The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

24 September 2010

The Directors
Sunac China Holdings Limited
Deutsche Bank AG, Hong Kong Branch

Dear Sirs,

We report on the financial information of Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") which comprises the consolidated balance sheets as at 31 December 2007, 2008 and 2009 and 31 March 2010, the balance sheets of the Company as at 31 December 2007, 2008 and 2009 and 31 March 2010, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2010 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 24 September 2010 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

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

As at the date of this report, the Company has direct and indirect interests in the subsidiaries, jointly controlled entities and associates as set out in Note 40, Note 10 and Note 11 of Section I below. All of these companies are private companies.

The directors of the Company have prepared consolidated financial statements of the Company for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA pursuant to separate terms of engagement with the Company.

The statutory financial statements of the subsidiaries, where there is a statutory audit requirement, were not audited by us but by other auditors in their respective places of incorporation as stated in Note 40 of Section I below.

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report a true and fair view of the state of affairs of the Company as at 31 December 2007, 2008 and 2009 and 31 March 2010 and of the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 31 March 2010 and of the Group's results and cash flows for each of the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the three months ended 31 March 2009 and a summary of significant accounting policies and other explanatory notes (the "Stub Period Comparative Financial Information").

The directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section I below which are in conformity with HKFRSs.

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

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section I below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2007, 2008 and 2009 and 31 March 2010, and for each of the years ended 31 December 2007, 2008 and 2009 and each of the three months ended 31 March 2009 and 2010.

CONSOLIDATED BALANCE SHEETS

		As at 31 December			As at 31 March
	Note	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	14,623	12,655	8,863	10,773
Investment properties	8	458,500	433,000	583,500	583,500
Intangible assets	9	295,826	288,011	282,061	313,336
Investment in jointly controlled entities	10	2,084	47,093	128,712	149,235
Investment in associates	11	67,530	53,389	511,392	543,897
Available-for-sale financial assets	12(a)	3,031	1,773	800	3,800
Held-to-maturity financial asset	12(b)	1,000	–	–	–
Deferred income tax assets	13	78,024	52,375	53,734	64,779
		920,618	888,296	1,569,062	1,669,320
Current assets					
Properties under development	14	5,538,831	4,875,187	4,495,379	6,013,408
Completed properties held for sale	15	1,599,452	2,228,961	1,312,832	1,211,218
Amounts due from related parties	39(d)	232,759	210,385	109,446	84,664
Other receivables	16	486,377	383,011	294,524	382,112
Held-to-maturity financial assets	12(b)	–	1,000	–	–
Restricted cash	17	159,607	230,806	512,134	1,161,397
Cash and cash equivalents	18	718,039	639,077	1,423,832	464,153
		8,735,065	8,568,427	8,148,147	9,316,952
Total assets		9,655,683	9,456,723	9,717,209	10,986,272
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Ordinary shares	19	7	7	1,762	1,762
Other reserves	20	223,883	114,920	121,245	12,418
(Accumulated losses)/retained earnings		(6,516)	422,696	1,247,758	1,292,342
		217,374	537,623	1,370,765	1,306,522
Non-controlling interests		562,852	538,606	500,343	–
Total equity		780,226	1,076,229	1,871,108	1,306,522

CONSOLIDATED BALANCE SHEETS

		As at 31 December			As at 31 March
		2007	2008	2009	2010
	Note	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	22	1,167,300	1,431,400	1,994,390	2,283,490
Long-term payable		81,137	87,628	107,335	109,420
Deferred income tax liabilities	13	218,969	189,782	215,941	219,079
		1,467,406	1,708,810	2,317,666	2,611,989
Current liabilities					
Trade and other payables	21	2,433,839	2,131,385	2,188,202	2,922,775
Advanced proceeds from customers		3,610,359	3,276,533	2,456,477	2,985,889
Amounts due to related parties	39(d)	4,168	9,253	–	16,403
Borrowings	22	1,349,840	1,153,674	676,964	956,125
Financial guarantee	37(b)	349	175	–	–
Current income tax liabilities		9,496	100,664	206,792	186,569
		7,408,051	6,671,684	5,528,435	7,067,761
Total liabilities		8,875,457	8,380,494	7,846,101	9,679,750
Total equity and liabilities		9,655,683	9,456,723	9,717,209	10,986,272
Net current assets		1,327,014	1,896,743	2,619,712	2,249,191
Total assets less current liabilities		2,247,632	2,785,039	4,188,774	3,918,511

BALANCE SHEETS

	Note	As at 31 December 2007 RMB'000	As at 31 December 2008 RMB'000	As at 31 December 2009 RMB'000	As at 31 March 2010 RMB'000
ASSETS					
Non-current assets					
Investment in subsidiaries	40	1,403,984	1,403,984	1,403,984	1,403,984
Current assets					
Other receivables	16	–	10,699	15,280	15,165
Cash and cash equivalents		–	8,906	4,571	4,413
		–	19,605	19,851	19,578
Total assets		1,403,984	1,423,589	1,423,835	1,423,562
EQUITY					
Capital and reserves attributable to the equity holders					
Share capital	19	7	7	1,762	1,762
Other reserves	20	1,399,568	1,418,778	1,417,023	1,417,023
Accumulated losses		(2,080)	(4,578)	(4,452)	(4,661)
Total equity		1,397,495	1,414,207	1,414,333	1,414,124
LIABILITIES					
Current liabilities					
Finance guarantee	37(b)	349	175	–	–
Trade and other payables		–	–	–	486
Amount due to subsidiaries		–	–	331	8,952
Amount due to a related party		1,972	9,207	9,171	–
Total liabilities		6,489	9,382	9,502	9,438
Total equity and liabilities		1,403,984	1,423,589	1,423,835	1,423,562
Net current (liabilities)/assets		(6,489)	10,223	10,349	10,140
Total assets less current liabilities		1,397,495	1,414,207	1,414,333	1,414,124

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December			Three months ended 31 March	
	Note	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Revenue	23	3,011,452	3,449,499	4,795,213	193,585	245,572
Cost of sales	25	(2,211,557)	(2,371,740)	(3,436,190)	(147,228)	(124,870)
Gross profit		799,895	1,077,759	1,359,023	46,357	120,702
(Loss)/gain from fair value of investment properties, net	24	(8,873)	(25,852)	56,655	31,655	–
Selling and marketing costs	25	(65,300)	(124,559)	(67,961)	(17,228)	(19,685)
Administrative expenses	25	(83,506)	(93,045)	(113,618)	(26,502)	(30,801)
Other income	27	27,895	62,968	40,615	12,805	9,368
Other expenses	28	(62,180)	(15,750)	(7,632)	(7,658)	(352)
Operating profit		607,931	881,521	1,267,082	39,429	79,232
Finance costs, net	31	(82,633)	(110,860)	(113,263)	(32,575)	(45,498)
Share of (loss)/profit of jointly controlled entities	10	(24,916)	4,509	23,119	(2,554)	20,523
Share of (loss)/profit of associates	11	(11,552)	(14,141)	164,943	(9,115)	32,505
Profit/(loss) before income tax		488,830	761,029	1,341,881	(4,815)	86,762
Income tax expenses	32	(275,787)	(284,106)	(470,837)	(13,322)	(43,348)
Profit/(loss) for the year/period		213,043	476,923	871,044	(18,137)	43,414
Attributable to:						
Equity holders of the Company		174,382	495,606	825,062	(5,411)	44,584
Non-controlling interests		38,661	(18,683)	45,982	(12,726)	(1,170)
		213,043	476,923	871,044	(18,137)	43,414
Basic earnings/(loss) per share for profit attributable to equity holders during the year/period (RMB)	33	8.72	24.78	41.25	(2.71)	22.29
Dividends	34	–	–	–	–	–

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Three months ended 31 March	
		2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Profit/(loss) for the year/period		213,043	476,923	871,044	(18,137)	43,414
Gain or (loss) recognised directly in equity						
– Gain/(loss) from fair value of available-for-sale financial assets	12(a)	1,406	(1,408)	365	285	–
Total comprehensive income		214,449	475,515	871,409	(17,852)	43,414
Attributable to:						
Equity holders of the Company		175,837	494,339	825,390	(5,154)	44,584
Non-controlling interests		38,612	(18,824)	46,019	(12,698)	(1,170)
		214,449	475,515	871,409	(17,852)	43,414

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Ordinary shares RMB'000 (Note 19)	Other reserves RMB'000 (Note 20)	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2007	–	395,433	(138,790)	256,643	71,487	328,130
Profit for the year	–	–	174,382	174,382	38,661	213,043
Change in fair value	–	1,455	–	1,455	(49)	1,406
Deemed contribution from the investor	–	11,740	–	11,740	1,110	12,850
Acquisition of non-controlling interests	–	74,372	–	74,372	(74,372)	–
Distribution to the investor *(Note 39(f))*	–	(1,700,793)	–	(1,700,793)	–	(1,700,793)
Issue of shares	7	–	–	7	–	7
Acquisition of subsidiary	–	–	–	–	526,015	526,015
Financial guarantee	–	(349)	–	(349)	–	(349)
Contribution from the equity holder of the Company	–	1,399,917	–	1,399,917	–	1,399,917
Transfer	–	42,108	(42,108)	–	–	–
At 31 December 2007	7	223,883	(6,516)	217,374	562,852	780,226
Profit for the year	–	–	495,606	495,606	(18,683)	476,923
Change in fair value	–	(1,267)	–	(1,267)	(141)	(1,408)
Acquisition of non-controlling interests	–	(193,300)	–	(193,300)	(5,422)	(198,722)
Transfer	–	66,394	(66,394)	–	–	–
Contribution from the equity holder of the Company	–	19,210	–	19,210	–	19,210
At 31 December 2008	7	114,920	422,696	537,623	538,606	1,076,229
Profit for the year	–	–	825,062	825,062	45,982	871,044
Issue of shares	8	(8)	–	–	–	–
Repurchase and cancellation of US$ shares	(15)	15	–	–	–	–
Issue of shares	1,762	(1,762)	–	–	–	–
Acquisition of non-controlling interests	–	8,626	–	8,626	(84,186)	(75,560)
Redemption of available-for-sales financial assets	–	(874)	–	(874)	(96)	(970)
Change in fair value	–	328	–	328	37	365
At 31 December 2009	1,762	121,245	1,247,758	1,370,765	500,343	1,871,108
Profit for the period	–	–	44,584	44,584	(1,170)	43,414
Acquisition of non-controlling interests	–	(108,827)	–	(108,827)	(499,173)	(608,000)
At 31 March 2010	1,762	12,418	1,292,342	1,306,522	–	1,306,522
Unaudited						
At 31 December 2008	7	114,920	422,696	537,623	538,606	1,076,229
Profit for the period	–	–	(5,411)	(5,411)	(12,726)	(18,137)
Change in fair value	–	257	–	257	28	285
At 31 March 2009	7	115,177	417,285	532,469	525,908	1,058,377

CONSOLIDATED CASH FLOW STATEMENTS

	Note	Year ended 31 December 2007 RMB'000	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Three months ended 31 March 2009 RMB'000 (unaudited)	Three months ended 31 March 2010 RMB'000
Cash flows from operating activities						
Cash (used in)/generated from operations	35	521,230	376,838	1,850,463	257,942	(244,439)
PRC income tax paid		(133,269)	(137,561)	(210,415)	(50,803)	(71,482)
Net cash generated from/(used in) operating activities		387,961	239,277	1,640,048	207,139	(315,921)
Cash flows from investing activities						
Acquisition of subsidiaries, net of cash acquired	38	92,296	–	–	–	6,127
Acquisition of additional interest in subsidiaries		(134,397)	(180,486)	–	–	–
Acquisition of a jointly controlled entity		(27,000)	–	–	–	–
Additional investment in a jointly controlled entity	10	–	(40,500)	(58,500)	–	–
Investment to an associate	11	–	–	(293,060)	(293,060)	–
Purchase of property, plant and equipment ("PPE")		(720)	(4,182)	(1,681)	(72)	(2,030)
Proceeds from disposal of PPE		1,220	1,993	1,164	88	382
Purchase of financial assets		(1,000)	(150)	(1,600)	(800)	(3,000)
Proceeds from disposals of financial assets		5,000	–	4,220	70	–
Net cash (used in)/generated from investing activities		(64,601)	(223,325)	(349,457)	(293,774)	1,479
Cash flows from financing activities						
Proceeds from issuance of ordinary shares		7	–	–	–	–
Payment for acquiring non-controlling interests		–	–	(197,525)	(121,965)	(518,737)
Interest paid		(82,633)	(110,859)	(113,263)	(32,575)	(45,498)
Borrowings obtained		1,013,300	1,612,600	2,111,390	177,000	944,100
Repayments of borrowings		(1,366,460)	(1,544,666)	(2,025,110)	(145,522)	(375,839)
Deposits for bank borrowings		42,287	(71,199)	(281,328)	(133,154)	(649,263)
Contribution from equity holder of the Company		1,399,917	19,210	–	–	–
Distribution to the investor		(643,024)	–	–	–	–
Net cash generated from/(used in) financing activities		363,394	(94,914)	(505,836)	(256,216)	(645,237)
Net increase/(decrease) in cash and cash equivalents		686,754	(78,962)	784,755	(342,851)	(959,679)
Cash and cash equivalents at beginning of year/period		31,285	718,039	639,077	639,077	1,423,832
Cash and cash equivalents at end of year/period		718,039	639,077	1,423,832	296,226	464,153

NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION AND GROUP REORGANISATION

1.1 General information

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

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

(a) *Property development and property investment*

• Tianjin Sunac Zhidi Co., Ltd.	("Sunac Zhidi")
• Tianjin Sunac Ao Cheng Investment Co., Ltd.	("Sunac Ao Cheng")
• Chongqing Olympic Garden Real Estate Development Co., Ltd.	("Chongqing OG")
• Tianjin Xiangchi Investment Co., Ltd.	("Tianjin Xiangchi")
• Chongqing Yuneng Sunac Real Estate Co., Ltd.	("Chongqing Yuneng")
• Chongqing Shangshan Real Estate Co., Ltd.	("Chongqing Shangshan")
• Beijing Shougang Sunac Real Estate Development Co., Ltd.	("Shougang Sunac")
• Beijing Shouchi Yuda Real Estate Development Co., Ltd.	("Shouchi Yuda")
• Wuxi Sunac Real Estate Co., Ltd.	("Wuxi Sunac Real Estate")
• Wuxi Sunac City Construction Co., Ltd.	("Wuxi Sunac City ")
• Suzhou Chunshen Lake Property Development Co., Ltd.	("Suzhou Chunshen Lake")
• Yixing Sunac Dongjiu Real Estate Co., Ltd.	("Yixing Sunac Dongjiu")

(b) *Property management services*

• Tianjin Sunac Property Management Co., Ltd.	("Sunac Property Management")

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

1.2 History of the operating entities

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

(b) Sunac Ao Cheng was established in the PRC on 25 February 2003. On 1 January 2006, Yingxin Xinheng held a direct 60.3% equity interest and an indirect 2.42% equity interest in Sunac Ao Cheng and the remaining equity interests were held by third party investors. On 15 October 2007, Yingxin Xinheng acquired a further 24.58% equity interest in Sunac Ao Cheng from a third party investor for a consideration of RMB60 million. After the completion of the Reorganisation as set out in Note 1.3 below, a further 2.7% and 10% equity interest of Sunac Ao Cheng were acquired by the Group on 1 July 2008 for consideration of RMB13 million and on 16 December 2009 for consideration of RMB75.6 million respectively. Hence, Sunac Ao Cheng became a wholly owned subsidiary of the Company.

(c) Chongqing OG was established in the PRC on 24 April 2003. On 1 January 2006, Yingxin Xinheng held a 50.82% equity interest in Chongqing OG and the remaining equity interests were held by third party investors. On 5 January 2006, Yingxin Xinheng acquired a further 4.9% equity interest in Chongqing OG from a third party investor for a consideration of RMB3.6 million. On 7 March 2006, Yingxin Xinheng acquired a further 34.43% equity interest in Chongqing OG from a third party investor in exchange of certain investments owned by Yingxin Xinheng. On 14 February 2008 and 15 April 2008, after the Reorganisation, totally a further 9.85% equity interest in Chongqing OG was acquired by the Group from third party investors for a total consideration of RMB180 million. Hence, Chongqing OG became a wholly owned subsidiary of the Company.

(d) Tianjin Xiangchi was established in the PRC on 22 September 2006. Sunac Zhidi held a 95% equity interest in Tianjin Xiangchi and the remaining equity interest was held by a third party investor. On 11 March 2007, Yingxin Xinheng acquired the remaining 5% equity interest in Tianjin Xiangchi from the third party investor for a consideration of RMB5.95 million.

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

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

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

(h) On the date of Sunac Zhidi's acquisition of Shougang Sunac, Shougang Sunac owned 76% equity interest in Shouchi Yuda, which was originally established on 29 March 2006. From December 2007 to July 2008, Shougang Sunac acquired the 24% equity interest from the third party investor for total consolidation of RMB4.8 million. Shouchi Yuda is another associated company of the Group. (Note 11)

(i) Wuxi Sunac Real Estate was established in the PRC on 27 February 2004. On 24 December 2007, Sunac Zhidi acquired a 51% equity interest in Wuxi Sunac Real Estate by injecting RMB633 million into Wuxi Sunac Real Estate as increased registered capital. On the date of this acquisition and up to the date of this report, Wuxi Sunac Real Estate owned 100% equity interest in Suzhou Chunshen Lake, which was acquired by Wuxi Sunac Real Estate on 4 January 2007. On 11 March 2010, Sunac Zhidi acquired the remaining 49% equity interest of Wuxi Sunac Real Estate from the third party shareholder for a consideration of RMB608.4 million.

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

(k) Yixing Sunac Dongjiu was established on 9 March 2010 by Wuxi Sunac Real Estate.

(l) Sunac Property Management was established on 16 January 2004. On 20 March 2010, Sunac Zhidi acquired 100% equity interest of Sunac Property Management from the third party for a consideration of RMB0.1 million.

1.3 Group reorganisation

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

Accordingly, the financial statements present the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence since 1 January 2007 or if later, their respective dates of incorporation/establishment or when they became controlled by Mr. Sun. For companies acquired from (disposed to) a third party during the period, they are included in/(excluded from) the financial statements of the Group from the date of the acquisition/(disposal).

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

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

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

Up to the date of issue of this report, the HKICPA has issued the following new standards, amendments and interpretations which are relevant to the Group's operation but not yet effective for the annual accounting period beginning 1 January 2010 and which have not been early adopted:

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)
HKFRS 9 (Amendment)	Financial Instruments (effective for annual periods beginning on or after 1 January 2013)

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

2.2 Consolidation

(a) *Merger accounting for common control combinations*

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

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

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

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

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

(b) *Subsidiaries*

The consolidated financial statements incorporated the assets and liabilities of all subsidiaries of the Company as at 31 December 2007, 2008 and 2009 and 31 March 2010, and the results of all subsidiaries for the Relevant Periods.

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

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

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 2.9). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) *Jointly controlled entities*

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

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

(d) *Associates*

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

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

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

(e) *Changes in ownership 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.

2.3 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 presentation currency of the Company.

The consolidated 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.

2.5 Business combinations

The acquisition method of accounting is used to account for business combinations by the Group, except for the Reorganisation which has been accounted for using the merger accounting. 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.

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. Prior to 1 January 2009, property that is being constructed or developed for future use as investment property is classified as property under development and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. Starting from 1 January 2009, investment properties that are under construction are stated at fair value.

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

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.

2.10 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.

2.13 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 determine the classification of its financial assets at initial recognition and reviews the designation at each reporting date.

(a) *Held-to-maturity financial assets*

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

(b) *Loans and receivables*

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

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless 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.

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 fro 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 will be released when the Group repays the bank loans.

2.16 Cash and cash equivalents

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

2.17 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.

2.20 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.

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.

2.23 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.

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

2.26 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 31 March 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 relevant periods, the Group's borrowings were all denominated in Renminbi.

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

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

	Floating rates			Fixed rates			
RMB' million	**Less than 12 months**	**1 to 5 years**	**Sub-total**	**Less than 12 months**	**1 to 5 years**	**Sub-total**	**Total**
Borrowings							
At 31 December 2007	595	1,013	1,608	755	154	909	2,517
At 31 December 2008	915	1,105	2,020	239	326	565	2,585
At 31 December 2009	413	1,239	1,652	264	755	1,019	2,671
At 31 March 2010.	556	1,666	2,222	400	618	1,018	3,240

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

At 31 December 2007, 2008, 2009 and 31 March 2010, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, profit for the respecting year or period would have been lower/higher by RMB16.4 million, RMB25.3 million, RMB18.6 million and RMB8.5 million respectively.

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

(iii) Price risk

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

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

(b) Credit risk

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

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 31 December 2007				
Borrowings	1,350	619	548	2,517
Trade and other payables	2,434	–	–	2,434
At 31 December 2008				
Borrowings	1,154	1,391	40	2,585
Trade and other payables	2,131	–	–	2,131
At 31 December 2009				
Borrowings	677	1,276	718	2,671
Trade and other payables	2,188	–	–	2,188
At 31 March 2010				
Borrowings	956	1,175	1,109	3,240
Trade and other payables	2,923	–	–	2,923

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 31 December 2007, 2008 and 2009 and 31 March 2010 are as follows:

	31 December			31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings *(Note 22)*	2,517,140	2,585,074	2,671,354	3,239,615
Restricted cash *(Note 17)*	(159,607)	(230,806)	(512,134)	(1,161,397)
Cash and cash equivalents *(Note 18)*	(718,039)	(639,077)	(1,423,832)	(464,153)
Net debts	1,639,494	1,715,191	735,388	1,614,065
Total equity	780,226	1,076,229	1,871,108	1,306,522
Total capital	2,419,720	2,791,420	2,606,496	2,920,587
Gearing ratio	68%	61%	28%	55%

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. Valuation techniques used include quoted market prices, dealer quotes for similar instruments and 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.

5.3 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 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

6 SEGMENT INFORMATION

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

Management regularly reviews the operating results by property development projects. As property development projects are all located in the PRC, their revenue are primarily derived from the sales of properties, 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 property management service business, acquired in late March 2010, was not a reporting segment of the Group as at 31 March 2010 as the financial impact of it to the consolidated financial statements of the Group was immaterial.

7 PROPERTY, PLANT AND EQUIPMENT ("PPE")

	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2007				
Costs	16,738	8,247	4,427	29,412
Accumulated depreciation	(7,053)	(3,696)	(1,384)	(12,133)
Net book amount	9,685	4,551	3,043	17,279
Year ended 31 December 2007				
Opening net book amount	9,685	4,551	3,043	17,279
Additions	333	386	–	719
Acquisition of subsidiaries	2,370	834	–	3,204
Disposals	(1,407)	(117)	–	(1,524)
Depreciation	(2,676)	(1,644)	(735)	(5,055)
Closing net book amount	8,305	4,010	2,308	14,623
At 31 December 2007				
Costs	17,961	10,223	3,997	32,181
Accumulated depreciation	(9,656)	(6,213)	(1,689)	(17,558)
Net book amount	8,305	4,010	2,308	14,623
Year ended 31 December 2008				
Opening net book amount	8,305	4,010	2,308	14,623
Additions	3,143	1,039	–	4,182
Disposals	(1,947)	(82)	–	(2,029)
Depreciation	(1,609)	(1,777)	(735)	(4,121)
Closing net book amount	7,892	3,190	1,573	12,655
At 31 December 2008				
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

	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Year ended 31 December 2009				
Opening net book amount	7,892	3,190	1,573	12,655
Additions	1,503	493	–	1,996
Disposals	(586)	(470)	–	(1,056)
Depreciation	(2,312)	(1,682)	(738)	(4,732)
Closing net book amount	6,497	1,531	835	8,863
At 31 December 2009				
Costs	15,836	9,930	1,576	27,342
Accumulated depreciation	(9,339)	(8,399)	(741)	(18,479)
Net book amount	6,497	1,531	835	8,863
Three months ended 31 March 2010				
Opening net book amount	6,497	1,531	835	8,863
Acquisition of subsidiaries	–	542	330	872
Additions	941	1,179	–	2,120
Disposals	(353)	214	–	(139)
Depreciation	(461)	(297)	(185)	(943)
Closing net book amount	6,624	3,169	980	10,773
At 31 March 2010				
Cost	15,588	12,095	1,171	28,854
Accumulated depreciation	(8,964)	(8,926)	(191)	(18,081)
Net book amount	6,624	3,169	980	10,773
Unaudited				
Three months ended 31 March 2009				
Opening net book amount	7,892	3,190	1,573	12,655
Additions	–	72	–	72
Disposals	(69)	(1)	–	(70)
Depreciation	(795)	(499)	(185)	(1,479)
Closing net book amount	7,028	2,762	1,388	11,178
At 31 March 2009				
Cost	17,768	11,122	1,573	30,463
Accumulated depreciation	(10,740)	(8,360)	(185)	(19,285)
Net book amount	7,028	2,762	1,388	11,178

Depreciation charge of the Group for year ended 31 December 2007, 2008 and 2009 and three months ended 31 March 2009 and 2010 was expensed in selling and administrative expenses in the consolidated income statements.

8 INVESTMENT PROPERTIES

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
At beginning of year/period	458,000	458,500	433,000	433,000	583,500
Transfer from completed properties held for sale	9,373	352	93,845	93,845	–
Gain/(loss) from fair value *(Note 24)*	(8,873)	(25,852)	56,655	31,655	–
At end of year/period	458,500	433,000	583,500	558,500	583,500

The following amounts have been recognised in the income statement:

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Rental income *(Note 23)*	13,262	16,115	18,182	4,336	4,952

The investment properties were revalued at 31 December 2007, 2008 and 2009 and 31 March 2010 by an independent professional valuer, DTZ Debenham Tie Leung Ltd. Valuations were based on current prices in an active market for all properties.

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

	31 December			31 March
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
Outside Hong Kong, held on:				
Leases of between 10 to 50 years	458,500	433,000	583,500	583,500

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

	31 December			31 March
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
Within 1 year	12,791	13,289	14,640	15,218
Later than 1 year but no later than 5 years	56,307	57,917	62,830	86,296
Later than 5 years	206,837	191,938	178,437	159,548
	275,935	263,144	255,907	261,062

As at 31 December 2007 and 2008, no investment properties were pledged. As at 31 December 2009 and 31 March 2010, certain investment properties with balance totalling RMB154 million were pledged as collaterals for the Group's borrowings respectively (Note 22).

9 INTANGIBLE ASSETS

	31 December			31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Goodwill *(Note a)*	258,261	258,261	258,261	291,023
Trademark *(Note b)*	37,565	29,750	23,800	22,313
	295,826	288,011	282,061	313,336

(a) Goodwill

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Beginning of year/period	48,308	258,261	258,261	258,261	258,261
Acquisition of subsidiaries	209,953	–	–	–	32,762
End of year/period	258,261	258,261	258,261	258,261	291,023

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

The goodwill addition in the three months ended 31 March 2010 arose from the acquisition of Sunac Property Management on 20 March 2010. The goodwill is mainly attributable to the future appreciation of the properties from the value added services provided by current management team in Sunac Property Management (Note 38(c)).

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

	As at 31 December			As at 31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Chongqing OG	48,308	48,308	48,308	48,308
Wuxi Sunac Real Estate	85,708	85,708	85,708	85,708
Wuxi Sunac City	124,245	124,245	124,245	124,245
Sunac Property Management	–	–	–	32,762
	258,261	258,261	258,261	291,023

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

(b) Trademark

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

	RMB'000
Cost	
At 1 January and 31 December 2007	60,000
Decrease *(Note (i))*	(1,864)
At 31 December 2008 and 2009 and 31 March 2010	58,136
Amortisation	
As at 1 January 2007	16,174
Charged for the year	6,261
At 31 December 2007	22,435
Charge for the year	5,951
At 31 December 2008	28,386
Charge for the year	5,950
At 31 December 2009	34,336
Charge for the year	1,487
At 31 March 2010	35,823
Net book value	
At 31 March 2010	22,313
At 31 December 2009	23,800
At 31 December 2008	29,750
At 31 December 2007	37,565
Unaudited	
Cost	
At 1 January 2009	58,136
Decrease	–
At 31 March 2009	58,136
Amortisation	
At 1 January 2009	28,386
Charged for the period	1,487
At 31 March 2009	29,873
Net book value	
At 31 March 2009	28,263

Note (i):

Pursuant to a supplemental agreement dated 7 January 2008, the consideration for the trademark was adjusted from RMB60,000,000 to RMB58,135,625. The decrease of RMB1,864,375 reflected such change.

10 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Beginning of year/period	–	2,084	47,093	47,093	128,712
Investment in Chongqing Yuneng	27,000	40,500	58,500	–	–
Share of (loss)/profit	(24,916)	4,509	23,119	(2,554)	20,523
End of year/period	2,084	47,093	128,712	44,539	149,235

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

Investment in jointly controlled entities at 31 December 2007, 2008, 2009 and 31 March 2010 includes goodwill of RMB14.1 million, RMB14.1 million, RMB14.1 million and RMB14.1 million.

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

The Group's interests in Chongqing Yuneng for years ended 31 December 2007, 2008 and 2009 and three months ended 31 March 2010 are as follows:

	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	(Loss)/gain RMB'000	Interest %
Year ended 31 December 2007						
Chongqing Yuneng	PRC	486,400	505,758	–	(24,916)	45
Year ended 31 December 2008						
Chongqing Yuneng	PRC	513,295	486,818	139,331	4,813	45
Chongqing Shangshan	PRC	33,833	25,226	–	(304)	44.55
Year ended 31 December 2009						
Chongqing Yuneng	PRC	522,919	414,155	127,156	23,450	45
Chongqing Shangshan	PRC	35,910	27,634	–	(331)	44.55
Three months ended 31 March 2010						
Chongqing Yuneng	PRC	525,355	395,658	141,697	20,532	45
Chongqing Shangshan	PRC	35,887	27,619	–	(9)	44.55
(Unaudited) Three months ended 31 March 2009						
Chongqing Yuneng	PRC			4,837	(2,464)	
Chongqing Shangshan	PRC			–	(90)	

11 INVESTMENT IN ASSOCIATES

	Year ended 31 December			Three months ended 31 March	
	2007 **RMB'000**	**2008** **RMB'000**	**2009** **RMB'000**	**2009** **RMB'000** **(unaudited)**	**2010** **RMB'000**
Beginning of year/period	–	67,530	53,389	53,389	511,392
Equity investment in Shougang Sunac and its subsidiary Shouchi Yuda *(Note (i))*	79,082	–	–	–	–
Share of loss	(11,552)	(14,141)	164,943	(9,115)	32,505
End of year/period	67,530	53,389	218,332	44,274	543,897
Entrusted loan to Shougang Sunac *(Note (ii))*	–	–	293,060	293,060	–
	67,530	53,389	511,392	337,334	543,897

Notes:

(i) 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. As described in Note 1.2(h), Shouchi Yuda is a subsidiary of Shougang Sunac.

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

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

On 19 January 2010, Sunco Zhidi (Beijing) brought an arbitration against Sunac Zhidi on the sales and purchase agreement in connection with the acquisition. Sunco Zhidi (Beijing) 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 Zhidi (Beijing) and other claims aggregated approximately RMB3,530,000. Such amount is based on Sunco Land's own estimation. At 31 March 2010, the Company estimated that the amount of dividends distributable from the entire East Fairyland project to Sunco Land is approximately RMB135,000,000 when the project is completed. The present value of which amounting to approximately RMB109,420,000 was provided in the consolidated balance sheet as at 31 March 2010. The Company considers that, with support of a legal opinion, it is not obliged to pay Sunco Zhidi (Beijing) before Shougang Sunac declares and pays dividend. As such, the Company is of the view that no additional provision is required in responding the arbitration claim from Sunco Zhidi (Beijing). 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 at 31 December 2007, 2008 and 2009 and 31 March 2010 includes goodwill of RMB7.4 million, RMB7.4 million, RMB7.4 million and RMB7.4 million.

The Group's interests in its associates for years ended 31 December 2007, 2008 and 2009 and for three months ended 31 March 2010 are as follows:

	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Loss RMB'000	Interest %
Year ended 31 December 2007						
Shougang Sunac	PRC	48,204	56,197	–	(112)	50
Shouchi Yuda	PRC	247,351	256,714	–	(11,440)	38
Year ended 31 December 2008						
Shougang Sunac	PRC	199,037	151,056	–	(165)	50
Shouchi Yuda	PRC	679,420	705,714	–	(13,976)	50
Year ended 31 December 2009						
Shougang Sunac	PRC	765,497	758,774	–	(26,863)	35
Shouchi Yuda	PRC	842,461	652,203	969,049	191,806	50
Three months ended 31 March 2010						
Shougang Sunac	PRC	780,590	780,463	–	(6,596)	35
Shouchi Yuda	PRC	683,003	451,948	117,651	39,101	50
(Unaudited) Three months ended 31 March 2009						
Shougang Sunac	PRC			–	(7,476)	
Shouchi Yuda	PRC			–	(1,639)	

12 FINANCIAL ASSETS

(a) Available-for-sale financial assets

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Beginning of year/period	1,625	3,031	1,773	1,773	800
Subscription	–	150	1,600	800	3,000
Redemption	–	–	(2,938)	–	–
Fair value adjustment	1,406	(1,408)	365	285	–
End of year/period	3,031	1,773	800	2,858	3,800

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

(b) Held-to-maturity financial assets

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Beginning of year/period	5,000	1,000	1,000	1,000	–
Addition	1,000	–	–	–	–
Redemption upon maturity	(5,000)	–	(1,000)	–	–
End of year/period	1,000	1,000	–	1,000	–
Non-current portion	1,000	–	–	1,000	–
Current portion	–	1,000	–	–	–
End of year/period	1,000	1,000	–	1,000	–

13 DEFERRED INCOME TAX

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Deferred income tax assets recoverable:					
– within 12 months	28,287	4,345	20,086	15,712	11,502
– after 12 months	49,737	48,030	33,648	33,175	53,277
	78,024	52,375	53,734	48,887	64,779
Deferred income tax liabilities to be settled:					
– within 12 months	3,988	–	39,096	34,538	15,248
– after 12 months	214,981	189,782	176,845	158,240	203,831
	218,969	189,782	215,941	192,778	219,079

(a) Deferred income tax assets

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

	Deferred deductible expenses RMB'000	Tax loss RMB'000	Total RMB'000
At 1 January 2007	34,279	29,784	64,063
Credit/(charge) to the income statement	8,597	(1,972)	6,625
Acquisition of subsidiary	8,830	15,642	24,472
Effect on change of tax rate charged to income statement	(10,394)	(6,742)	(17,136)
At 31 December 2007	41,312	36,712	78,024
(Charge) to the income statement	(11,574)	(14,075)	(25,649)
At 31 December 2008	29,738	22,637	52,375
Credit/(charge) to the income statement	3,791	(2,432)	1,359
At 31 December 2009	33,529	20,205	53,734
(Charged)/credited to the income statement	(781)	11,826	11,045
At 31 March 2010	32,748	32,031	64,779
Unaudited			
At 1 January 2009	29,738	22,637	52,375
(Charged)/credited to the income statement	573	(4,061)	(3,488)
At 31 March 2009	30,311	18,576	48,887

(b) Deferred income tax liabilities

	Fair value on properties under development RMB'000	Assets fair value surplus on acquisitions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2007	10,084	20,371	–	30,455
(Credit) to the income statement	(769)	(3,918)	–	(4,687)
Charge directly to goodwill	37,972	–	–	37,972
Effect on change of tax rate credited to income statement	(2,679)	(3,989)	–	(6,668)
Acquisition of subsidiary *(Note 38)*	161,897	–	–	161,897
At 31 December 2007	206,505	12,464	–	218,969
(Credit) to the income statement	(26,701)	(2,486)	–	(29,187)
At 31 December 2008	179,804	9,978	–	189,782
(Credit)/charge to the income statement	(37,817)	13,764	50,212	26,159
At 31 December 2009	141,987	23,742	50,212	215,941
(Credit)/charge to the income statement	(638)	2,217	1,559	3,138
At 31 March 2010	141,349	25,959	51,771	219,079
Unaudited				
At 1 January 2009	179,804	9,978	–	189,782
(Credited)/charged to the income statement	(5,196)	7,764	428	2,996
At 31 March 2009	174,608	17,742	428	192,778

14 PROPERTIES UNDER DEVELOPMENT

	31 December			31 March
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
Comprising:				
Land use rights	3,618,042	3,178,289	3,022,612	4,284,124
Construction costs	1,822,909	1,599,723	1,421,399	1,649,341
Capitalised financial costs	97,880	97,175	51,368	79,943
	5,538,831	4,875,187	4,495,379	6,013,408

The properties under development are all located in the PRC.

As at 31 December 2007, 2008 and 2009 and 31 March 2010, certain properties under development with balances totalling RMB1,832 million, RMB1,771 million, RMB1,459 million and RMB1,622 million, respectively, were pledged as collaterals for the Group's borrowings (Note 22).

15 COMPLETED PROPERTIES HELD FOR SALE

	31 December			31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Completed properties held for sale	1,599,452	2,228,961	1,312,832	1,211,218

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

As at 31 December 2007, 2008 and 2009 and 31 March 2010, certain completed properties held for sale with balances totalling RMB416 million, RMB950 million, RMB408 million and RMB332 million, were pledged as collaterals for the Group's borrowings (Note 22).

As at 31 March 2010, the Group is in the process of applying for the ownership certificate in respect of the completed car parks of RMB286 million. The Directors consider that the title of car parks will be obtained in due course upon the completion of certain procedures in 2012 with no additional cost to the Group.

16 OTHER RECEIVABLES

	The Group				The Company		
	31 December			31 March	31 December		31 March
	2007	2008	2009	2010	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid taxes	257,128	244,029	189,431	240,529	–	–	–
Prepayment to non-controlling investor for equity transaction	177,534	–	–	–	–	–	–
Prepayment for property projects	20,976	61,678	31,702	94,894	–	–	–
Deposits for guarantee to customers' bank loans	21,262	48,078	33,488	15,391	–	–	–
Others	9,477	29,226	39,903	31,298	10,699	15,280	15,165
	486,377	383,011	294,524	382,112	10,699	15,280	15,165

As at 31 December 2007, 2008 and 2009 and 31 March 2010, the fair value of other receivables approximated their carrying amounts.

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

17 RESTRICTED CASH

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

18 CASH AND CASH EQUIVALENTS

	31 December			31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand				
– Denominated in RMB	709,646	627,973	1,418,164	458,659
– Denominated in USD	–	6,189	3,312	3,311
– Denominated in HKD	8,393	4,915	2,356	2,183
	718,039	639,077	1,423,832	464,153

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

	Note	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares RMB
Authorised:				
Ordinary shares of US$1.00 each upon incorporation .	(a)	50,000	US$50,000	
Subdivision of shares to US$0.0001 each	(b)	499,950,000	–	
As at 31 December 2007, 2008 and 26 November 2009		500,000,000	US$50,000	
Cancellation of US$ shares	(e)	(500,000,000)	(US$50,000)	
Ordinary shares of HK$0.1 each as at 27 November 2009	(e)	10,000,000,000	HK$1,000,000,000	
As at 27 November 2009, 31 December 2009 and 31 March 2010		10,000,000,000	HK$1,000,000,000	
Issued:				
Ordinary shares of U$1.00 each.	(a)	1	US$1	7
Subdivision of shares to US$0.0001 each	(b)	9,999	–	–
		10,000	US$1	7
Issue of ordinary shares of US$0.0001 each	(c)	9,990,000	US$999	7,404
As at 31 December 2007, 2008 and 27 August 2009 . .		10,000,000	US$1,000	7,411
Capitalisation of reserve at 28 August 2009	(d)	10,000,000	US$1,000	7,318
Repurchase and cancellation of US$ shares on 27 November 2009	(e)	(20,000,000)	(US$2,000)	(14,729)
Issue of ordinary shares of HK$0.1 each as at 27 November 2009	(e)	20,000,000	HK$2,000,000	1,761,800
As at 27 November 2009, 31 December 2009 and 31 March 2010		20,000,000	HK$2,000,000	1,761,800

Note:

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

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

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

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

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

20 OTHER RESERVES

	Note	The Group				
		Other reserves RMB'000	Merger Reserve RMB'000	Statutory reserve RMB'000	Financial guarantee reserve RMB'000	Total RMB'000
At 1 January 2007		352,664	–	42,769	–	395,433
Change in fair value		1,455	–	–	–	1,455
Deemed contribution by the investor		11,740	–	–	–	11,740
Acquisition of non-controlling interests	(a)(i)	74,372	–	–	–	74,372
– Transaction with non-controlling interests		*8,422*	–	–	–	*8,422*
– Deemed contribution from the investor		*65,950*	–	–	–	*65,950*
Distribution to the investor	(a)(ii)	(277,684)	(1,423,109)	–	–	(1,700,793)
Financial guarantee	37(b)	–	–	–	(349)	(349)
Contribution from the equity holder of the Company	(c)	1,399,917	–	–	–	1,399,917
Transfer	(b)	–	–	42,108	–	42,108
At 31 December 2007		1,562,464	(1,423,109)	84,877	(349)	223,883
Change in fair value		(1,268)	–	–	–	(1,268)
Acquisition of non-controlling interests	(a)(iii)	(193,300)	–	–	–	(193,300)
Transfer	(b)	–	–	66,394	–	66,394
Contribution from the equity holder of the Company	(c)	19,211	–	–	–	19,211
At 31 December 2008		1,387,107	(1,423,109)	151,270	(349)	114,920
Redemption of available-for-sales financial assets		(874)				(874)
Change in fair value		328	–	–	–	328
Acquisition of non-controlling interest	(a)(iv)	8,626	–	–	–	8,626
Capitalisation of reserve	19(d)	(8)	–	–	–	(8)
Repurchase and cancellation of US$ shares	19(e)	15	–	–	–	15
Issue of share	19(e)	(1,762)	–	–	–	(1,762)
At 31 December 2009		1,393,432	(1,423,109)	151,271	(349)	121,245
Acquisition of non-controlling interests	(a)(v)	(108,827)	–	–	–	(108,827)
At 31 March 2010		1,284,605	(1,423,109)	151,271	(349)	12,418
Unaudited						
At 1 January 2009		1,387,107	(1,423,109)	151,271	(349)	114,920
Change in fair value		257	–	–	–	257
At 31 March 2009		1,387,364	(1,423,109)	151,271	(349)	115,177

	Note	The Company Capital reserve RMB'000	Financial guarantee reserve RMB'000	Total RMB'000
At 1 January 2007		–	–	–
Contribution from the equity holder of the Company	(c)	1,399,917	–	1,399,917
Financial guarantee	37(b)	–	(349)	(349)
At 31 December 2007		1,399,917	(349)	1,399,568
Contribution from the equity holder of the Company	(c)	19,210	–	19,210
At 31 December 2008		1,419,127	(349)	1,418,778
Capitalisation of reserve	19(d)	(8)	–	(8)
Repurchase and cancellation of US$ shares	19(e)	15	–	15
Issue of share	19(e)	(1,762)	–	(1,762)
At 31 December 2009 and 31 March 2010		1,417,372	(349)	1,417,023
Unaudited				
At 1 January 2009 and 31 March 2009		1,419,127	(349)	1,418,778

Note:

(a) Other reserves

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

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

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

(iv) On 16 December 2009, Sunac Zhidi acquired the remaining 10% equity interest of Sunac Ao Cheng owned by third party non-controlling investor (Note 1.2 (b)).

(v) On 11 March 2010, Sunac Zhidi acquired the remaining 49% equity interest of Wuxi Sunac Real Estate owned by third party non-controlling investor (Note 1.2(i)). The amount represents the difference between the consideration and the carrying value of the non-controlling interest.

(b) Statutory reserves

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

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

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

After the PRC companies now comprising the Group were converted into wholly foreign owned enterprises pursuant to the Reorganisation (described in Note 1), these companies are required, in accordance with relevant rules and regulations concerning foreign investment 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 companies 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.

(c) Contribution from the equity holder of the Company

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

21 TRADE AND OTHER PAYABLES

	31 December			31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables *(Note (a))*	1,563,810	1,329,577	1,208,498	1,120,047
Notes payable	36,300	74,000	362,222	1,002,000
Other payables	576,635	459,955	252,134	438,937
Payroll and welfare payables	30,261	15,319	16,979	5,817
Other taxes payable	226,833	252,534	348,369	355,974
	2,433,839	2,131,385	2,188,202	2,922,775

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

	31 December			31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	548,589	603,596	683,415	443,209
90-180 days	256,392	41,244	10,830	206,946
180-365 days	19,716	141,823	80,551	10,169
Over 365 days	739,113	542,914	433,702	459,723
	1,563,810	1,329,577	1,208,498	1,120,047

22 BORROWINGS

	31 December			31 March
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
Non-current				
Secured, borrowed from:				
– Banks	1,487,640	1,965,500	2,071,873	2,532,134
– Other financial institutions	242,000	154,000	333,620	331,620
Less: Current portion of long-term borrowings	(562,340)	(688,100)	(411,103)	(580,264)
	1,167,300	1,431,400	1,994,390	2,283,490
Current				
Secured, borrowed from:				
– Banks	446,500	229,580	100,000	210,000
– Other financial institutions	121,000	50,000	–	–
Unsecured, borrowed from:				
– Banks	80,000	–	–	–
– Other financial institutions	–	46,000	46,000	46,000
– Third parties	140,000	139,994	119,861	119,861
Current portion of long-term borrowings	562,340	688,100	411,103	580,264
	1,349,840	1,153,674	676,964	956,125
	2,517,140	2,585,074	2,671,354	3,239,615

Group's borrowings of RMB2,297 million, RMB2,399 million, RMB2,505 million and RMB3,074 million at each balance sheet date of the Relevant Periods were jointly secured by the Group's certain properties amounting RMB2,248 million, RMB2,721 million, RMB2,021 million and RMB2,108 million. (Note 8, Note 14 and Note 15)

(a) Long-term borrowings

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

	31 December			31 March
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
Within 1 year	562,340	688,100	411,103	580,264
Between 1 and 2 years	619,600	1,391,400	1,275,590	1,174,690
Between 2 and 5 years	547,700	40,000	718,800	1,108,800
	1,729,640	2,119,500	2,405,493	2,863,754

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

	31 December			31 March
	2007	2008	2009	2010
Bank borrowings	7.55%	8.54%	6.70%	6.18%

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

	31 December			31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
6 months or less	657,300	1,160,180	803,103	1,065,364
6 -12 months	950,840	859,900	848,800	1,156,800
	1,608,140	2,020,080	1,651,903	2,222,164

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

	31 December			31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
– Expiring within one year	183,700	132,600	2,568,647	2,389,199
– Expiring beyond one year	–	–	150,000	–
	183,700	132,600	2,718,647	2,389,199

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

23 REVENUE

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of properties	2,998,190	3,433,384	4,777,031	189,249	239,439
Rental income	13,262	16,115	18,182	4,336	4,952
Property management service income	–	–	–	–	1,181
	3,011,452	3,449,499	4,795,213	193,585	245,572

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

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fair value gains	11,127	7,265	56,655	31,655	–
Fair value losses	(20,000)	(33,117)	–	–	–
	(8,873)	(25,852)	56,655	31,655	–

25 EXPENSES BY NATURE

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	**2008 RMB'000**	**2009 RMB'000**	**2009 RMB'000 (unaudited)**	**2010 RMB'000**
Cost of properties sold:					
– Land use rights costs	484,114	551,772	878,190	53,676	27,886
– Construction costs	1,419,162	1,493,245	2,128,620	76,670	74,320
– Capitalised interest	140,143	134,045	166,413	5,656	7,403
– Business tax *(Note 26)*	165,810	188,210	259,287	10,450	13,302
– Other costs	2,328	4,468	3,680	776	1,959
Staff costs – excluding Directors' emoluments *(Note 29)*	64,346	47,917	55,063	14,807	5,536
Advertisement and promotion costs	36,432	95,876	38,428	10,401	14,103
Office and travel expenses	11,252	17,051	20,086	4,089	5,089
Other tax expenses	10,793	16,638	15,483	3,865	3,790
Impairment provision for car parks	–	–	14,000	–	7,000
Depreciation and other amortisation	11,316	10,072	10,682	2,966	2,430
Entertainment expense	4,393	8,774	8,278	2,026	2,257
Consulting expenses	3,863	9,397	3,568	730	4,137
Others	6,411	11,879	15,991	4,846	6,144
Total cost of sales, selling and marketing costs and administrative expenses	2,360,363	2,589,344	3,617,769	190,958	175,356

26 BUSINESS TAX

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

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

27 OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	**2008 RMB'000**	**2009 RMB'000**	**2009 RMB'000 (unaudited)**	**2010 RMB'000**
Investment income	7,228	17,797	30,645	7,752	5,985
Government grants	16,258	17,143	4,079	4,079	–
Interest income	2,657	5,094	4,918	693	2,926
Recovery of bad debts written off in previous years	–	20,000	–	–	–
Others	1,752	2,934	973	281	457
	27,895	62,968	40,615	12,805	9,368

28 OTHER EXPENSES

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Compensation for delay of delivery of properties	59,458	6,400	4,731	5,961	38
Penalty charges	1,248	7,429	2,110	1,666	–
Others	1,474	1,921	791	31	314
	62,180	15,750	7,632	7,658	352

29 STAFF COSTS – EXCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Wages and salaries	68,302	54,894	57,518	14,828	5,126
Pension costs	4,763	4,956	4,260	1,342	958
Other social security costs	5,074	6,839	5,665	1,729	1,281
Staff welfare	703	1,471	3,042	425	876
	78,842	68,160	70,485	18,324	8,241
Less: Staff costs capitalised in properties under development	(14,496)	(20,243)	(15,422)	(3,517)	(2,705)
Charged to income statements *(Note 25)*	64,346	47,917	55,063	14,807	5,536

30 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and senior management's emoluments

The Directors' emoluments are set out below:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Inducement fees RMB'000	Other benefits including pensions RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
Year ended 31 December 2007:							
Mr. Sun Hongbin	–	1,151	–	–	–	–	1,151
Mr. Li Shaozhong	–	1,151	–	–	45	–	1,196
Ms. Ma Zhixia	–	948	–	–	45	–	993
Mr. Wang Mengde	–	1,058	–	–	45	–	1,103
Year ended 31 December 2008:							
Mr. Sun Hongbin	–	890	–	–	–	–	890
Mr. Li Shaozhong	–	876	–	–	49	–	925
Ms. Ma Zhixia	–	565	–	–	49	–	614
Mr. Wang Mengde	–	621	–	–	49	–	670
Year ended 31 December 2009:							
Mr. Sun Hongbin	–	876	–	–	–	–	876
Mr. Li Shaozhong	–	822	–	–	52	–	874
Mr. Wang Mengde	–	548	–	–	52	–	600
Mr. Chi Xun	–	568	–	–	52	–	620
Mr. Shang Yu	–	736	–	–	52	–	788
Three months ended 31 March 2010:							
Mr. Sun Hongbin	–	155	–	–	–	–	155
Mr. Li Shaozhong	–	155	–	–	13	–	168
Mr. Wang Mengde	–	111	–	–	13	–	124
Mr. Chi Xun	–	125	–	–	13	–	138
Mr. Shang Yu	–	159	–	–	13	–	172
Three months ended 31 March 2009 (unaudited):							
Mr. Sun Hongbin	–	167	–	–	–	–	167
Mr. Li Shaozhong	–	160	–	–	13	–	173
Mr. Wang Mengde	–	111	–	–	13	–	124
Ms. Ma Zhixia	–	99	–	–	13	–	112

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in each of the three years ended 31 December 2007, 2008, 2009 and the three months ended 31 March 2009 and 2010, include 4, 3, 5, 3 and 5 directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals in each of the three years ended 31 December 2007, 2008, 2009 and the three months ended 31 March 2009 and 2010, respectively, are as follows:

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Basic salaries, housing allowances, pensions and other benefits in kind	1,005	1,200	–	241	–

During the Relevant Periods, no bonus was paid to the five highest paid individuals.

The emoluments fell within the following bands:

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009 (unaudited)	2010
Emolument bands					
HK$0 – HK$1,000,000	–	2	–	2	–
HK$1,000,001 – HK$1,500,000	1	–	–	–	–
	1	2	–	2	–

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

31 FINANCE COSTS, NET

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Interest expenses on:					
– Bank borrowings	133,300	186,124	137,642	38,926	36,514
– Borrowings from non-bank financial institutions	39,084	19,177	18,268	4,663	7,339
– Borrowings from third parties	22,398	15,700	13,084	3,175	2,997
– Other finance costs	37,225	33,990	43,344	3,121	27,224
Less: Capitalised interests	(149,374)	(144,131)	(99,075)	(17,310)	(28,576)
	82,633	110,860	113,263	32,575	45,498

32 INCOME TAX EXPENSES

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Corporate income tax charge ("CIT")	175,169	170,188	307,219	3,739	4,036
– Current income tax	*176,012*	*173,727*	*282,419*	*(2,745)*	*13,189*
– Deferred income tax	*(843)*	*(3,539)*	*24,800*	*6,484*	*(9,153)*
Land appreciation tax ("LAT")	100,618	113,918	163,618	9,583	39,312
	275,787	284,106	470,837	13,322	43,348

(a) CIT

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

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Profit before tax	488,830	761,029	1,341,881	(4,815)	86,762
Income tax calculated at statutory rate	161,314	190,257	335,471	(1,204)	21,728
Change of CIT rate	10,469	–	–	–	–
LAT deduction	(33,204)	(28,479)	(40,904)	(2,396)	(9,828)
Income not subject to tax	–	–	(47,015)	2,917	(13,257)
Non-deductible expenses	36,590	8,410	9,455	3,994	3,834
Others	–	–	50,212	428	1,559
	175,169	170,188	307,219	3,739	4,036

Before 1 January 2008, PRC CIT was provided at the statutory rate of 33% of the profits for the PRC statutory financial reporting purpose, adjusted for those items not assessable or deductible for the PRC CIT purpose.

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

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

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

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

(b) LAT

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

33 EARNINGS PER SHARE

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

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Profit attributable to equity holders of the Company	174,382	495,606	825,062	(5,411)	44,584
Weighted average number of ordinary shares in issue	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000

34 DIVIDENDS

No dividends were declared during the Relevant Periods.

35 CASH GENERATED FROM /(USED IN) OPERATIONS

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Profit before income taxes	488,830	761,029	1,341,881	(4,815)	86,762
Adjustments for:					
– Finance costs	82,633	110,860	113,263	32,575	45,498
– Gain on disposal of subsidiaries	–	–	–	–	–
– Loss on disposal of PPE	304	36	(108)	(18)	(243)
– (Gain)/loss on disposal of financial assets	–	–	(1,570)	(70)	–
– (Gain)/loss from fair value of investment properties, net	8,873	25,852	(56,655)	(31,655)	–
– Amortisation of intangible assets	6,261	5,951	5,950	1,487	1,487
– Depreciation	5,055	4,121	4,732	1,479	943
– Share of loss/(gain) from associates and jointly control entities	36,468	9,632	(188,062)	11,669	(53,028)
Changes in working capital				–	–
– Properties under development and completed properties held for sale	482,617	33,783	1,202,092	(157,232)	(1,416,415)
– Other receivables	355,680	(49,933)	181,311	22,183	(34,521)
– Trade and other payables	(945,840)	(524,319)	(752,196)	382,514	1,125,078
– Financial guarantee	349	(174)	(175)	(175)	–
Cash generated from operations	521,230	376,838	1,850,463	257,942	(244,439)

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

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Net book amount *(Note 7)*	1,524	2,029	1,056	70	139
Losses on disposal of PPE	(304)	(36)	108	18	243
Proceeds from disposal of PPE	1,220	1,993	1,164	88	382

36 COMMITMENTS

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

	31 December			31 March
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
Property development expenditure				
– Contracted but not provided for	2,825,348	3,129,236	1,313,951	2,066,534
– Authorised but not contracted for	11,514,938	10,635,786	10,162,313	11,481,216
	14,340,286	13,765,022	11,476,264	13,547,750

(b) Operating lease commitments

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

	31 December			31 March
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
No later than 1 year	1,761	1,690	1,119	1,119
Later than 1 year and no later than 5 years	3,325	–	1,026	839
	5,086	1,690	2,145	1,958

37 FINANCIAL GUARANTEE

(a) Guarantee on mortgage facilities

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

	31 December			31 March
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	1,081,720	1,500,806	1,459,718	1,058,540

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

	31 December			31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees for exchangeable bond	349	175	–	–

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

The relevant financial guarantee liability, together with its corresponding credit to the equity reserve, was initially recognised at its fair value as such guarantee qualified as a "Financial Guarantee Contract" under HKAS39 and HKFRS4.

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

(c) There was no corporate guarantee provided to the Group's subsidiaries in respect of bank borrowings as at 31 December 2007, 2008, 2009 and 31 March 2010. The Directors consider the subsidiaries to be sufficiently financially resourced to settle their obligations.

38 BUSINESS COMBINATIONS

(a) Acquisition of Wuxi Sunac Real Estate

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

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

Details of net assets acquired and goodwill are as follows:

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

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

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

(b) Acquisition of Wuxi Sunac City

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

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

Details of net assets acquired and goodwill are as follows:

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

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

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

(c) Acquisition of Sunac Property Management

On 20 March 2010, Sunac Zhidi acquired 100% equity interest in Sunac Property Management, a property management service company, for a total consideration of RMB0.1 million.

The acquired business contributed revenue of RMB1.18 million and net loss of RMB0.15 million to the Group for the period from 20 March 2010 to 31 March 2010. If the acquisition had occurred on 1 January 2010, Group revenue would have been increased by RMB20.7 million, and profit before allocations would have been decreased by RMB4 million for the three months ended 31 March 2010.

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 Investment Holdings Ltd. ("Sunac International")	Equity holder of the Company
Yingxin Xinheng	Company controlled by Mr. Sun
Tianjin Sunco Real Estate Co. Ltd. and its related entities ("Sunco Group")*	Companies controlled by Mr. Sun
Shougang Sunac	Associate
Shouchi Yuda	Associate
Chongqing Yuneng	Jointly controlled entity
Chongqing Shangshan	Jointly controlled entity

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

(b) Transactions with related parties

During the years ended 31 December 2007, 2008 and 2009 and the three months ended 31 March 2009 and 2010, the Group had the following significant transactions with related parties:

	The Group				
	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Provision/(receiving) of fund to/(from) related parties:					
Chongqing Yuneng	–	(40,500)	(58,500)	–	–
Chongqing Shangshan	–	(35,000)	(10,000)	(10,000)	–
Shougang Sunac	–	–	293,060	293,060	4,630
Shouchi Yuda	56,000	–	–	–	–
Sunac International	4,168	(4,168)	–	–	–

	The Company				
	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Provision/(receiving) of fund to/(from) Sunac International	4,168	(4,168)	–	–	–

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

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

(c) Key management compensation

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

(d) Related party balances

	31 December			31 March
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
Amounts due from related parties				
– Yingxin Xinheng	2,237	45	–	–
– Shouchi Yuda	94,762	56,000	56,000	56,000
– Shougang Sunac	–	–	–	4,630
– Chongqing Yuneng	135,760	104,390	53,446	24,034
– Chongqing Shangshan	–	49,950	–	–
	232,759	210,385	109,446	84,664
Amounts due to related parties				
– Yingxin Xinheng	–	9,253	–	16,403
– Sunac International	4,168	–	–	–
	4,168	9,253	–	16,403

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

(ii) The Group has received RMB24 million from Chongqing Yuneng in April 2010. The remaining amounts due from Shougang Sunac, Shouchi Yuds as at 31 March 2010 were used to fund the respective property projects and may not be repaid in full prior to the listing.

(e) Other transactions

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

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

(f) Distribution to the investor

As disclosed in Note 1.3, during the Reorganization process, the operating entities, including Sunac Zhidi and its subsidiary Tianjin Xiangchi, Sunac Ao Cheng and Chongqing OG, were transferred from Yingxin Xinheng to the Group. The total consideration was RMB1,700,793,000, comprising RMB710,450,000 for Chongqing OG, RMB480,000,000 for Sunac Zhidi & Tianjin Xiangchi, and RMB510,343,000 for Sunac Ao Cheng. In accordance with the merger accounting for common control combinations as explained in Note 2.2 (a), the Company recorded the total consideration as a change in equity of the Group.

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

40 INVESTMENTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	The Company			
	31 December			31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Investments, at cost	74	74	74	74
Quasi-equity loans	1,403,910	1,403,910	1,403,910	1,403,910
	1,403,984	1,403,984	1,403,984	1,403,984

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

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest								Principal activities
			31 December						31 March 2010		
			2007		2008		2009				
			Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly	
Incorporated in the British Virgin Islands:											
Sunac Real Estate Investment Holdings Ltd.	2 January 2007	US$10,000	100%	–	100%	–	100%	–	100%	–	Investment holding
Qiwei Real Estate Investment Holdings Ltd.	6 June 2007	US$1	100%	–	100%	–	100%	–	100%	–	Investment holding
Yingzi Real Estate Investment Holdings Ltd.	31 August 2007	US$1	100%	–	100%	–	100%	–	100%	–	Investment holding
Jujin Real Estate Investment Holdings Ltd.	6 September 2007	US$1	100%	–	100%	–	100%	–	100%	–	Investment holding
Dingsheng Real Estate Investment Holdings Ltd.	6 September 2007	US$1	100%	–	100%	–	100%	–	100%	–	Investment holding
Zhuoyue Real Estate Investment Holdings Ltd.	13 September 2007	US$1	100%	–	100%	–	100%	–	100%	–	Investment holding

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest 31 December 2007 Directly	2007 Indirectly	2008 Directly	2008 Indirectly	2009 Directly	2009 Indirectly	31 March 2010 Directly	31 March 2010 Indirectly	Principal activities
Incorporated in Hong Kong:											
Sunac Property Investment Holdings Ltd.	10 September 2007	HK$1	–	100%	–	100%	–	100%	–	100%	Investment holding
Qiwei Property Investment Holdings Ltd.	10 September 2007	HK$1	–	100%	–	100%	–	100%	–	100%	Investment holding
Yingzi Property Investment Holdings Ltd.	10 September 2007	HK$1	–	100%	–	100%	–	100%	–	100%	Investment holding
Jujin Property Investment Holdings Ltd.	14 September 2007	HK$1	–	100%	–	100%	–	100%	–	100%	Investment holding
Dingsheng Property Investment Holdings Ltd.	14 September 2007	HK$1	–	100%	–	100%	–	100%	–	100%	Investment holding
Zhuoyue Property Investment Holdings Ltd.	20 September 2007	HK$1	–	100%	–	100%	–	100%	–	100%	Investment holding
Incorporated in the PRC:											
Tianjin Sunac Real Estate Investment Management Co., Ltd.	6 February 2007	RMB460 million	–	100%	–	100%	–	100%	–	100%	Investment holding
Tianjin Qiwei Real Estate Investment Management Co., Ltd.	20 July 2007	RMB225 million	–	100%	–	100%	–	100%	–	100%	Investment holding
Tianjin Yingzihuijin Property Management Ltd.	26 September 2007	RMB220 million	–	100%	–	100%	–	100%	–	100%	Investment holding
Tianjin Jujin Property Management Ltd.	31 October 2007	RMB200 million	–	100%	–	100%	–	100%	–	100%	Investment holding
Tianjin Dingsheng Juxian Property Management Ltd.	31 October 2007	RMB200 million	–	100%	–	100%	–	100%	–	100%	Investment holding
Tianjin Zhuo Yue Property Management Ltd.	31 October 2007	US$15 million	–	100%	–	100%	–	100%	–	100%	Investment holding

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest 31 December 2007 Directly	2007 Indirectly	2008 Directly	2008 Indirectly	2009 Directly	2009 Indirectly	31 March 2010 Directly	31 March 2010 Indirectly	Principal activities
Incorporated in the PRC:											
Sunac Zhidi	31 January 2003	RMB900 million	–	100%	–	100%	–	100%	–	100%	Real estate development and investment
Sunac Ao Cheng	25 February 2003	RMB222 million	–	87.3%	–	90%	–	90%	–	100%	Real estate development and investment
Chongqing OG	24 April 2004	RMB180 million	–	90.15%	–	100%	–	100%	–	100%	Real estate development
Tianjin Xiangchi	25 September 2006	RMB160 million	–	100%	–	100%	–	100%	–	100%	Real estate development
Wuxi Sunac Real Estate	27 February 2004	RMB204.1million	–	51%	–	51%	–	51%	–	100%	Real estate development
Suzhou Chunshen Lake	8 February 2005	RMB140 million	–	51%	–	51%	–	51%	–	100%	Real estate development
Wuxi Sunac City	11 May 2005	RMB220 million	–	51%	–	51%	–	51%	–	100%	Real estate development
Yixing Sunac Dongjiu	9 March 2010	RMB360 million	–	–	–	–	–	–	–	100%	Real estate development

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

	Name of statutory auditors 2007	2008	2009
Incorporated in Hong Kong:			
Sunac Property Investment Holdings Ltd.	Not applicable	Sky CPA & Co.	Sky CPA & Co.
Qiwei Property Investment Holdings Ltd.	Not applicable	Sky CPA & Co.	Sky CPA & Co.
Yingzi Property Investment Holdings Ltd.	Not applicable	Sky CPA & Co.	Sky CPA & Co.
Jujin Property Investment Holdings Ltd.	Not applicable	Sky CPA & Co.	Sky CPA & Co.
Dingsheng Property Investment Holdings Ltd.	Not applicable	Sky CPA & Co.	Sky CPA & Co.
Zhuoyue Property Investment Holdings Ltd.	Not applicable	Sky CPA & Co.	Sky CPA & Co.

	Name of statutory auditors 2007	2008	2009
Incorporated in the PRC:			
Tianjin Sunac Real Estate Investment Management Co., Ltd.	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司
Tianjin Qiwei Real Estate Investment Management Co., Ltd.	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司
Tianjin Yingzihuijin Property Management Ltd..	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司
Tianjin Jujin Property Management Ltd..	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司
Tianjin Dingsheng Juxian Property Management Ltd. . . .	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司
Tianjin Zhuo Yue Property Management Ltd..	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司	Tianjin Zhongyue Certified Public Accountants Co., Ltd. 天津中悅會計師事務所有限責任公司
Sunac Zhidi.	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Reanda Certified Public Accountants Co., Ltd 利安達會計師事務所有限責任公司天津分所
Sunac Ao Cheng	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Reanda Certified Public Accountants Co., Ltd 利安達會計師事務所有限責任公司天津分所
Chongqing OG	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Reanda Certified Public Accountants Co., Ltd 利安達會計師事務所有限責任公司天津分所
Tianjin Xiangchi	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Reanda Certified Public Accountants Co., Ltd 利安達會計師事務所有限責任公司天津分所

	Name of statutory auditors		
	2007	2008	2009
Wuxi Sunac Real Estate	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Reanda Certified Public Accountants Co., Ltd 利安達會計師事務所有限責任公司天津分所
Suzhou Chunshen Lake	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Reanda Certified Public Accountants Co., Ltd 利安達會計師事務所有限責任公司天津分所
Wuxi Sunac City.	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Tianjin Wuzhou Songde Certified Public Accountants Co., Ltd. 天津五洲松德會計師事務所有限公司	Reanda Certified Public Accountants Co., Ltd 利安達會計師事務所有限責任公司天津分所

41 SIGNIFICANT SUBSEQUENT EVENTS

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.

II. ADDITIONAL FINANCIAL INFORMATION OF CHONGQING YUNENG

The consolidated balance sheets of Chongqing Yuneng as at 31 December 2007, 2008 and 2009 and 31 March 2010 and the consolidated income statements, consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statements for the years ended 31 December 2007, 2008 and 2009 and three months ended 31 March 2010 are presented as follows:

CONSOLIDATED BALANCE SHEETS OF CHONGQING YUNENG

		As at 31 December			As at 31 March
	Note	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment		2,781	3,259	3,311	3,071
Deferred income tax assets		4,158	1,544	1,364	1,196
		6,939	4,803	4,675	4,267
Current assets					
Properties under development	(a)	945,492	801,161	904,917	766,504
Completed properties held for sale		–	93,535	26,971	54,947
Amounts due from related parties		75	14,079	33,816	34,229
Other receivables	(b)	25,737	117,037	109,134	128,784
Restricted cash	(c)	99,334	163,638	34,670	93,854
Cash and cash equivalents		2,886	10,366	46,192	83,374
		1,073,524	1,199,816	1,155,700	1,161,692
Total assets		1,080,463	1,204,619	1,160,375	1,165,959
EQUITY					
Capital and reserves attributable to equity holder of Chongqing Yuneng					
Ordinary shares		60,000	150,000	280,000	280,000
Other reserves		–	888	5,181	5,181
(Accumulated losses)/retained earnings		(103,019)	(92,723)	(44,891)	1,606
		(43,019)	58,165	240,290	287,787
Non-controlling interests		–	193	186	186
Total equity		(43,019)	58,358	240,476	286,973

	Note	As at 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	As at 31 March 2010 RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	(d)	140,000	147,000	140,900	244,550
Current liabilities					
Trade and other payables		208,741	195,747	111,469	144,524
Advanced proceeds from customers		344,817	400,793	497,993	390,755
Amounts due to related parties		336,324	286,901	90,581	32,184
Borrowings	(d)	93,600	115,820	66,150	24,000
Current income tax liabilities		–	–	12,806	42,973
		983,482	999,261	778,999	634,436
Total liabilities		1,123,482	1,146,261	919,899	878,986
Total equity and liabilities		1,080,463	1,204,619	1,160,375	1,165,959
Net current assets		90,042	200,555	376,701	527,256
Total assets less current liabilities		96,981	205,358	381,376	531,523

Note:

(a) Properties under development

	31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	31 March 2010 RMB'000
Comprising:				
Land use rights	662,682	587,457	566,471	500,177
Construction costs	282,810	189,297	291,911	231,946
Capitalised financial costs	–	24,407	46,535	34,381
	945,492	801,161	904,917	766,504

The properties under development are all located in the PRC.

As at 31 December 2007, 2008 and 2009 and 31 March, 2010, certain properties under development with balances totalling RMB434 million, RMB444 million, RMB306 million and RMB269 million, respectively, were pledged as collaterals for borrowings.

(b) Other receivables

	31 December 2007 RMB'000	31 December 2008 RMB'000	31 December 2009 RMB'000	31 March 2010 RMB'000
Prepaid taxes	19,272	26,369	22,843	31,733
Deposits of LUR	–	80,428	80,235	80,235
Prepayment for property projects	3,241	4,862	4,046	10,023
Deposits for guarantee to customers' bank loans	–	17	78	91
Others	3,224	5,361	1,932	6,702
	25,737	117,037	109,134	128,784

As at 31 December 2007, 2008 and 2009 and 31 March 2010, the fair value of other receivables approximated their carrying amounts.

The carrying amounts of other receivables are all denominated in RMB.

(c) Restricted cash

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

(d) Borrowings

	31 December 2007 RMB'000	31 December 2008 RMB'000	31 December 2009 RMB'000	31 March 2010 RMB'000
Non-current				
Secured bank borrowings	140,000	247,000	166,300	244,550
Less: Current portion of long-term borrowings	–	(100,000)	(25,400)	–
	140,000	147,000	140,900	244,550
Current				
Secured bank borrowings	93,600	15,820	16,750	–
Unsecured borrowing from Sunac Zhidi	–	–	24,000	24,000
Current portion of long-term borrowings	–	100,000	25,400	–
	93,600	115,820	66,150	24,000

Chongqing Yuneng Group's borrowings of RMB234 million, RMB263 million, RMB183 million and RMB245 million at each balance sheet date of the reporting periods were jointly secured by certain properties and land use rights of the group.

(i) Long-term borrowings

Chongqing Yuneng's borrowings as at each of the balance sheet dates in the reporting Periods were repayable as follows:

	31 December 2007 RMB'000	31 December 2008 RMB'000	31 December 2009 RMB'000	31 March 2010 RMB'000
Within 1 year	–	100,000	25,400	–
Between 1 and 2 years	140,000	147,000	80,900	221,550
Between 2 and 5 years	–	–	60,000	23,000
	140,000	247,000	166,300	244,550

The weighted average effective interest rates at each balance sheet date in the reporting periods were as follows:

	31 December			31 March
	2007	2008	2009	2010
Bank borrowings	9.58%	8.60%	7.66%	7.05%

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

	31 December			31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
6 months or less	–	47,000	106,300	166,550
6-12 months	140,000	200,000	60,000	78,000
	140,000	247,000	166,300	244,550

(iii) As at each of the balance sheet date in the reporting periods, Chongqing Yuneng Group had the following committed undrawn banking facilities:

	31 December			31 March
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Expiring later than one year	–	–	–	97,000

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

CONSOLIDATED INCOME STATEMENTS OF CHONGQING YUNENG

		Year ended 31 December			Three months ended 31 March	
	Note	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Revenue	(e)	–	309,623	282,569	10,749	314,882
Cost of sales		–	(247,061)	(169,779)	(8,490)	(237,732)
Gross profit		–	62,562	112,790	2,259	77,150
Selling and marketing costs		(18,215)	(23,061)	(10,969)	(2,668)	(4,247)
Administrative expenses		(6,783)	(10,722)	(10,542)	(2,375)	(2,027)
Other income		387	647	1,795	119	78
Other expenses		(78)	(169)	(249)	(113)	(15)
Operating profit		(24,689)	29,257	92,825	(2,778)	70,939
Finance costs, net		(43,873)	(10,869)	(6,314)	(4,497)	–
Profit before income tax		(68,562)	18,388	86,511	(7,275)	70,939
Income tax expense		341	(7,211)	(34,393)	1,639	(24,442)
Profit for the year/period		(68,221)	11,177	52,118	(5,636)	46,497
Attributable to:						
Equity holders of Chongqing Yuneng		(68,221)	11,184	52,125	(5,634)	46,497
Non-controlling interests		–	(7)	(7)	(2)	–
		(68,221)	11,177	52,118	(5,636)	46,497

Note:

(e) Revenue

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Sales of properties	–	309,623	282,569	10,749	314,882

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF CHONGQING YUNENG

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Profit/(loss) for the year/period	(68,221)	11,177	52,118	(5,636)	46,497
Total comprehensive income	(68,221)	11,177	52,118	(5,636)	46,497
Attributable to:					
Equity holders of Chongqing Yuneng	(68,221)	11,184	52,125	(5,634)	46,497

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY OF CHONGQING YUNENG

	Attributable to equity holder of Chongqing Yuneng					
	Ordinary shares RMB'000	Other reserves RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2007	60,000	–	(34,798)	(25,202)	–	(25,202)
Loss for the year	–	–	(68,221)	(68,221)	–	(68,221)
At 31 December 2007	60,000	–	(103,019)	(43,019)	–	(43,019)
Profit for the year	–	–	11,184	11,184	(7)	11,177
Capital increase	90,000	–	–	90,000	200	90,200
Transfer	–	888	(888)	–	–	–
At 31 December 2008	150,000	888	(92,723)	58,165	193	58,358
Profit for the year	–	–	52,125	52,125	(7)	52,118
Capital increase	130,000	–	–	130,000	–	130,000
Transfer	–	4,293	(4,293)	–	–	–
At 31 December 2009	280,000	5,181	(44,891)	240,290	186	240,476
Profit for the period	–	–	46,497	46,497	–	46,497
At 31 March 2010	280,000	5,181	1,606	286,787	186	286,973
Unaudited						
At 31 December 2008	150,000	888	(92,723)	58,165	193	58,358
Profit for the period	–	–	(5,634)	(5,634)	(2)	(5,636)
At 31 March 2009	150,000	888	(98,357)	52,531	191	52,722

CONSOLIDATED CASH FLOW STATEMENTS OF CHONGQING YUNENG

	Year ended 31 December			Three months ended 31 March	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Cash flows from operating activities					
Cash (used in)/generated from operations	(245,650)	94,563	(16,253)	14,640	73,725
PRC income tax paid	(5,566)	(10,062)	(10,441)	(3,449)	(10,805)
Net cash (used in)/generated from operating activities	(251,216)	84,501	(26,694)	11,191	62,920
Cash flows from investing activities					
Purchase of property, plant and equipment ("PPE") and intangible assets	(2,023)	(1,268)	(1,705)	(299)	(66)
Proceeds from disposal of PPE	–	–	561	161	8
Net cash used in investing activities	(2,023)	(1,268)	(1,144)	(138)	(58)
Cash flows from financing activities					
Interest paid	(43,873)	(10,869)	(6,314)	(4,497)	–
Borrowings obtained	666,600	237,000	309,500	–	231,000
Repayments of borrowings	(267,419)	(327,780)	(498,490)	(60,215)	(197,496)
Deposits for bank borrowings	(99,334)	(64,304)	128,968	106,269	(59,184)
Contribution from equity holder of Chongqing Yuneng	–	90,200	130,000	–	–
Net cash generated from/(used in) financing activities	255,974	(75,753)	63,664	41,557	(25,680)
Net (decrease)/increase in cash and cash equivalents	2,735	7,480	35,826	52,610	37,182
Cash and cash equivalents at beginning of year/period	151	2,886	10,366	10,366	46,192
Cash and cash equivalents at end of year/period	2,886	10,366	46,192	62,976	83,374

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 31 March 2010 and up to the date of this report. On 10 May 2010, the Company declared and paid an interim dividend of US$1.4 per share totalling US$28.0 million (equivalent to RMB191.2 million). Other than this interim dividend, no dividend has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to 31 March 2010.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong