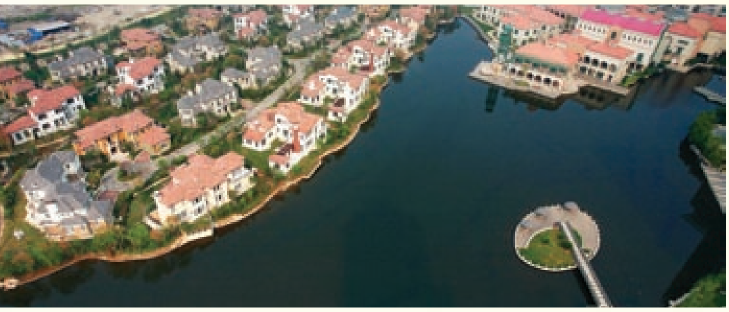
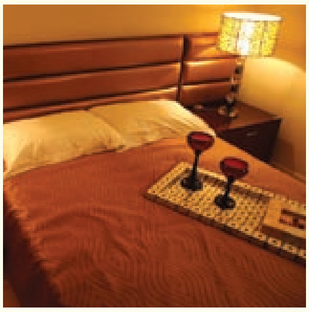
SUNAC 融創中國

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

INTERIM REPORT 2010 中期報告

至臻，致遠
PASSION FOR PERFECTION

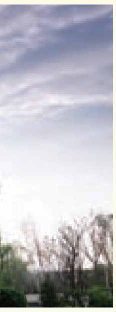

About SUNAC
關於融創

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

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

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

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Hu Xiaoling
Mr. Zhu Jia

Independent Non-executive Directors

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

JOINT COMPANY SECRETARIES

Mr. Huang Shuping
Mr. Ngai Wai Fung

AUTHORIZED REPRESENTATIVES

Mr. Wang Mengde
Mr. Ngai Wai Fung

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

LEGAL ADVISERS

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

As to Cayman Islands law:
Conyers Dill & Pearman

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

COMPLIANCE ADVISOR

Anglo Chinese Corporate Finance, Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

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

STOCK CODE

1918

COMPANY'S WEBSITE

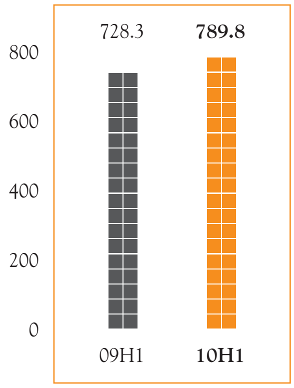
www.sunac.com.cn

Financial Highlights

	2010 H1	2009 H1	Increase %
Revenue (HK$m)	789.8	728.3	8.4%
Gross profit (HK$m)	395.0	262.8	50.3%
Gross margin (%)	50.0%	36.1%	38.5%
Profit (HK$m)	190.0	110.6	71.8%
Profit attributable to shareholders (HK$m)	191.1	117.1	63.2%
Cash and cash equivalents (including restricted cash) (HK$m)	2,820.0	1,936.0(Note)	45.7%

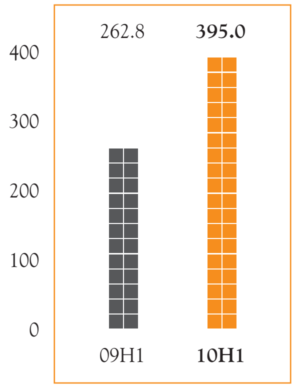
Note: The amount represents the balance of the Group's cash and cash equivalents (including restricted cash) as at December 31, 2009.

Revenue



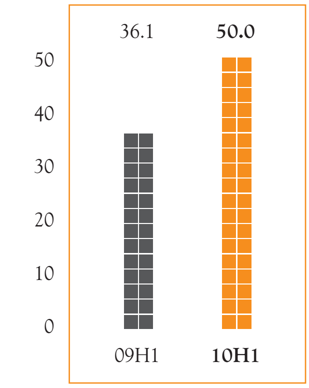
HK$m

Gross Profit



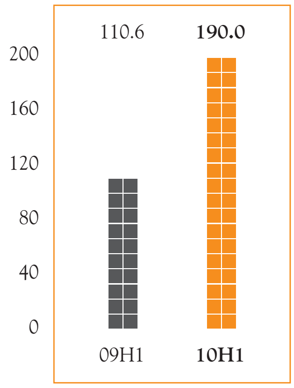
HK$m

Gross Margin



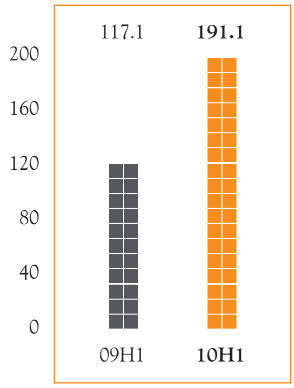
%

Profit



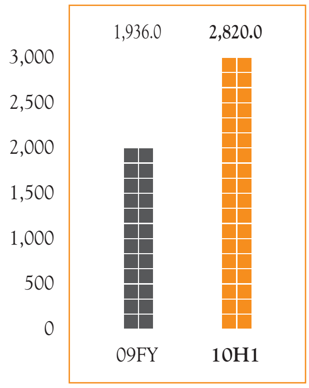
HK$m

Profit Attributable to Shareholders



HK$m

Cash and Cash Equivalents (including restricted cash)



HK$m

FINANCIAL REVIEW

Revenue

During the six months ended June 30, 2010, Sunac China Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") focused on development of real estate properties in five cities of China, namely Beijing, Tianjin, Chongqing, Wuxi and Suzhou. For the six months ended June 30, 2010, the revenue of the Group was still substantially generated from sales of residential and commercial properties. Only a minor portion was derived from rental of investment properties located in Tianjin and the income from property management services business which was newly acquired in late March 2010.

The revenue of the Group increased by 8.4% to RMB789.8 million for the six months ended June 30, 2010 from RMB728.3 million for the corresponding period in 2009.

The following table shows certain details of sales:

	Six months ended June 30,			
	2010		2009	
	RMB'000	%	RMB'000	%
Revenue from sales of properties	**766,880**	**97.1**	720,012	98.9
Property-management service income	**13,375**	**1.7**	–	–
Rental income from investment properties	**9,538**	**1.2**	8,274	1.1
Total	**789,793**	**100**	728,286	100
Total gross floor area ("GFA") delivered (sq.m.)	**72,770**		79,265	
Average selling prices ("ASP") per sq.m. sold (RMB)	**10,538**		9,084	

For the six months ended June 30, 2010, the revenue from sales of properties increased by 6.5% to RMB766.9 million from RMB720.0 million for the corresponding period in 2009.

The increase in sales of properties was due mainly to the increase of RMB1,454 in the ASP per sq.m. from RMB9,084 to RMB10,538, which was off-set partially by a decrease in GFA delivered from 79,265 sq.m. for the half year ended June 30, 2009 to 72,770 sq.m. for the half year ended June 30, 2010. The ASP has an increase due to the property prices increase in Tianjin projects and the different mix of commercial and residential properties delivered in the six months ended June 30, 2010 and the corresponding period in 2009.

Cost of sales

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

Cost of sales of the Group decreased by 15.2%, to RMB394.7 million for the half year ended June 30, 2010, from RMB465.5 million for the corresponding period in 2009, which was mainly resulted from the decrease of GFA delivered and the sales mix of different types of properties in the six months ended June 30, 2010 and the corresponding period in 2009.

The decrease in cost of sales was due primarily to a decrease of RMB601 in average cost per sq.m. from RMB5,848 for the six months ended June 30, 2009 to RMB5,247 for the six months ended June 30, 2010, mainly resulted from the increase in proportion of GFA delivered of the lower average cost projects, such as Chongqing Olympic Garden, Swan Lake and Dream of City, from 18.8% as of June 30, 2009 to 38.3% as of June 30, 2010.

Gross profit

Gross profit of the Group increased by 50.3%, to RMB395.0 million for the six months ended June 30, 2010, from RMB262.8 million for the corresponding period in 2009. The gross margin increased from 36.1% for the corresponding period in 2009 to 50.0% in the six months ended June 30, 2010, which was primarily due to the gross margin increase in Tianjin projects in line with the ASP increase.

Selling and marketing costs

Due to our effective cost control policy and its implementation, the proportion of the Group's selling and marketing costs to sales contract value decreased to 1.5% for the six months ended June 30, 2010, from 2.2% for the same period in 2009, which is in line with our cost control policy. Although selling and marketing costs of the Group increased to RMB48.5 million for the six months ended June 30, 2010, from RMB32.4 million for the corresponding period in 2009, the increase was mainly due to an RMB14.2 million increase in advertisements and promotions expenses for the six months ended June 30, 2010, which was in accordance with the general development and promotion plan of the related phases of the Company's property projects.

Administrative expenses

The proportion of the Group's administrative expenses to sales contract value decreased to 1.9% for the six months ended June 30, 2010, from 2.9% for the same period in 2009. Although administrative expenses of the Group increased from RMB42.0 million for the corresponding period in 2009 to RMB59.5 million for the six months ended June 30, 2010, it is attributable to a combined impact from a RMB7.0 million provision for the loss on realizable value of certain car parking spaces relating to residential properties, a RMB5.9 million increase in office expenses mainly charged to the moving of our offices in Chongqing and Wuxi projects, and the negotiation and operating activities for the acquisitions of new property projects in Yixing and Xingyeli in the six months ended June 30, 2010, and a RMB3.5 million increase in professional services expenses relating to the expenses for business valuation fees and legal registration procedures for the acquisition of the 10% non-controlling interests in our subsidiary, Tianjin Sunac Ao Cheng Investment Co., Ltd. and the 49% non-controlling interests in our subsidiary, Wuxi Sunac Real Estate Co., Ltd.

Finance costs, net

Finance costs, net increased by 19.4%, to RMB70.2 million for the six months ended June 30, 2010 from RMB58.8 million for the corresponding period in 2009. In line with the increased borrowings, the total interest costs increased by 56.5% to RMB152.6 million for the six months ended June 30, 2010 from RMB97.5 million for the corresponding period in 2009, while the capitalized interests also increased to RMB82.4 million for the six months ended June 30, 2010 from RMB38.7 million for the corresponding period in 2009.

Share of profit of jointly controlled entities

Share of profit of jointly controlled entities of the Group was RMB24.9 million for the six months ended June 30, 2010, compared to RMB22.5 million for the corresponding period in 2009, in line with increased profit in the jointly controlled entity Chongqing Yuneng Sunac Real Estate Co., Ltd.

Share of profit/(loss) of associates

The Group shared a profit of RMB41.3 million in associates for the six months ended June 30, 2010, compared to a sharing of loss of RMB21.9 million for the corresponding period in 2009. This change was primarily attributable to the East Fairyland project which involves an associate of the Company, namely Beijing Shouchi Yuda Real Estate Development Co., Ltd., which commenced its delivery of properties to the customers and recognition of sales in August 2009.

Profit

As a result of the foregoing, profit of the Group increased by RMB79.4 million or 71.8%, to RMB190.0 million for the half year ended June 30, 2010, from RMB110.6 million for the same period in 2009. Between these periods, net profit margin of the Group increased from 15.2% to 24.0%.

The following table shows the profit attributable to equity holders of the Company and non-controlling interests respectively for the periods indicated:

	Six months ended June 30,	
	2010	2009
	RMB'000	RMB'000
Profit for the period	**189,935**	110,586
Attributable to:		
Equity holders of the Company	**191,105**	117,137
Non-controlling interests	**(1,170)**	(6,551)
	189,935	110,586

Cash position

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

The Group's cash and cash equivalents (including restricted cash) increased by RMB884.0 million or 45.7%, to RMB2,820.0 million as of June 30, 2010, from RMB1,936.0 million as of December 31, 2009.

The Group had net cash used in operating activities of RMB280.3 million, net cash used in investing activities of RMB0.7 million and net cash generated from financing activities of RMB604.5 million for the half year ended June 30, 2010.

The proceeds from sales increased by RMB1,023.3 million or 74.2%, to RMB2,401.8 million for the half year ended June 30, 2010, from RMB1,378.5 million for the same period in 2009. Net cash used in operating activities mainly include the payment of the land grant fees and the other relevant costs for the Xingyeli and Yixing projects, which was RMB460 million and RMB780 million respectively.

The Group have sufficient working capital and financial resources to support for regular operation.

Borrowing and collateral

The Group had total borrowings of RMB4,616.6 million as of June 30, 2010 compared to RMB2,671.4 million as of December 31, 2009. The increase of RMB1,945.2 million was mainly due to (i) the increase of the projects development loans amounting to RMB1,205.2 million after deducting repayment, (ii) 宜興融創東氿置業有限公司 (Yixing Sunac Dongjiu Real Estate Co., Ltd.) ("Yixing Sunac Dongjiu") financing of RMB600.0 million from Rongde Asset Management Company Limited (融德資產管理有限公司) ("Rongde"), the minority shareholder of Yixing Sunac Dongjiu, and (iii) part of Wuxi equity purchase loan amounting to RMB140.0 million.

The Group's borrowings of RMB4,470.6 million as of June 30, 2010 were secured by the Group's certain properties amounting to RMB3,645.6 million, share equity including 90% of Yixing Sunac Dongjiu, 100% of Tianjin Sunac Ao Cheng Investment Co., Ltd., and 100% of Wuxi Sunac Real Estate Co., Ltd. amounting to RMB2,240.0 million and bank deposit amounting to RMB30.0 million.

In addition, during the six months ended June 30, 2010, shares in the Company, all our BVI subsidiaries, all Hong Kong subsidiaries, and equity interest in all our subsidiaries which are wholly foreign owned enterprises (the "WFOE subsidiaries") were pledged in favour of HSBC pursuant to several security deeds entered into in late 2007. As at the date of this interim report, the pledges of shares in the Company, all our BVI subsidiaries and all Hong Kong subsidiaries have all been released; while documents relating to the release of pledges of equity interest in all WFOE subsidiaries have been signed, and it is expected that the related registration procedure will be completed in late December 2010, by which time the relevant pledges will be released.

Net debt to total assets ratio and gearing ratio

Net debt to total assets ratio is calculated as net debt divided by total assets. Net debt is calculated as total borrowings (including current and long-term borrowings) less cash and cash equivalents. As at June 30, 2010, the net debt to total assets ratio of the Group is 13.7%, compared to 7.6 % as of December 31, 2009. Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and long-term borrowings) less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As of June 30, 2010, the gearing ratio of the Group is 58.7%, compared to 28.2% as of December 31, 2009. The increase was due to the increased borrowings in the six months ended June 30, 2010.

Interest rate risk

As the Group does not have 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. The table below sets out the Group's exposure to interest rate risks. Included in the tables are the liabilities at carrying amounts, categorised by maturity dates.

	Floating rates			Fixed rates			Total
RMB'million	Less than 12 months	1 to 5 years	Sub-total	Less than 12 months	1 to 5 years	Sub-total	
At June 30, 2010	**341**	**2,355**	**2,696**	**518**	**1,403**	**1,921**	**4,617**
At December 31, 2009	413	1,239	1,652	264	755	1,019	2,671

As of June 30, 2010, the Group did not use any interest rate swaps to hedge our exposure to interest rate risk. We analyze our interest rate exposure monthly by considering refinancing, renewal of existing financial positions and alternative financing.

Foreign exchange risk

The Group's normal operating activities are principally conducted in Renminbi, since all of the operating entities are based in the PRC. As at June 30, 2010, most of the operating entities' assets and liabilities were denominated in Renminbi and in the opinion of the directors of the Company (the "Directors"), these entities did not have significant foreign currency risk exposure.

Contingent liabilities

We arranged bank financing for certain purchasers of our property units and provided guarantees to secure the obligations of such purchasers for repayment of their mortgage loans as per normal market practice. As of June 30, 2010 the amount of such guarantees was RMB1,470.2 million compared with RMB1,459.7 million as of December 31, 2009.

BUSINESS REVIEW

1 *Summary of property development:*

We have engaged in a total of 13 property development projects, among which Beijing Shougang Sunac Real Estate Development Co., Ltd. ("Shougang Sunac"), Beijing Shouchi Yuda Real Estate Development Co., Ltd. ("Shouchi Yuda") and Chongqing Yuneng Sunac Real Estate Co., Ltd. ("Chongqing Yuneng") (collectively referred to as "associated project companies") have engaged in total three property development projects (Note).

Note: The project developed by Shougang Sunac is Xishan Yihaoyuan; the project developed by Shouchi Yuda is East Fairyland; and the project developed by Chongqing Yuneng is Asia Pacific Enterprise Valley.

The following table sets forth certain details of our projects based on actual data or estimates of the Group and associated project companies as of June 30, 2010.

Project	Location	Types of property products	Total site area (sq.m.)	Estimate Aggregate GFA (sq.m.)	Estimate Saleable/ rentable GFA (sq.m.)	Interest attributable to us (%)
Magnetic Capital	Tianjin	High-rise apartments, retail properties, offices, serviced apartments and parking spaces	460,840	1,243,929	1,182,297	100
Mind-Land International	Tianjin	High-rise apartments, detached villas, retail properties and parking spaces	497,501	789,138	751,522	100
Central of Glorious	Tianjin	High-rise apartments, townhouses, retail properties and parking spaces	14,608	64,738	62,817	100
Joy Downtown	Tianjin	Retail properties	25,234	56,615	55,960	100
Xingyeli project	Tianjin	High-rise apartments, retail properties and parking spaces	70,633	216,760	216,760	100
East Fairyland	Beijing	High-rise apartments, retail properties and parking spaces	54,502	166,481	144,178	25
Xishan Yihaoyuan	Beijing	Mid-rise apartments, retail properties and parking spaces	190,665	400,697	335,679	35
Chongqing Olympic Garden	Chongqing	High-rise and mid-rise apartments, townhouses, detached villas, retail properties and parking spaces	1,727,668	2,473,589	2,027,845	100

Project	Location	Types of property products	Total site area (sq.m.)	Estimate Aggregate GFA (sq.m.)	Estimate Saleable/ rentable GFA (sq.m.)	Interest attributable to us (%)
Asia Pacific Enterprise Valley	Chongqing	High-rise apartments, retail properties and parking spaces	121,688	755,385	606,479	45
Swan Lake	Wuxi	High-rise and mid-rise apartments, townhouses, retail properties and parking spaces	733,889	1,303,613	1,216,975	100
Dream of City	Wuxi	High-rise and mid-rise apartments, townhouses, retail properties and parking spaces	570,182	1,014,043	927,119	100
Yixing project	Wuxi	High-rise apartments, townhouses, detached villas, retail properties and parking spaces	268,945	450,264	403,882	100
Suzhou 81	Suzhou	Townhouses, detached villas and retail properties	133,434	95,045	77,870	100
Total			**4,869,788**	**9,030,297**	**8,009,383**	

As of June 30, 2010, these projects comprised completed properties, properties under development and properties held for future development with a total site area of approximately 4,869,788 sq.m. and a total aggregate GFA of approximately 9,030,297 sq.m. As of June 30, 2010, the Group and associated project companies had sold and delivered an aggregate GFA of approximately 3,128,169 sq.m. and held a total amount of aggregate GFA that we have completed but have not sold or delivered and aggregate GFA that the Group and associated project companies are developing or plan to develop pursuant to the relevant land grant contracts or other approval documents of approximately 5,902,128 sq.m., comprising (i) a completed aggregate GFA of approximately 439,472 sq.m. held for sale or for investment, (ii) a planned aggregate GFA of approximately 1,530,926 sq.m. under development, and (iii) a planned aggregate GFA of approximately 3,931,730 sq.m. for future development.

(i) ***Completed properties:***

Project	Location	Aggregate GFA (sq.m.)	Saleable/ rentable GFA (sq.m.)	Aggregate GFA unsold/ held for investment (sq.m.)	Saleable/ rentable GFA unsold/ held for investment (sq.m.)
Magnetic Capital	Tianjin	928,328	873,041	206,092	193,819
Mind-Land International	Tianjin	574,624	554,646	48,673	46,981
Joy Downtown	Tianjin	56,615	55,960	13,978	13,978
East Fairyland	Beijing	143,947	125,523	6,131	5,346
Chongqing Olympic Garden	Chongqing	989,740	799,532	75,614	61,083
Asia Pacific Enterprise Valley	Chongqing	193,783	156,521	10,016	8,090
Swan Lake	Wuxi	484,977	443,716	59,457	54,399
Dream of City	Wuxi	195,628	191,097	19,511	19,059
Total		**3,567,641**	**3,200,037**	**439,472**	**402,753**

(ii) ***Properties under development:***

Project	Location	Aggregate GFA (sq.m.)	Estimate Saleable/ rentable GFA (sq.m.)	Estimate Saleable/ rentable GFA unsold/ held for investment (sq.m.)
Magnetic Capital	Tianjin	63,151	61,788	36,334
Mind-Land International	Tianjin	168,173	165,070	99,543
Central of Glorious	Tianjin	64,738	62,817	60,993
East Fairyland	Beijing	22,534	18,655	2,070
Xishan Yihaoyuan	Beijing	122,585	110,923	110,923
Chongqing Olympic Garden	Chongqing	403,213	342,309	142,244
Asia Pacific Enterprise Valley	Chongqing	234,886	189,824	94,024
Swan Lake	Wuxi	140,946	133,614	52,061
Dream of City	Wuxi	215,655	190,837	69,856
Suzhou 81	Suzhou	95,045	77,870	60,946
Total		**1,530,926**	**1,353,707**	**728,991**

(iii) Properties held for future development:

Project	Location	Estimate Aggregate GFA (sq.m.)	Estimate Saleable/ rentable GFA (sq.m.)
Magnetic Capital	Tianjin	252,450	247,467
Mind-Land International	Tianjin	46,341	31,806
Xingyeli project	Tianjin	216,760	216,760
Xishan Yihaoyuan	Beijing	278,112	224,756
Chongqing Olympic Garden	Chongqing	1,080,636	886,004
Asia Pacific Enterprise Valley	Chongqing	326,716	260,133
Swan Lake	Wuxi	677,690	639,645
Dream of City	Wuxi	602,760	545,185
Yixing project	Wuxi	450,264	403,882
Total		**3,931,730**	**3,455,639**

2 *Contracted Sales*

The Group and associated project companies achieved contracted sales of RMB3.87 billion which was equivalent to 388,804 sq.m. in GFA during the six months ended June 30, 2010 distributed in 10 Projects as follow:

Project	Location	Approximate GFA sold (sq.m.)	Approximate value (RMB thousands)
Magnetic Capital	Tianjin	48,189	754,980
Mind-Land International	Tianjin	39,540	531,770
Central of Glorious	Tianjin	2,736	74,190
Joy Downtown	Tianjin	969	12,390
East Fairyland	Beijing	6,936	150,510
Chongqing Olympic Garden	Chongqing	130,566	1,069,760
Asia Pacific Enterprise Valley	Chongqing	66,805	535,050
Swan Lake	Wuxi	37,112	368,050
Dream of City	Wuxi	51,885	319,550
Suzhou 81	Suzhou	4,066	50,680
Total		**388,804**	**3,866,930**

BUSINESS PROSPECTS

Review of the first half of 2010:

At the beginning of 2010, the Company expected that a number of adjustments would be made to the macro property policies in 2010 and the market would experience a certain degree of fluctuations and volatility thereafter. However, from a long-term prospect, the Company believed that the acceleration of urbanization would be the fundamental driver of ongoing growth of the real estate market in the PRC. Looking ahead, the urbanization in the PRC would follow a unique path in its development, providing a strong driving force for the speedy, balanced and sustainable development between the economy and the community through the clustering of cities as a major means and form of urbanization. The Company considered that the adjustments to the macro property policies would be favorable to the long-term and healthy development of the market. Accordingly, despite the market fluctuations caused by change in policies after April 2010, the Company is well-positioned and has sufficient working capital for the steady and sound development of the overall business of the Group.

At the same time, the Group has adopted a prudent and reasonable approach in expanding its land reserves. 1) On January 28, 2010, it successfully acquired the Yixing Dongjiu land parcel in Yixing occupying a GFA of 450,264 sq.m. by way of bidding, auction and listing at a land premium of RMB1,560 million. As at the date of this interim report, the consideration has been paid as to RMB1,170 million. 2) On March 12, 2010, it successfully acquired the Xingyeli land parcel in Tianjin occupying a GFA of 216,760 sq.m. by way of bidding, auction and listing at a land premium of RMB1,745.13 million. As at the date of this interim report, the consideration has been fully paid. 3) On March 11, 2010, it successfully acquired another 49% shares of Wuxi Sunac Real Estate Co., Ltd. by way of listing the transfer at a consideration of RMB608 million, which has been fully paid as at the date of this interim report, whereby its shareholding in such subsidiary was increased to 100% ("Wuxi Sunac Equity Acquisition"). 4) On February 6, 2010, it entered into an agreement relating to the primary land development of a land of about 938 hectares in Tianjin Tuanbohu with a gross GFA of approximately 800,000 sq. m. As at the date of this interim report, a primary land development fee of RMB50 million has been paid ("Tuanbohu Project"). 5) In addition, the Company is also in active negotiation with the other two shareholders of Chongqing Yuneng Sunac Real Estate Co., Ltd. to acquire the shares of such company. As at the date of this interim report, the Company has been negotiating with the other two shareholders in respect of the fundamental framework agreement to acquire 40% shares of such company and entered into, among others, a memorandum of negotiation with relevant parties ("Proposed Acquisition"). The acquisition of new land parcels, Wuxi Sunac Equity Acquisition, Tuanbohu Project and the Proposed Acquisition, if completed, are expected to provide strong support for the continuous and steady growth of the future operations of the Company.

Project operations and sales highlight

Under the backdrop of the adjustments made to the macro property policies, we still achieved our planned objectives for the first half of 2010. The Group's revenue from sales and sales contract value were RMB789.8 million and RMB3,181.4 million respectively for the first half of the year. Selling expenses and administrative expenses were also under good control. The proportions of the above expenses to sales contract value were 1.5% and 1.9% respectively, both lower than the proportions of 2.2% and 2.9% for the same period of 2009.

All our projects are located in various cities' prime areas and occupy rare resources, and target customers are high-income population in the cities, enabling the Company to operate in a stable manner and effectively withstand the risk arising from market fluctuation. Under the background of the adjustment to macro-policies in the first half of 2010, selling prices of our various projects have not been affected or have even increased, combining with the fact that selling prices increased in 2009, resulting in a substantial increase in the Company's gross profit for the six months ended June 30, 2010 as compared with the same period in 2009.

Due to the Company's strict and effective measures to control cost and expenses, the Company's net profit margin also increased substantially.

In addition, constructions of the Company's various projects have commenced as planned. As at June 30, 2010, the Group and associated project companies had newly completed a GFA of 100,400 sq. m. in 4 projects as scheduled, and will complete a GFA of 830.1 thousand sq. m. in 8 projects in the second half of 2010.

The Company will continue to put much effort on the stable expansion of its business operation, ensuring that rapid and solid development of the Company can be maintained under various market conditions.

Outlook for the second half of 2010:

We consider that the real estate market will continue to be subject to the impacts of the macro policies and their implementation but will take a steady trend in general. In this regard, the Company has formulated a set of long-term, progressive and prudent business and financial strategies as follows:

- **To strengthen and consolidate our position in the three major regions namely Bohai Rim, South Jiangsu and Chengdu-Chongqing and to further enhance our comparative strengths in Tianjin, Beijing, Chongqing, Wuxi and Suzhou.** We will prioritize the development of our existing projects and acquire new land parcels in such cities to develop new projects with an aim to become the leading real estate developer in various target cities, thereby capturing the opportunities from various cities with expected strong demand with an aim to increase our return on investments. We intend to continue to take a prudent approach and focus on business expansion in the existing target cities and will also carefully look into other cities with tremendous growth potentials.

- **To maintain quality land reserves through various channels in a prudent manner.** We will continue to negotiate for the acquisition of the 40% shares of Chongqing Yuneng Sunac Real Estate Co., Ltd. and take a prudent approach to continue our land requisition at reasonable costs. Meanwhile, the Company is now collecting, tracking and negotiating for related land information in the existing areas. We plan to use existing capital and proceeds raised from the listing to acquire new land.

- **To continue to focus on providing high quality products and services to mid-to-high income customers.** We intend to further enhance our core competence in various aspects of our property development segment. Based on our understanding of the needs of mid-to-high income target customers, we will emphasize on design, impose strict control on work flow and product standards and carefully go through the details so as to enhance our product quality and standard of services in all aspects from real estate planning and design, development and construction, sales and marketing to property management.

- **To further enhance our brand recognition and brand influence on mid-to-high income target customers.** We intend to continue to promote our brand name by focusing on quality and innovation, providing good after-sales and property management services, and engaging in marketing initiatives, so as to continue to enhance the recognition of and loyalty to our "Sunac" corporate brand among existing and potential customers. To reflect our brand value and spirit, we have set our brand positioning as "Passion For Perfection" (至臻，致遠). We also plan to enhance our brand and image through establishing landmark projects in our target cities.

- **To continue to strengthen corporate governance, internal control, cashflow management, and human resources management.** We will (1) continue to adopt best practices and industry standards for corporate governance and internal control, and to continue to draw on our senior management's expertise and experience to facilitate our operations. We have engaged Protiviti Shanghai Co., Ltd., a third-party internal control advisor specializing in risk advisory and internal control related services for at least 18 months after listing, to continually review and enhance our internal control system; (2) further reinforce our internal management by revamping our corporate management software and implementing a group-wide enterprise resource planning (ERP) system in order to enhance the effectiveness and standardization of our operational management systems. We aim to enhance our overall financial and cost control while preserving flexibility and efficiency at project level; (3) strictly monitor our cash flow position by remaining cautious in our decision making with respect to operations and investment. We will also carefully manage our financing position and our proceeds from pre-sales to maintain an adequate liquidity level and to explore a range of financing sources to maintain the availability of low-cost capital; and (4) refine our internal evaluation and reward system to promote professionalism, initiative and team spirit among our employees. We intend to also continue to actively recruit new talent to optimize our human resources and enhance the competitiveness of our workforce.

EMPLOYEE AND REMUNERATION POLICY

As at June 30, 2010, the Group had a total of 1,856 employees in Hong Kong and the PRC. For the six-month period ended June 30, 2010, the staff cost of the Group was approximately RMB31 million.

The employees' remuneration policy is determined by reference to factors such as remuneration information in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and performance of the employees. The Group conducts performance appraisal once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered for the entitlement of annual bonus according to certain performance conditions and appraisal results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff.

To attract and maintain talents, eligible participants (including employees of the Group) may be granted options to subscribe for shares of the Company pursuant to the employees' share award scheme adopted on September 9, 2010, details of which are disclosed on page 84 of this interim report. In addition, the pre-IPO share option scheme adopted by the Company on September 9, 2010 also serves to provide incentives for, among others, our employees to work with commitment for the Company, details of which are disclosed from page 81 to page 84 of this interim report. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the six-month period ended June 30, 2010.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

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

We have audited the consolidated interim financial statements of Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 20 to 79, which comprise the consolidated interim balance sheet as at June 30, 2010, and the consolidated interim income statement, the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the six months ended June 30, 2010, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated interim financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements 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.

Auditor's responsibility

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

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

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

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

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the consolidated interim financial statements give a true and fair view of the state of the Group's affairs as at June 30, 2010 and of its profit and cash flows for the six months ended June 30, 2010 in accordance with Hong Kong Financial Reporting Standards.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, October 19, 2010

Consolidated Interim Balance Sheet

As at June 30, 2010

		As at	
	Note	June 30, 2010 RMB'000	December 31, 2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	13,055	8,863
Investment properties	8	583,500	583,500
Intangible assets	9	311,848	282,061
Investment in jointly controlled entities	10	153,611	128,712
Investment in associates	11	552,697	511,392
Available-for-sale financial assets	12	2,791	800
Deferred income tax assets	13	65,061	53,734
		1,682,563	1,569,062
Current assets			
Properties under development	14	6,956,110	4,495,379
Completed properties held for sale	15	1,087,716	1,312,832
Amounts due from related parties	39(d)	65,386	109,446
Other receivables	16	588,361	294,524
Restricted cash	17	1,072,689	512,134
Cash and cash equivalents	18	1,747,340	1,423,832
		11,517,602	8,148,147
Total assets		13,200,165	9,717,209
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	19	1,762	1,762
Other reserves	20	44,630	121,245
Retained earnings		1,215,656	1,247,758
		1,262,048	1,370,765
Non-controlling interests		–	500,343
Total equity		1,262,048	1,871,108

	Note	As at June 30, 2010 RMB'000	December 31, 2009 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	3,757,533	1,994,390
Long-term payable		111,546	107,335
Deferred income tax liabilities	13	199,711	215,941
		4,068,790	2,317,666
Current liabilities			
Trade and other payables	21	2,706,893	2,188,202
Advanced proceeds from customers		4,098,630	2,456,477
Borrowings	22	859,069	676,964
Current income tax liabilities		204,735	206,792
		7,869,327	5,528,435
Total liabilities		11,938,117	7,846,101
Total equity and liabilities		13,200,165	9,717,209
Net current assets		3,671,372	2,619,712
Total assets less current liabilities		5,353,935	4,188,774

The notes on pages 26 to 79 are an integral part of these consolidated interim financial statements.

The consolidated interim financial statements on pages 20 to 79 were authorised for issue by the board of directors on October 19, 2010 and were signed on its behalf by:

Sun Hongbin
Director

Wang Mengde
Director

Consolidated Interim Income Statement

For the six months ended June 30, 2010

	Note	Six months ended June 30, 2010 RMB'000	2009 RMB'000
Revenue	23	789,793	728,286
Cost of sales	25	(394,747)	(465,451)
Gross profit		395,046	262,835
Gain from fair value of investment properties, net	24	–	50,655
Selling and marketing costs	25	(48,526)	(32,377)
Administrative expenses	25	(59,455)	(42,001)
Other income	27	19,309	23,098
Other expenses	28	(770)	(9,045)
Operating profit		305,604	253,165
Finance costs, net	31	(70,228)	(58,804)
Share of profit of jointly controlled entities	10	24,899	22,456
Share of profit/(loss) of associates	11	41,305	(21,940)
Profit before income tax		301,580	194,877
Income tax expenses	32	(111,645)	(84,291)
Profit for the period		189,935	110,586
Attributable to:			
Equity holders of the Company		191,105	117,137
Non-controlling interests		(1,170)	(6,551)
		189,935	110,586
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	33	9.56	5.86
Dividends	34	191,182	–

The notes on pages 26 to 79 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Comprehensive Income

For the six month ended June 30, 2010

		Six months ended June 30,	
	Note	2010 RMB'000	2009 RMB'000
Profit for the period		189,935	110,586
Gain or loss recognised directly in equity			
– (Loss)/gain from fair value of available-for-sale financial assets	12	(209)	680
Total comprehensive income		189,726	111,266
Attributable to:			
Equity holders of the Company		189,726	117,749
Non-controlling interests		–	(6,483)
		189,726	111,266

The notes on pages 26 to 79 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Change in Equity

For the six month ended June 30, 2010

	Attributable to equity holders of the Company					
	Ordinary shares RMB'000 (Note 19)	Other reserves RMB'000 (Note 20)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2010	**1,762**	**121,245**	**1,247,758**	**1,370,765**	**500,343**	**1,871,108**
Profit for the period	**–**	**–**	**191,105**	**191,105**	**(1,170)**	**189,935**
Acquisition of non-controlling interests	**–**	**(108,827)**	**–**	**(108,827)**	**(499,173)**	**(608,000)**
Change in fair value	**–**	**(209)**	**–**	**(209)**	**–**	**(209)**
Dividends	**–**	**–**	**(191,182)**	**(191,182)**	**–**	**(191,182)**
Profit appropriation-statutory surplus reserve	**–**	**32,025**	**(32,025)**	**–**	**–**	**–**
Others	**–**	**396**	**–**	**396**	**–**	**396**
At June 30, 2010	**1,762**	**44,630**	**1,215,656**	**1,262,048**	**–**	**1,262,048**
At January 1, 2009	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

The notes on pages 26 to 79 are an integral part of these consolidated interim financial statements.

Consolidated Interim Statement of Cash Flows

For the six month ended June 30, 2010

		Six months ended June 30,	
		2010	2009
	Note	RMB'000	RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	35	(110,724)	583,765
PRC income tax paid		(169,568)	(102,467)
Net cash (used in)/generated from operating activities		(280,292)	481,298
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	38	6,127	–
Investment in an associate	11	–	(293,060)
Purchase of property, plant and equipment ("PPE")		(5,580)	(804)
Proceeds from disposal of PPE		894	662
Purchase of financial assets	12	(3,000)	–
Proceeds from disposals of financial assets		813	366
Net cash used in investing activities		(746)	(292,836)
Cash flows from financing activities			
Borrowings obtained		2,862,814	340,000
Repayments of borrowings		(917,566)	(597,097)
Guarantee deposits for bank borrowings		(560,555)	(76,457)
Payment for acquiring non-controlling interests		(518,737)	(121,965)
Payment of dividends		(191,182)	–
Interest paid		(70,228)	(58,803)
Net cash generated from/(used in) financing activities		604,546	(514,322)
Net increase/(decrease) in cash and equivalents		323,508	(325,860)
Cash and cash equivalents at beginning of period		1,423,832	639,077
Cash and cash equivalents at end of period		1,747,340	313,217

The notes on pages 26 to 79 are an integral part of these consolidated interim financial statements.

1 General Information

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

The Company was incorporated in the Cayman Islands on 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 its principal place of business is Landmark Square, 3rd Floor, 64 Earth Close, P.O. Box 30592, Grand Cayman KY1-1203.

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

The consolidated interim financial statements are presented in thousands of units of Renminbi ("RMB'000") unless otherwise stated.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below.

2.1 Basis of preparation

The consolidated interim financial statements of the Company 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 consolidated interim financial statements are disclosed in Note 4.

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

The Group has adopted the following new and amended HKFRS

HKFRS (Amendments)	Improvements to HKFRS issued in 2008 for the amendment to HKFRS 5
HKFRS (Amendments)	Improvements to HKFRS issued in 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HKFRS 1 (Revised)	First-time adoption of HKFRS
HKFRS 1 (Amendments)	First-time adoption of HKFRS – Additional Exemptions for First-time adopters
HKFRS 2 (Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combination
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

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

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

HKFRS (Amendments)	Improvements to HKFRS issued in 2010
HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of Rights Issues
HKFRS 1 (Amendments)	First-time adoption of HKFRS – Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 9	Financial Instruments
HK(IFRIC) – Int 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their interaction – Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related party disclosures (effective for annual periods beginning on or after 1 January 2011)
HKAS 28 (Amendment)	Investment in associates (effective for annual periods beginning on or after 1 July 2010)

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.

2 Summary of Significant Accounting Policies (continued)

2.2 Consolidation

(a) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated balance sheets, consolidated income statements, statements of comprehensive income and statements of change in equity respectively.

In the Company's balance sheet the investments in subsidiaries are accounted for at cost less provision for impairment losses (Note 2.10). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Jointly controlled entities

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

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

2 Summary of Significant Accounting Policies (continued)

2.2 Consolidation (continued)

(c) 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.

(d) Transaction with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity holders of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interest in subsidiaries. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Group.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associates, jointly controlled entity or finance asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are classified to profit or loss.

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

2 Summary of Significant Accounting Policies (continued)

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

The consolidated interim financial statements are presented in thousands Renminbi unless otherwise stated.

(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 group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

2.5 Business combinations

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

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

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

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

2.6 Property, plant and equipment

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

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

2 Summary of Significant Accounting Policies (continued)

2.6 Property, plant and equipment (continued)

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

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

2.7 Investment properties

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

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

2 Summary of Significant Accounting Policies (continued)

2.7 Investment properties (continued)

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

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

2.8 Intangible assets

(a) Goodwill

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

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

(b) Trademark

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

2.9 Land use rights

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

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

2.11 Properties under development

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

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

2.12 Completed properties held for sale

Completed properties remaining unsold 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 Summary of Significant Accounting Policies (continued)

2.13 Financial assets

2.13.1 Classification

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 determines the classification of the 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 investment matures or management intends to dispose of it within twelve months of the reporting period.

2.13.2 Recognition and measurement

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

2 Summary of Significant Accounting Policies (continued)

2.13 Financial assets (continued)

2.13.2 Recognition and measurement (continued)

Gains or losses arising from changes in the fair value of 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 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.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business.

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 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 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.

2.15 Restricted cash

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

2 Summary of Significant Accounting Policies (continued)

2.16 Cash and cash equivalents

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

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.19 Borrowings

Borrowings are initially recognised 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 Summary of Significant Accounting Policies (continued)

2.20 Current and deferred income tax

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

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

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

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

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

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

2.21 Employee benefits

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

2 Summary of Significant Accounting Policies (continued)

2.21 Employee benefits (continued)

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.

2.22 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 Summary of Significant Accounting Policies (continued)

2.23 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.

(b) *Rental income*

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

(c) *Service income*

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

(d) *Interest income*

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

(e) *Government grants*

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

Government grants relating to costs are deferred and recognised in the income statement over the 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 Summary of Significant Accounting Policies (continued)

2.23 Revenue recognition (continued)

(f) Dividend income

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

2.24 Leases

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

(a) The Group is the lessee

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

2.25 Dividend distribution

Dividend distributions to the equity holders of the Company are recognised in this report in the period in which the dividends are approved by the equity holders or the board of directors.

2.26 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.

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 Financial Risk Management

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, 2010, 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 the six months ended June 30, 2010, the Group's borrowings were all denominated in Renminbi (six months ended June 30, 2009: Renminbi).

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

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

	Floating rates			Fixed rates			Total
RMB 'million	Less than 12 months	1 to 5 years	Sub-total	Less than 12 months	1 to 5 years	Sub-total	
Borrowings							
At June 30, 2010	341	2,355	2,696	518	1,403	1,921	4,617
At December 31, 2009	413	1,239	1,652	264	755	1,019	2,671

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

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

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

At June 30, 2010, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, profit for the period would have been lower/higher by RMB13.9 million.

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

(iii) Price risk

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

In the opinion of the Directors, the Group's exposure to price risk with regard to its investments is not significant since it is the Group's policy not to invest significant amounts that might have a detrimental impact to the Group's financial results. 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 was granted to it customers.

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

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

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

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

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 June 30, 2010				
Borrowings	859	1,303	2,455	4,617
Trade and other payables	2,707	–	–	2,707
At December 31, 2009				
Borrowings	677	1,276	718	2,671
Trade and other payables	2,188	–	–	2,188

3 Financial Risk Management (continued)

3.2 Capital risk management

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

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

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

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

The Group's general strategy is to maintain a gearing ratio of about 60% – 75% or less. The gearing ratios of the Group as at June 30, 2010 and December 31, 2009 were as follows:

	As at	
	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Total borrowings *(Note 22)*	4,616,602	2,671,354
Restricted cash *(Note 17)*	(1,072,689)	(512,134)
Cash and cash equivalents *(Note 18)*	(1,747,340)	(1,423,832)
Net debts	1,796,573	735,388
Total equity	1,262,048	1,871,108
Total capital	3,058,621	2,606,496
Gearing ratio	59%	28%

4 Fair Value Estimation

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

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

The nominal value less impairment provisions of 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 recognise sales upon delivery of properties. Cost of sales including construction costs specific to the phases and common costs allocable to the phases are calculated based on management best estimation of the total development costs for the whole project and the allocation to each phase at the time when the properties are delivered.

5.2 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 Critical Accounting Estimates and Judgements (continued)

5.3 PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, since the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to its understanding of the interpretation of tax rules by various tax authorities. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income taxes and deferred income tax provisions in the 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 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

6 Segment Information

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

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

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

	Six months ended June 30, 2010		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
Segment revenue	776,418	13,375	789,793
Cost of sales	(382,404)	(12,343)	(394,747)
Segment results	394,014	1,032	395,046
Unallocated income/(expenses):			
– Selling and marketing costs			(48,526)
– Administrative expenses			(59,455)
– Other income			19,309
– Other expenses			(770)
– Finance costs			(70,228)
– Share of profit of joint controlled entities			24,899
– Share of profit of associates			41,305
Profit before income tax			301,580

6 Segment Information (continued)

	Six months ended June 30, 2009		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
Segment revenue	728,286	–	728,286
Cost of sales	(465,451)	–	(465,451)
Segment results	262,835	–	262,835
Unallocated income/(expenses):			
– Gain from fair value of investment properties			50,655
– Selling and marketing costs			(32,377)
– Administrative expenses			(42,001)
– Other income			23,098
– Other expenses			(9,045)
– Finance costs			(58,804)
– Share of profit of joint controlled entities			22,456
– Share of (loss) of associates			(21,940)
Profit before income tax			194,877

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, 2010				
Costs	15,836	9,930	1,576	27,342
Accumulated depreciation	(9,339)	(8,399)	(741)	(18,479)
Net book amount	6,497	1,531	835	8,863
Six months ended June 30, 2010				
Opening net book amount	6,497	1,531	835	8,863
Additions	3,627	2,050	300	5,977
Acquisition of subsidiaries	–	632	330	962
Disposals	(467)	(38)	–	(505)
Depreciation	(1,140)	(733)	(369)	(2,242)
Closing net book amount	8,517	3,442	1,096	13,055
At June 30, 2010				
Cost	17,492	12,352	1,471	31,315
Accumulated depreciation	(8,975)	(8,910)	(375)	(18,260)
Net book amount	8,517	3,442	1,096	13,055
At January 1, 2009				
Costs	18,185	11,065	2,308	31,558
Accumulated depreciation	(10,293)	(7,875)	(735)	(18,903)
Net book amount	7,892	3,190	1,573	12,655
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

7 Property, Plant and Equipment ("PPE") (continued)

Depreciation charges of the Group for each of the six months periods ended June 30, 2010 and June 30, 2009 were expensed in selling and administrative expenses in the consolidated interim income statements.

8 Investment Properties

	Six months ended June 30,	
	2010 RMB'000	2009 RMB'000
At beginning of period	583,500	433,000
Transfer to completed properties held for sale	–	93,845
Gain from fair value measurement (Note 24)	–	50,655
At end of period	583,500	577,500

The following amounts have been recognised in the income statement:

	Six months ended June 30,	
	2010 RMB'000	2009 RMB'000
Rental income (Note 23)	9,538	8,274

The investment properties were revalued as at June 30, 2010 by an independent professional valuer, DTZ Debenham Tie Leung Ltd. (as at December 31, 2009: DTZ Debenham Tie Leung Ltd.) The 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:

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	583,500	583,500

8 Investment Properties (continued)

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

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Within 1 year	15,334	14,640
Later than 1 year but no later than 5 years	82,696	62,830
Later than 5 years	155,855	178,437
	253,885	255,907

As at June 30, 2010, certain investment properties with balance totalling RMB203 million were pledged as collaterals for the Group's borrowings (as at December 31, 2009: RMB154 million) (Note 22).

9 Intangible Assets

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Goodwill (Note a)	291,023	258,261
Trademark (Note b)	20,825	23,800
	311,848	282,061

(a) Goodwill

	Six months ended June 30,	
	2010 RMB'000	2009 RMB'000
Beginning of period	258,261	258,261
Acquisition of subsidiaries	32,762	–
End of period	291,023	258,261

9 Intangible Assets (continued)

(a) Goodwill (continued)

The goodwill addition during the six months ended June 30, 2010 arose from the acquisition of the subsidiary namely Tianjin Sunac Property Management Co., Ltd ("Sunac Property Management) on March 20, 2010. The goodwill is mainly attributable to the future appreciation of the properties from the value added services provided by current management team in Tianjin Sunac Property Management Co., Ltd. (Note 38).

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

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Chongqing Olympic Garden Real Estate Development Co., Ltd. ("Chongqing OG")	48,308	48,308
Wuxi Sunac Real Estate Co., Ltd. ("Wuxi Sunac Real Estate")	85,708	85,708
Wuxi Sunac City Construction Co., Ltd. ("Wuxi Sunac City")	124,245	124,245
Sunac Property Management	32,762	–
	291,023	258,261

The discount rate of 15% was used for the analysis of each cash-generating unit in the operating entities as at June 30, 2010 (as at December 31, 2009: 13%).

9 Intangible Assets (continued)

(b) Trademark

Trademark represents the cost of the right for Chongqing OG to use the name "Olympic Garden", which was acquired from China Sports Industry Group Co., Ltd. on 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
Six months ended June 30, 2010	
Cost	
At January 1, 2010	58,136
Amortisation	
As at January 1, 2010	(34,336)
Charged for the period	(2,975)
At June 30, 2010	(37,311)
Net book value	
At June 30, 2010	20,825
Six months ended June 30, 2009	
Cost	
At January 1, 2009	58,136
Amortisation	
At January 1, 2009	(28,386)
Charged for the period	(2,975)
At June 30, 2009	(31,361)
Net book value	
At June 30, 2009	26,775

10 Investment in Jointly Controlled Entities

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Equity investment in jointly controlled entities	153,611	128,712

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

	Six months ended June 30,	
	2010 RMB'000	2009 RMB'000
Beginning of period	128,712	47,093
Share of profit	24,899	22,456
End of period	153,611	69,549

As at June 30, 2010, the Group has 45% equity interest in an unlisted PRC entity, Chongqing Yuneng Sunac Real Estate Co., Ltd. ("Chongqing Yuneng") (As at December 31, 2009: 45%). Chongqing Yuneng has a 99% equity interest in another unlisted PRC entity, Chongqing Shangshan Real Estate Co., Ltd. ("Chongqing Shangshan"). The Group share joint control over Chongqing Yuneng with the other investors.

Investment in jointly controlled entities as at June 30, 2010 includes goodwill of RMB14.1 million (as at December 31, 2009: 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 as at June 30, 2010 (as at December 31, 2009: nil).

The Group's interests in Chongqing Yuneng for the six months ended June 30, 2010 are as follows:

	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Profit/(loss) RMB'000	Interest %
Chongqing Yuneng	PRC	630,236	496,094	167,833	24,930	45
Chongqing Shangshan	PRC	36,447	28,201	–	(31)	44.55

11 Investment in Associates

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Equity investment in associates	259,637	218,332
Entrusted loan to an associate (Note (a))	293,060	293,060
	552,697	511,392

Note:

(a) On December 4, 2008, the Group's subsidiary, Tianjin Sunac Zhidi Co., Ltd. ("Sunac Zhidi") entered into an agreement with the third party investor of Shougang Sunac, Beijing Shougang Real Estate Development Co., Ltd. ("Beijing Shougang Real Estate"), about investment in a new property project named Xishan Yihaoyuan in Shougang Sunac. According to the agreement, the funds are provided by Sunac Zhidi and Beijing Shougang Real Estate in form of loans to Shougang Sunac at the ratio of 20% and 80% respectively. It was also agreed that from the commencement of Xishan Yihaoyuan project, 65% and 35% of the net profits from the project are attributable to Beijing Shougang Real Estate and Sunac Zhidi respectively. Up to June 30, 2010, no revenue was accounted for on Xishan Yihaoyuan project.

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

	Six months ended June 30, 2010 RMB'000	2009 RMB'000
Beginning of period	218,332	53,389
Share of profit/(loss)	41,305	(21,940)
End of period	259,637	31,449

As at June 30, 2010, the Group has 50% equity interests in an unlisted PRC entity, Beijing Shougang Sunac Real Estate Development Co., Ltd. ("Shougang Sunac"). Shougang Sunac is treated as an associate of the Group because the other equity holder of Shougang Sunac has the casting vote at board meetings in the event that the Directors of Shougang Sunac cannot reach a majority decision. Shougang Sunac has a wholly owned subsidiary namely Beijing Shouchi Yuda Real Estate Development Co., Ltd. ("Shouchi Yuda").

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

11 Investment in Associates (continued)

On January 19, 2010, Sunco Land brought an arbitration against Sunac Zhidi on the sales and purchase agreement in connection with the acquisition. Sunco Land claims for RMB161,152,000 as 50% of the Group's share of the profit from the East Fairyland project to be paid to Sunco Land and other claims aggregated approximately RMB3,530,000. Such amount is based on Sunco Land's own estimation. The Company estimated that the amount of the dividends distributable to from the entire East Fairyland project to Sunco Land, when the project is completed, will be approximately RMB135,000,000, the present value of which has already been provided in the consolidated balance sheet since the acquisition date. The Company considers that, with support of a legal opinion, it is obliged to pay Sunco Land before Shougang Sunac declares and pays dividends. As such, the Company is of the view that no additional provision is required in responding the arbitration claim from Sunco Land. On September 13, 2010, Sunco Land completed the withdrawal of the arbitration claims, and Sunac Zhidi and Sunco Land are currently seeking to resolve the disputes with the mediation support of a working group of the Tianjin Municipality. Our Controlling Shareholders have agreed to indemnify us against any amount paid or payable by us in excess of 25% of the distributable net profit from the East Fairyland project.

Investment in associates as at June 30, 2010 includes goodwill of RMB7.4 million. (as at December 31, 2009: RMB7.4 million).

The Group's interests in its associates for the six months ended June 30, 2010 are as follows:

	Country of incorporation	**Assets**	**Liabilities**	**Revenue**	**(Loss)/ profit**	**Interest**
		RMB'000	RMB'000	RMB'000	RMB'000	%
Shougang Sunac	PRC	811,670	813,609	–	(8,661)	35
Shouchi Yuda	PRC	592,471	350,416	135,982	49,966	50

12 Available-for-aale Financial Assets

	June 30, 2010	December 31, 2009
	RMB'000	RMB'000
Beginning of period	**800**	1,773
Subscription	**3,000**	1,600
Redemption	**(800)**	(2,938)
Change in fair value	**(209)**	365
End of period	**2,791**	800

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

13 Deferred Income Tax

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Deferred income tax assets recoverable:		
– within 12 months	11,251	20,086
– after 12 months	53,810	33,648
	65,061	53,734
Deferred income tax liabilities to be settled:		
– within 12 months	184,972	39,096
– after 12 months	14,739	176,845
	199,711	215,941

(a) Deferred income tax assets

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

	Deferred deductible expenses RMB'000	Tax loss RMB'000	Total RMB'000
For the six months ended June 30, 2010			
At January 1, 2010	33,529	20,205	53,734
(Charged)/credited to the income statement	(1,523)	12,850	11,327
At June 30, 2010	32,006	33,055	65,061
For the six months ended June 30, 2009			
At January 1, 2009	29,738	22,637	52,375
(Charged)/credited to the income statement	(1,394)	11,704	10,310
At June 30, 2009	28,344	34,341	62,685

13 Deferred Income Tax (continued)

(b) Deferred income tax liabilities

	Fair value on properties under development on acquisitions RMB'000	Assets fair value surplus on acquisitions RMB'000	Others RMB'000	Total RMB'000
At 31 December 2009	141,988	23,741	50,212	215,941
(Charged)/credited to the income statement	(1,323)	285	5,974	4,936
Payment	–	–	(23,098)	(23,098)
Acquisition of subsidiary *(Note 38)*	–	1,932	–	1,932
At 30 June 2010	140,665	25,958	33,088	199,711
At January 1, 2009	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

14 Properties Under Development

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Comprising:		
Land use rights	4,207,518	3,022,612
Construction costs	2,629,183	1,421,399
Capitalised financial costs	119,409	51,368
	6,956,110	4,495,379

The properties under development are all located in the PRC.

As at June 30, 2010, certain properties under development with balances totalling RMB3,074 million were pledged as collaterals for the Group's borrowings (as at December 31, 2009: RMB1,459 million) (Note 22).

15 Completed Properties Held For Sale

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Completed properties held for sale	1,087,716	1,312,832

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

As at June 30, 2010, certain completed properties held for sale with balances totalling RMB369 million were pledged as collaterals for the Group's borrowings (as at December 31, 2009: RMB408 million) (Note 22).

As at June 30, 2010, the Group is in the process of applying for the ownership certificate in respect of the completed car parks of RMB280 million. The Directors consider that the title of car parks will be obtained in due course upon the completion of certain procedures in 2012 with no additional cost to the Group.

16 Other Receivables

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Prepaid taxes	336,799	189,431
Prepayment for property projects	197,820	31,702
Deposits for guarantee to customers' bank loans	25,186	33,488
Others	28,556	39,903
	588,361	294,524

As at June 30, 2010 and December 31, 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 are to be released when the bank loans are repaid.

18 Cash and Cash Equivalents

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Cash at bank and in hand		
– Denominated in RMB	1,742,859	1,418,164
– Denominated in USD	2,797	3,312
– Denominated in HKD	1,684	2,356
	1,747,340	1,423,832

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies-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.

The Group earns interest on cash at bank, at floating bank deposit rates.

19 Share Capital

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares** RMB
Authorised:			
Ordinary shares of HK$0.1 each			
As at December 31, 2009 and June 30, 2010	10,000,000,000	HK$1,000,000,000	
Issued:			
Ordinary shares of HK$0.1 each			
As at December 31, 2009 and June 30, 2010	20,000,000	HK$2,000,000	1,761,800

19 Share Capital (continued)

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

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

The total number of shares upon the completion of the aforesaid capitalization and global offering is 3,000,000,000 shares of HK$0.1 each.

On September 9, 2010 (the "Adoption Date"), the Company adopted the Pre-IPO Share Option Scheme and the Employees' Share Award Scheme whereby:

(i) under the Pre-IPO Share Option Scheme, the Company has conditionally granted to 121 grantees options to subscribe for up to 51,080,000 Shares. Such options will vest in accordance with the following schedule: 30% upon the first anniversary of the Adoption Date, an additional 30% upon the second anniversary and an additional 40% upon the third anniversary. Subject to certain terms and conditions, a grantee may exercise any vested portion of his or her options prior to the end of a period of four years from the Adoption Date, at a subscription price per Share equal to 80% of the Offer Price; and

(ii) under the Employees' Share Award Scheme, the Company has granted to the Scheme Trustee the Trustee Option to subscribe for up to 10,144,000 Shares ("Option Shares"), and the Scheme Trustee will, upon the Company's request, award selected employees the rights to acquire Option Shares from the Scheme Trustee ("Awards") at a subscription price equal to 80% of the Offer Price. These Awards may be granted at any time during a period of three years commencing on the first anniversary of the Adoption Date (the "First Grant Date"), subject to the following annual caps: 30% during the first year from the First Grant Date, an additional 30% during the second year from the First Grant Date and the balance during the third year from the First Grant Date. Such Awards shall vest in accordance with the following schedule: 30% upon the first anniversary of the Adoption Date, an additional 30% upon the second anniversary of the Adoption Date and an additional 40% upon the third anniversary of the Adoption Date. Subject to certain terms and conditions, a selected employee may exercise any vested portion of his or her Awards (other than Final Awards (as defined below)) prior to the end of a period of 47 months from the Adoption Date. Upon the exercise of the Awards by the selected employees to acquire a certain number of Option Shares, the Scheme Trustee will exercise the Trustee Option (in part or in full) to require us to issue and allot such Option Shares. However, if there is any Award granted but not exercised by the end of 47 months from the Adoption Date ("Award Balance"), the Company may instruct the Scheme Trustee to re-grant such amount of Award(s) not exceeding the Award Balance ("Final Awards") to any employees selected by us within one month preceding the fourth anniversary of the Adoption Date (i.e., the 48th month from the Adoption Date) in accordance with the terms of the Employees' Share Award Scheme.

20 Other Reserves

	Note	Other reserves RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Financial guarantee reserve (Note 37(b)) RMB'000	Total RMB'000
For the six months ended June 30, 2010						
At January 1, 2010		1,393,432	(1,423,109)	151,271	(349)	121,245
Acquisition of non-controlling interests	(a)	(108,827)	–	–	–	(108,827)
Change in fair value		(209)	–	–	–	(209)
Transfer		–	–	32,025	–	32,025
Others		396	–	–	–	396
At June 30, 2010		1,284,792	(1,423,109)	183,296	(349)	44,630
For the six months ended June 30, 2009						
At January 1, 2009		1,387,107	(1,423,109)	151,271	(349)	114,920
Change in fair value		612	–	–	–	612
At June 30, 2009		1,387,719	(1,423,109)	151,271	(349)	115,532

Note:

(a) Other reserves

On March 11, 2010, Sunac Zhidi acquired the outstanding 49% equity interest of Wuxi Sunac Real Estate owned by third party non-controlling investor at a consideration of RMB608 million. According to the related Group's accounting policy as disclosed in note 2.2(d), the difference between the consideration and the carrying value of the non-controlling interest is recorded as a change in equity.

(b) Statutory reserves

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

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

20 Other Reserves (continued)

(b) Statutory reserves (continued)

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.

Those PRC entities of the Group directly owned by the Group's entities outside the PRC are required, in accordance with relevant rules and regulations concerning foreign investment enterprise established in the PRC and the revised Articles of Association of these companies, to make appropriations from net profit to the reserve fund and staff and workers' bonus and welfare fund, after offsetting accumulated losses from prior year, and before profit distributions are made to investors. The percentage of profits to be appropriated to the above funds is solely determined by the board of directors of the PRC entities now comprising the Group. For those which are wholly foreign owned enterprises in the PRC, no less than 10% of the profit of each year to the reserve fund is mandatory. The appropriation of the statutory reserve ceases when the accumulated statutory reserve balance reaches 50% of their registered capital.

21 Trade and Other Payables

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Trade payables (Note (a))	1,176,816	1,208,498
Notes payable	857,000	362,222
Other payables	228,665	252,134
Payroll and welfare payables	6,311	16,979
Other taxes payable	438,101	348,369
	2,706,893	2,188,202

Note (a):

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

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Within 90 days	559,327	683,415
90-180 days	47,521	10,830
180-365 days	76,313	80,551
Over 365 days	493,655	433,702
	1,176,816	1,208,498

22 Borrowings

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Non-current		
Secured, borrowed from:		
– Banks (note (i))	3,719,813	2,071,873
– Other financial institutions (note (i))	369,620	333,620
Less: Current portion of long-term borrowings	(331,900)	(411,103)
	3,757,533	1,994,390
Current		
Secured, borrowed from banks	381,169	100,000
Unsecured, borrowed from:		
– Other financial institutions	146,000	46,000
– Third parties	–	119,861
Current portion of long-term borrowings	331,900	411,103
	859,069	676,964
	4,616,602	2,671,354

Note:

(i) As at June 30, 2010, the Group's borrowings from banks and other financial institutions of RMB4,471 million were jointly secured by the Group's certain properties amounting RMB5,916million (As at December 31, 2009, borrowings of RMB2,505 were jointly secured by properties amounting RMB2,021 million. (Note 8, Note 14 and Note 15)

(a) Long-term borrowings

The Group's borrowings as at June 30, 2010 were repayable as follows:

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Within 1 year	331,900	411,103
Between 1 and 2 years	1,302,620	1,275,590
Between 2 and 5 years	2,454,913	718,800
	4,089,433	2,405,493

The weighted average effective interest rates for the six months ended June 30, 2010 was 6.99% (the six months ended June 30, 2009: 6.70%).

22 Borrowings (continued)

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

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
6 months or less	1,342,369	803,103
6 -12 months	1,353,613	848,800
	2,695,982	1,651,903

(c) As at June 30, 2010, the Group had the following committed undrawn banking facilities:

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
– Expiring within one year	1,228,000	2,568,647
– Expiring beyond one year	–	150,000
	1,228,000	2,718,647

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

23 Revenue

	Six months ended June 30, 2010 RMB'000	2009 RMB'000
Sales of properties	766,880	720,012
Rental income	9,538	8,274
Property management service income	13,375	–
	789,793	728,286

24 Gain/(loss) from Fair Value of Investment Properties, Net

	Six months ended June 30, 2010 RMB'000	2009 RMB'000
Fair value gains	–	56,882
Fair value losses	–	(6,227)
	–	50,655

25 Expenses by Nature

	Six months ended June 30, 2010 RMB'000	2009 RMB'000
Cost of properties sold:		
– Land use rights costs	79,132	114,297
– Construction costs	238,573	273,176
– Capitalised interest	22,173	36,226
– Business tax *(Note 26)*	41,983	39,810
– Other costs	12,886	1,942
Employee benefit expenses *(Note 29)*	24,267	22,200
Advertisement and promotion costs	33,826	19,641
Office and travel expenses	11,950	6,034
Other tax expenses	10,459	8,144
Impairment provision for car parks	7,000	–
Depreciation and other amortisation	5,217	5,321
Entertainment expense	4,624	3,843
Consulting expenses	5,175	1,720
Others	5,463	7,475
Total cost of sales, selling and marketing costs and administrative expenses	502,728	539,829

26 Business Tax

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

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

27 Other Income

	Six months ended June 30, 2010 RMB'000	2009 RMB'000
Investment income	11,574	16,631
Government grants	–	4,079
Interest income	5,912	2,019
Others	1,823	369
	19,309	23,098

28 Other Expenses

	Six months ended June 30, 2010 RMB'000	2009 RMB'000
Compensation for delay of delivery of properties	399	6,705
Penalty charges	48	1,920
Others	323	420
	770	9,045

29 Employee Benefit Expense

	Six months ended June 30, 2010 RMB'000	2009 RMB'000
Wages and salaries	23,905	22,875
Pension costs	2,302	2,355
Other social security costs	2,792	3,041
Staff welfare	2,033	1,285
	31,032	29,556
Less: Staff costs capitalised in properties under development	(6,765)	(7,356)
Charged to income statement (Note 25)	24,267	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	Salary	Discretionary bonuses	Inducement fees	Other benefits including pension	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2010:							
Mr. Sun Hongbin	–	407	–	–	–	–	407
Mr. Li Shaozhong	–	325	–	–	28	–	353
Mr. Wang Mengde	–	266	–	–	28	–	294
Mr. Chi Xun	–	273	–	–	28	–	301
Mr. Shang Yu	–	296	–	–	28	–	324
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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in each of the six months ended June 30, 2009 and 2010 include 3 and 5 directors respectively, whose emoluments are reflected in Note 30 (a) above. The emoluments payable to the remaining individuals in each of the six months ended June 30, 2009 and 2010 are as follows:

	Six months ended June 30, 2010	Six months ended June 30, 2009
	RMB'000	RMB'000
Basic salaries, housing allowances, pension and other benefits in kind	–	431

(c) In the six months ended June 30, 2010, 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. (six months ended June 30, 2009: nil)

31 Finance Costs, net

	Six months ended June 30, 2010 RMB'000	2009 RMB'000
Interest expenses on:		
– Bank borrowings	108,206	71,019
– Borrowings from non-bank financial institutions	16,969	9,221
– Borrowings from third parties	5,993	6,729
– Other finance costs	21,430	10,576
Less: Capitalised interests	(82,370)	(38,741)
	70,228	58,804

32 Income Tax Expenses

	Six months ended June 30, 2010 RMB'000	2009 RMB'000
Corporate income tax charge ("CIT")	47,527	47,246
– Current income tax	53,918	44,010
– Deferred income tax	(6,391)	3,236
Land appreciation tax ("LAT")	64,118	37,045
	111,645	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:

	Six months ended June 30, 2010 RMB'000	2009 RMB'000
Profit before tax	301,580	194,877
Income tax calculated at statutory rate	75,395	48,719
LAT deduction	(16,029)	(9,261)
Income not subject to tax	(21,422)	–
Non-deductible expenses	3,609	4,158
Others	5,974	3,630
	47,527	47,246

32 Income Tax Expenses (continued)

(a) CIT (continued)

Pursuant to the applicable rules and regulations of Cayman Islands and British Virgin Islands ("BVI"), the Company and the BVI subsidiaries of the Group are not subject to any income tax in those jurisdictions.

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the six months ended June 30, 2010 based on existing legislations, interpretations and practices.

In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax is levied on dividends declared to foreign investors from the enterprises with foreign investments established in the Mainland China. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of their earnings generated from January 1, 2008.

(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.

	Six months ended June 30,	
	2010 RMB'000	2009 RMB'000
Profit attributable to equity holders of the Company	191,105	117,137
Weighted average number of ordinary shares in issue	20,000,000	20,000,000

34 Dividends

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

No dividend was declared by the Company in 2009.

35 Cash (Used in)/Generated from Operations

	Six months ended June 30,	
	2010 RMB'000	2009 RMB'000
Profit before income taxes	301,580	194,877
Adjustments for:		
– Finance costs	70,228	58,804
– Loss on disposal of PPE	(389)	242
– Gain on disposal of financial assets	(13)	–
– Gain from fair value of investment properties, net	–	(50,655)
– Amortisation of intangible assets	2,975	2,975
– Depreciation	2,240	2,346
– Share of gain from associates and jointly control entities	(66,204)	(516)
Changes in working capital		
– Properties under development and completed properties held for sale	(2,235,614)	(181,781)
– Other receivables	(182,075)	(30,596)
– Trade and other payables	1,996,548	588,157
– Financial guarantee	–	(88)
Cash (used in)/generated from operations	(110,724)	583,765

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

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

	Six months ended June 30, 2010 RMB'000	2009 RMB'000
Net book amount (Note 7)	505	904
Gains/(losses) on disposal of PPE	389	(242)
Proceeds from disposal of PPE	894	662

36 Commitments

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

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Property development expenditure		
– Contracted but not provided for	2,981,723	1,313,951
– Authorised but not contracted for	13,897,472	10,162,313
	16,879,195	11,476,264

(b) Operating lease commitments

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

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
No later than 1 year	1,119	1,119
Later than 1 year and no later than 5 years	560	1,026
	1,679	2,145

37 Financial Guarantee

(a) Guarantee on mortgage facilities

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities as at June 30, 2010:

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	1,470,229	1,459,718

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

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

(b) Guarantee for exchangeable bond

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 in 2007, 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. The liability has been fully amortised as of June 30, 2010.

On October 7, 2010, the financial guarantee provided by the Company has been released as the Exchangeable Bonds have been exchanged with the shares of the Company held by Sunac International.

(c) There was no corporate guarantee provided to the Group's subsidiaries in respect of bank borrowings as at June 30, 2010. (as at December 31, 2009: nil). The Directors consider the subsidiaries to be sufficiently financially resourced to settle their obligations.

38 Business Combinations

Acquisition of Sunac Property Management

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

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

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

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

Purchase consideration settlement by cash

Cash and cash equivalents in subsidiary acquired	6,127
Cash inflow on acquisition	6,127

39 Related Party Transactions

(a) Name and relationship with related parties

Name	Relationship
Mr. Sun	The controlling equity holder and the director of the Company
Sunac International	Equity holder of the Company
Tianjin Yingxin Xinheng Investment Consultancy Limited ("Yingxin Xinheng")	Company controlled by Mr. Sun
Shougang Sunac	Associate
Shouchi Yuda	Associate
Chongqing Yuneng	Jointly controlled entity
Chongqing Shangshan	Jointly controlled entity

(b) Transactions with related parties

During the six months ended June 30, 2010, the Group had the following significant transactions with related parties:

	Six months ended June 30,	
	2010 RMB'000	2009 RMB'000
Provision/(receiving) of fund to/(from) related parties:		
Chongqing Yuneng	(53,364)	–
Shougang Sunac	9,305	293,060

In the six months ended June 30, 2010, the Company has no significant related party transactions (six months ended June 30, 2009: nil)

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

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

(c) Key management compensation

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

39 Related Party Transactions (continued)

(d) Related party balances

	June 30, 2010 RMB'000	December 31, 2009 RMB'000
Amounts due from related parties		
– Shouchi Yuda	56,000	56,000
– Shougang Sunac	9,305	–
– Chongqing Yuneng	81	53,446

Amounts due from Shougang Sunac and Shouchi Yuda as at June 30, 2010 are unsecured, have no fixed terms of repayment, and are cash advances in nature. The funds were used to fund the respective property projects.

40 Investments in Subsidiaries

Particulars of the subsidiaries of the Group as at June 30, 2009 are set out below:

Name	Date of incorporateion/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest December 31, 2009 Directly	December 31, 2009 Indirectly	June 30, 2010 Directly	June 30, 2010 Indirectly	Principal activities
Incorporated in the British Virgin Islands:							
Sunac Real Estate Investment Holdings Ltd.	January 2, 2007	US$10,000	100%	–	100%	–	Investment holding
Qiwei Real Estate Investment Holdings Ltd.	June 6, 2007	US$1	100%	–	100%	–	Investment holding
Yingzi Real Estate Investment Holdings Ltd.	August 31, 2007	US$1	100%	–	100%	–	Investment holding
Jujin Real Estate Investment Holdings Ltd.	September 6, 2007	US$1	100%	–	100%	–	Investment holding
Dingsheng Real Estate Investment Holdings Ltd.	September 6, 2007	US$1	100%	–	100%	–	Investment holding
Zhuoyue Real Estate Investment Holdings Ltd.	September 13, 2007	US$1	100%	–	100%	–	Investment holding
Incorporated in Hong Kong:							
Sunac Property Investment Holdings Ltd.	September 10, 2007	HK$1	–	100%	–	–	Investment holding
Qiwei Property Investment Holdings Ltd.	September 10, 2007	HK$1	–	100%	–	–	Investment holding
Yingzi Property Investment Holdings Ltd.	September 10, 2007	HK$1	–	100%	–	–	Investment holding
Jujin Property Investment Holdings Ltd.	September 14, 2007	HK$1	–	100%	–	100%	Investment holding
Dingsheng Property Investment Holdings Ltd.	September 14, 2007	HK$1	–	100%	–	100%	Investment holding
Zhuoyue Property Investment Holdings Ltd.	September 20, 2007	HK$1	–	100%	–	100%	Investment holding

40 Investments in Subsidiaries (continued)

Name	Date of incorporateion/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest December 31, 2009 Directly	December 31, 2009 Indirectly	June 30, 2010 Directly	June 30, 2010 Indirectly	Principal activities
Incorporated in the PRC:							
Tianjin Sunac Real Estate Investment Management Co., Ltd.	February 6, 2007	RMB460 million	–	100%	–	100%	Investment holding
Tianjin Qiwei Real Estate Investment Management Co., Ltd.	July 20, 2007	RMB225 million	–	100%	–	100%	Investment holding
Tianjin Yingzihuijin Property Management Ltd.	September 26, 2007	RMB220 million	–	100%	–	100%	Investment holding
Tianjin Jujin Property Management Ltd.	October 31, 2007	RMB200 million	–	100%	–	100%	Investment holding
Tianjin Dingsheng Juxian Property Management Ltd.	October 31, 2007	RMB200 million	–	100%	–	100%	Investment holding
Tianjin Zhuo Yue Property Management Ltd.	October 31, 2007	US$15 million	–	100%	–	100%	Investment holding
Sunac Zhidi	January 31, 2003	RMB900 million	–	100%	–	100%	Real estate development and investment
Tianjin Sunac Ao Cheng Investment Co., Ltd.	February 25, 2003	RMB222 million	–	100%	–	100%	Real estate development and investment
Chongqing OG	April 24, 2004	RMB180 million	–	100%	–	100%	Real estate development and investment
Tianjin Sunac Mingxiang Investment Development Co., Ltd.	April 6, 2010	RMB10 million	–	–	–	100%	Real estate development and investment
Tianjin Xiangchi Investment Co., Ltd.	September 25, 2006	RMB160 million	–	100%	–	100%	Real estate development and investment
Wuxi Sunac Real Estate	February 27, 2004	RMB204.1million	–	51%	–	100%	Real estate development and investment
Suzhou Chunshen Lake Property Development Co., Ltd.	February 8, 2005	RMB140 million	–	51%	–	100%	Real estate development and investment
Wuxi Sunac City	May 11, 2005	RMB220 million	–	51%	–	100%	Real estate development and investment

40 Investments in Subsidiaries (continued)

Name	Date of incorporateion/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest December 31, 2009 Directly	Indirectly	June 30, 2010 Directly	Indirectly	Principal activities
Incorporated in the PRC (continued):							
Yixing Sunac Dongjiu Real Estate Co., Ltd.	March 9, 2010	RMB400 million	–	–	–	100%	Real estate development and investment
Sunac Property Management	June 21, 2010	RMB5 million	–	–	–	100%	Real Estate Property Management Services
Sunac Zhidi (Tianjin) Business Operation Management Co., Ltd.	June 21, 2010	RMB5 million	–	–	–	100%	Property management services

41 Events after the Balance Sheet Date

Proposed acquisition of addition equity interest in Chongqing Yuneng

On August 18, 2010, Sunac Zhidi entered into a memorandum of negotiation with Datang International Power Generation Co., Ltd., the controlling shareholder of Chongqing Yuneng Real Estate (Group) Co., Ltd. ("Chongqing Yuneng Real Estate"), and Beijing Guoxin Zhongjin Investment Co., Ltd. ("Beijing Guoxin"), in connection with (1) the proposed purchases by Sunac Zhidi of a 40% equity interest in Chongqing Yuneng and a 40% equity interest in Chongqing Asia Pacific Enterprise Valley Property Management Co., Ltd. ("APEV Property Management") from Chongqing Yuneng Real Estate for an aggregate cash consideration of RMB320.0 million; (2) the proposed disposal by Chongqing Yuneng of its 85% and 14% equity interests in Chongqing Shangshan to Chongqing Yuneng Real Estate and Beijing Guoxin, respectively, for an aggregate cash consideration of approximately RMB20.8 million; and (3) the proposed disposal by APEV Property Management of its 1% equity interest in Chongqing Shangshan to Beijing Guoxin for a cash consideration of RMB210,000. APEV Property Management is a property management company established in the PRC with a registered capital of RMB0.5 million. APEV Property Management is principally engaged in managing the completed residential and commercial properties in Asia Pacific Enterprise Valley and is currently owned as to 45% by Yingxin Xinheng, 40% by Chongqing Yuneng Real Estate and 15% by Beijing Guoxin.

Upon the completion of the proposed purchases and disposals, Sunac Zhidi will own a 85% equity interest in Chongqing Yuneng and a 40% equity interest in APEV Property Management and will cease to own, directly or indirectly, any equity interest in Chongqing Shangshan.

Other Information

INTERIM DIVIDENDS

On May 10, 2010, the board of Directors (the "Board") declared an interim cash dividend of US$28.0 million payable only to Sunac International Investment Holdings Ltd ("Sunac International"), a controlling shareholder. The purpose of the declaration of such interim cash dividend was to facilitate the payment of interest on the exchangeable bonds by Sunac International to the bondholders. The two other shareholders at the time, Bain Capital Sunac Limited ("Bain Capital") and Deutsche Bank AG, London Branch ("DB London"), agreed to waive their rights to the interim cash dividend declared on May 10, 2010 because they as bondholders would be entitled to their portions of interest payment made by Sunac International. The Company had paid the interim cash dividend on June 11, 2010, using funds originally distributed by 天津融創置地有限公司 (Tianjin Sunac Zhidi Co., Ltd.) out of its profit for the year ended December 31, 2008.

Except from the above, the Board did not declare any interim dividend for the period ended June 30, 2010. On October 19, 2010, the Board resolved not to recommend the payment of an interim dividend for the six months ended June 30, 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended June 30, 2010, the shares of the Company have not yet listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from October 7, 2010 (the "Listing Date") to the date of this interim report.

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

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. As at June 30, 2010, being the end of the interim period concerned and prior to the Listing, none of the Directors or chief executives had any interest and short positions in the shares, underlying shares and debentures of the Company or the associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

PRE-IPO SHARE OPTION SCHEME AND EMPLOYEES' SHARE AWARD SCHEME

During the six months ended June 30, 2010, no share option schemes have been adopted by the Company. Accordingly, no share option was granted, exercised, cancelled or had lapsed during the six months ended June 30, 2010, and no share option was outstanding as at June 30, 2010.

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

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

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

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

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

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

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

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

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

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

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

As of the date of this interim report, options to subscribe for an aggregate of 51,080,000 Shares, representing approximately 1.67% of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised but that the Pre-IPO Share Options and the Trustee Option have been exercised in full), have been conditionally granted to 121 grantees, for nominal consideration of HK$1.00 paid by each grantee, under the Pre-IPO Share Option Scheme. The exercise price per Share shall be equal to HK$2.784, being 80% of the final offer price.

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

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

(1) The percentage is calculated based on the number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised but that the Pre-IPO Share Options and the Trustee Option have been exercised in full).

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

Employees' Share Award Scheme

To provide an incentive for the employees of our Company, our subsidiaries and our associated project companies to work with commitment towards enhancing the value of our Company and our Shares for the benefit of the Shareholders and to attract suitable personnel for the further development of our business, we adopted the Employees' Share Award Scheme on September 9, 2010 ("Award Scheme Adoption Date") whereby (i) pursuant to the option deed dated September 9, 2010 entered into between the Company and the trustee of the Employees' Share Award Scheme ("Scheme Trustee") pursuant to which the trustee is granted the option ("Trustee Option"), we have granted the Trustee Option to the Scheme Trustee to subscribe for a maximum of 10,144,000 Shares ("Option Shares"), representing approximately 0.33% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised but that the Pre-IPO Share Options and the Trustee Option have been exercised in full), and (ii) the Scheme Trustee will, upon our Company's request, award selected employees (the "Selected Participants") the rights to acquire the Option Shares from the Scheme Trustee ("Awards"). These Awards will be granted at any time during a period of three years commencing on the first anniversary date of the Adoption Date (the "First Grant Date"), subject to the following annual caps: 30% during the first year from the First Grant Date, an additional 30% during the second year from the First Grant Date and the balance during the third year from the First Grant Date. Upon exercise of the Awards by the Selected Participants to acquire such number of the Option Shares, the Scheme Trustee shall exercise the Trustee Option (in part or in full) to require us to issue and allot such number of Option Shares. The Scheme Trustee shall then transfer such Option Shares to the Selected Participants who have exercised the Awards. The Employees' Share Award Scheme shall be subject to the administration of the Board and managed and implemented by the Scheme Trustee, and shall have a term of four years commencing on the Award Scheme Adoption Date (the "Award Scheme Period").

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

As at June 30, 2010, being the end of the interim period concerned and prior to the Listing, no person had an interest or a short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended June 30, 2010 when the shares of the Company had not yet been listed on the Main Board of the Stock Exchange, the Company had not yet adopted the Model Code.

On September 9, 2010, the Company adopted the Model Code as a code of conduct of the Company regarding securities transactions by the Directors. The Company has made specific enquiry to all of the Directors, and all Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the period from the Listing Date and up to the date of this interim report.

COMPLIANCE WITH THE CODE PROVISIONS IN THE CODE ON CORPORATE GOVERNANCE PRACTICES (THE "CODE") SET OUT IN APPENDIX 14 TO THE LISTING RULES

During the six months ended June 30, 2010 when the shares of the Company have not yet been listed on the Main Board of the Stock Exchange, the Company has not yet adopted the code provisions set out in the Code.

On September 9, 2010, the Company adopted the code provisions set out in the Code and, since the Listing Date and up to the date of this interim report, the Company has complied with all the applicable code provisions set out in the Code, save and except the only deviation from code provision A.2.1 of the Code, namely, the roles of the chairman and chief executive officer have not been separated. Although Mr. Sun Hongbin assumes both the roles of Chairman and Chief Executive Officer, the divisions of responsibilities between the two roles are clearly defined. The role of the Chairman is for monitoring the duties and performance of the Board, whereas the role of Chief Executive Officer is for managing the Group's business. The Board believes that at the current stage of development of the Group, vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

AUDIT COMMITTEE

On November 27, 2009, the Company established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provision C.3 of the Code. The audit committee consists of three independent non-executive directors, namely, Ms. Kan Lai Kuen, Alice, Mr. Li Qin and Mr. Ma Lishan, and is chaired by Ms. Kan Lai Kuen, Alice who has professional qualifications in accountancy. The primary duties of the audit committee are to assist the Board to provide an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Company, to review the overall audit process and to perform other duties and responsibilities as assigned by our Board.

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters, including the review of the audited interim financial results of the Group for the six months ended June 30, 2010.

By the order of the Board
Sunac China Holdings Limited
SUN Hongbin
Chairman

Hong Kong, October 19, 2010

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