not applicable	Not applicable	Sky CPA & Co.
Qiwei Property Investment Holdings Ltd.	Not applicable	Not applicable	Sky CPA & Co.
Yingzi Property Investment Holdings Ltd.	Not applicable	Not applicable	Sky CPA & Co.
Jujin Property Investment Holdings Ltd.	Not applicable	Not applicable	Sky CPA & Co.
Dingsheng Property Investment Holdings Ltd.	Not applicable	Not applicable	Sky CPA & Co.
Zhuoyue Property Investment Holdings Ltd.	Not applicable	Not applicable	Sky CPA & Co.
Incorporated in the PRC:			
Tianjin Sunac Real Estate Investment Management Co., Ltd.	Not applicable	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司
Tianjin Qiwei Real Estate Investment Management Co., Ltd.	Not applicable	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司
Tianjin Yingzihuijin Property Management Ltd.	Not applicable	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司
Tianjin Jujin Property Management Ltd.	Not applicable	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司
Tianjin Dingsheng Juxian Property Management Ltd.	Not applicable	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司

	Name of Statutory auditors		
	2006	2007	2008
Tianjin Zhuo Yue Property Management Ltd.			
Sunac Zhidi	Tianjin Zhongding Certified Public Accountants Co., Ltd. 天津中鼎會計師事務所有限責任公司	Tianjin Tianrui Certified Public Accountants Co., Ltd. 天津天瑞會計師事務所有限責任公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限責任公司
Sunac Ao Cheng	Tianjin Zhongding Certified Public Accountants Co., Ltd. 天津中鼎會計師事務所有限責任公司	Tianjin Tianrui Certified Public Accountants Co., Ltd. 天津天瑞會計師事務所有限責任公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限責任公司
Chongqing OG	Chongqing Tianhong Certified Public Accountants Co., Ltd. 重慶天鴻會計師事務所有限責任公司	Chongqing Tianhong Certified Public Accountants Co., Ltd. 重慶天鴻會計師事務所有限責任公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限責任公司
Tianjin Xiangchi	Tianjin Zhongding Certified Public Accountants Co., Ltd. 天津中鼎會計師事務所有限責任公司	Tianjin Tianrui Certified Public Accountants Co., Ltd. 天津天瑞會計師事務所有限責任公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限責任公司
Wuxi Sunac Real Estate	Not applicable	Tianjin Tianrui Certified Public Accountants Co., Ltd. 天津天瑞會計師事務所有限責任公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限責任公司
Suzhou Chunshen Lake	Not applicable	Tianjin Tianrui Certified Public Accountants Co., Ltd. 天津天瑞會計師事務所有限責任公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限責任公司
Wuxi Sunac City	Not applicable	Tianjin Tianrui Certified Public Accountants Co., Ltd. 天津天瑞會計師事務所有限責任公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限責任公司

42 SIGNIFICANT SUBSEQUENT EVENTS

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 a 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.

On November 18, 2009, Sunac Zhidi entered into a framework agreement with Tianjin Binhai Development Investment Holdings Co., Ltd. in relation to a 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.

II SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to June 30, 2009 and up to the date of this report, no dividend or distribution has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to June 30, 2009.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong