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

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

Stock Code 股份代號：1918

ANNUAL REPORT 2011 年度報告

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PASSION FOR PERFECTION

About SUNAC
關於融創

SUNAC China Holdings Limited (the "Company", "our Company" and its subsidiaries collectively referred to as the "Group") is an integrated residential and commercial property developer. To date, the Company has engaged in project developments in the cities of Beijing, Tianjin, Chongqing, Wuxi, Suzhou and Yixing, which are currently in different phases and has covered a diverse range of property types, such as high-rise and mid-rise residences, detached villas, townhouses, retail properties, offices and car parks.

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

融創中國控股有限公司(簡稱：本公司，本公司及其附屬公司統稱為本集團)是一家專業從事住宅及商業地產綜合開發的企業。迄今，公司在北京、天津、重慶、無錫、蘇州、宜興等城市擁有眾多處於不同發展階段的項目，產品涵蓋高層及多層住宅、別墅、聯排別墅、商業、寫字樓及泊車位等多種物業類型。

公司專注於高端物業的開發和管理，以"至臻，致遠"為品牌方向，持之以恒的為客戶專注打造高端精品物業，立志成為對高端品質不懈追求的房地產行業領跑者。公司用心為客戶提供大氣舒放、貴氣質感、富有品質的高端生活體驗，不懈追求具有恆久價值的優質產品和用心週到的服務。基於對市場發展的精準判斷，對消費者需求的敏鋭洞悉，以及對高品質的不懈追求，公司採用先進的設計理念和嚴格的管理監控體系，致力於不斷提升定位、產品規劃設計、建設和服務能力，提升專案綜合品質，打造精品項目。



Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Hu Xiaoling
Mr. Zhu Jia

Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice
(resigned with effect from 8 June 2011)
Mr. Poon Chiu Kwok
(appointed with effect from 8 June 2011)
Mr. Li Qin
Mr. Ma Lishan

JOINT COMPANY SECRETARIES

Mr. Huang Shuping
Ms. Ma Sau Kuen Gloria

AUTHORIZED REPRESENTATIVES

Mr. Wang Mengde
Ms. Ma Sau Kuen Gloria

AUDIT COMMITTEE

Ms. Kan Lai Kuen, Alice *(Chairman)*
(resigned with effect from 8 June 2011)
Mr. Poon Chiu Kwok *(Chairman)*
(appointed with effect from 8 June 2011)
Mr. Li Qin
Mr. Ma Lishan

REMUNERATION COMMITTEE

Ms. Kan Lai Kuen, Alice *(Chairman)*
(resigned with effect from 8 June 2011)
Mr. Poon Chiu Kwok *(Chairman)*
(appointed with effect from 8 June 2011)
Mr. Sun Hongbin
Mr. Li Qin
Mr. Ma Lishan

NOMINATION COMMITTEE

Mr. Sun Hongbin *(Chairman)*
Ms. Kan Lai Kuen, Alice
(resigned with effect from 8 June 2011)
Mr. Poon Chiu Kwok
(appointed with effect from 8 June 2011)
Mr. Li Qin
Mr. Ma Lishan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

LEGAL ADVISERS

As to Hong Kong law:
Norton Rose Hong Kong

As to Cayman Islands law:
Conyers Dill & Pearman

As to PRC law:
Jincheng Tongda & Neal Law Firm

COMPLIANCE ADVISOR

Anglo Chinese Corporate Finance, Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

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

STOCK CODE

1918

COMPANY'S WEBSITE

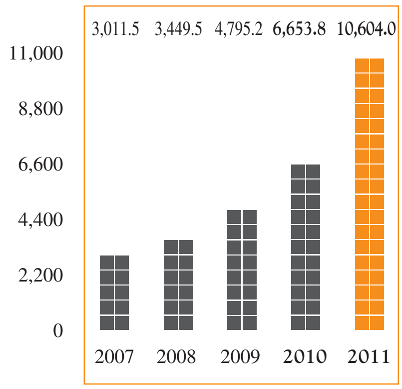
www.sunac.com.cn

Financial Summary

CONSOLIDATED RESULTS

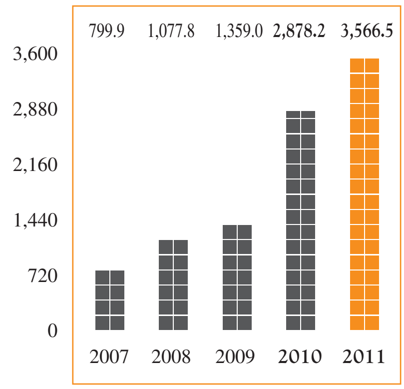
	2011	2010	2009	2008	2007
Revenue (RMB million)	10,604.0	6,653.8	4,795.2	3,449.5	3,011.5
Gross profit (RMB million)	3,566.5	2,878.2	1,359.0	1,077.8	799.9
Gross margin (%)	33.6%	43.3%	28.3%	31.2%	26.6%
Profit for the year (RMB million)	2,383.1	1,541.0	871.0	476.9	213.0
Profit attributable to owners of the Company (RMB million)	2,356.2	1,542.2	825.1	495.6	174.4
Cash and cash equivalents (including restricted cash) (RMB million)	3,867.1	4,249.0	1,936.0	869.9	877.6

Revenue



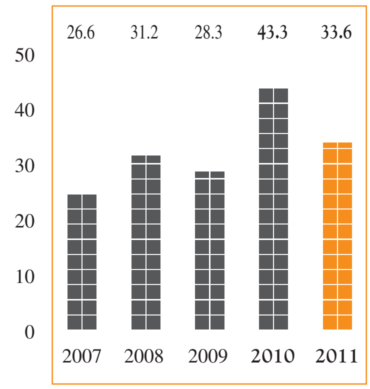
RMB million

Gross Profit



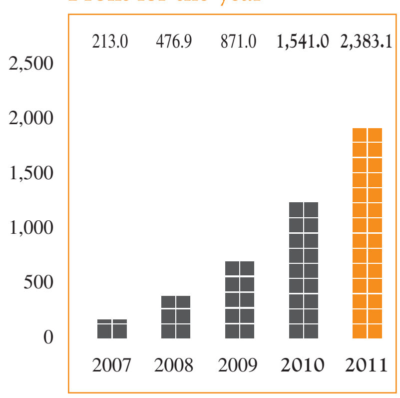
RMB million

Gross Margin



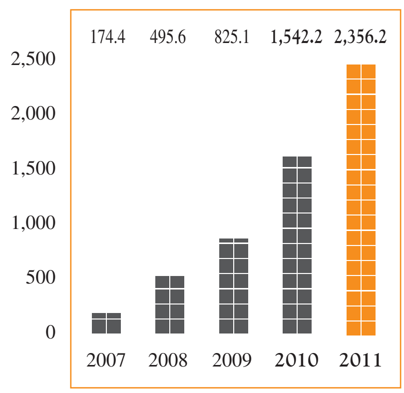
%

Profit for the year



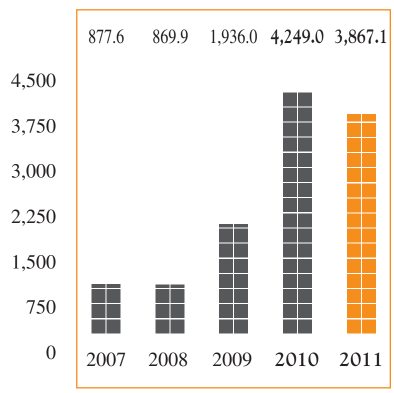
RMB million

Profit Attributable to owners of the Company



RMB million

Cash and Cash Equivalents (including restricted cash)



RMB million

Chairman's Statement

Dear Shareholders,

In 2011, despite the stringent control policy imposed by the PRC government on the real estate industry, the Company delivered satisfactory results in terms of sales, profits, replenishment of land bank, improvement of product quality and corporate governance, thereby laying a solid foundation for the healthy and sustainable development of the Company in the future.

Sales growth achieved in a tough environment

During 2011, the Company achieved its sales target in a tough environment, and recorded a contractual sales of approximately RMB19.2 billion, representing an increase of 130.5% as compared with the corresponding period of 2010. This achievement was made by focusing on six cities in four regions with only 14 projects available for sale (among these projects, six were launched for sale only in the second half of the year). Such excellent sales results are attributable to: (1) the multi-year presence of the Company in each region within its corporate strategy which enables the Company to better understand and ascertain the needs of customers than its peers, which helps a lot in producing products that are accepted by the local high-end customers; and (2) the proactive preparation made by the Company for the tough market condition of 2011 as well as its superb sales team and flexible sales strategy allow the Company to better adapt to the tough environment and achieve good sales results!

Successive launch of high-end projects significantly enhanced our brand image

In 2011, the successive launch of high-end projects such as Sunac West Chateau in Beijing and Sunac PL Du Pantheon in Tianjin has significantly enhanced the Company's market image as a developer of high-end properties and increased its brand influence.

Adhering to regional focus strategy, acquiring quality land in existing cities and introducing quality joint venture partners

During 2011, abundant cash flow enabled the Company to grasp opportunities to acquire quality land. The Company successfully acquired 5 new projects (including Sunac Glorious Mansion, Sunac Central Academy, Sunac Mian Er Project and Sunac LaiGuangying Project in Beijing and Sunac Eton Manor in Chongqing) in existing cities at suitable prices and expanded its land bank by approximately 2,000,000 square meters. At the same time, the Company successfully acquired the remaining 65% equity interests in West Chateau Project to make it the Company's wholly-owned subsidiary, and thus enhanced the Company's position in Beijing market.

By acquiring new projects, the Company also introduced such quality joint venture partners as Poly China and Franshion Properties (China) Limited. This heralds more opportunities and advantages will emerge for the Company's future development.

Chairman's Statement

2011 was a year of tremendous leap-forward development for the Company. The Company had achieved significant progress in both the development in scale and the enhancement of its brand image, thus opening a brand-new chapter of development of the Company. In 2012, the Company will adhere to its development strategy of "high-end properties" and "regional focus", and at the same time ensure the security of its cash flow while maintaining a healthy growth.

Although initial success of the real estate adjustment measures adopted by the Central Government in 2011 has been achieved, we believe the Government will continue to enforce its real estate adjustment measures in 2012, thus the sales and financing environment for the property sector will remain the same as 2011. This is expected to accelerate the pace of industry consolidation and create opportunities for the well-established enterprises for further expansion.

In 2012, we will proactively respond to changes in the market, enhance and fully capitalize on our capability to analyze and understand customer needs, maximize the value of our projects and products, and further improve our price management capability. With the unswerving determination to achieve our goals and the vigorous marketing capability of our team, we firmly believe that we will definitely realize a healthy growth in sales results. Meanwhile, we will also strengthen cost control through our efforts in strictly curbing various costs and expenses while enhancing product quality, so as to improve the profitability of the Company.

In 2012, we will take a prudent approach towards the opportunities arising from the land market, and focus on existing cities where we have selected meticulously and acquire quality land on premium locations on the premise of the absolute security of cash flow. At the same time, the Company will also consider prudently entering into Shanghai market in order to seek optimization of resources allocation, and strive to strengthen its position on the market and lay a solid foundation for its sustainable and steady development in future.

Business Review

During 2011, the Company achieved its sales target despite the tough environment where stringent real estate market adjustment measures continued to be implemented, and recorded a sales amount of approximately RMB19,209 million, representing an increase of 130.5% as compared with the corresponding period of 2010. Meanwhile, the launch of high-end projects such as West Chateau in Beijing has significantly enhanced the Company's market image as a developer of high-end properties and increased its brand influence. The excellent sales performance was attributable to the Company's strategy of "regional focus" and "high-end properties" as well as the superb sales performance of the sales team.

During 2011, abundant cash flow enabled the Company to grasp opportunities to acquire land and the Company successfully acquired 5 new projects in existing cities at suitable prices and expanded its land bank by approximately 2,116,276 square meters. The Company also introduced quality joint venture partners such as Poly Tianjin and Franshion Properties (China) Limited when the new projects were acquired.

2011 was a year of tremendous leap-forward development for the Company. The Company had achieved significant progress in both the development in scale and the enhancement of its brand image, thus laying a solid foundation for continuous sustainable growth in the future.

Vigorous growth in sales

For the year ended 31 December 2011, the Group and its associated project companies achieved a sales amount of approximately RMB19,209 million, representing approximately 1,193,734 sq.m in gross floor area ("GFA"), compared with sales amount of approximately RMB8,334 million achieved in 2010, representing approximately 728,644 sq.m. in GFA.

Project	Location	Approximate GFA sold (sq.m)	Approximate value (RMB'000)
Sunac Mind-Land International	Tianjin	84,800	2,253,117
Sunac Magnetic Capital	Tianjin	120,766	2,707,692
Sunac Central of Glorious	Tianjin	39,207	1,317,838
Sunac Glorious Mansion	Tianjin	60,760	661,670
Sunac Central Academy	Tianjin	54,201	600,300
Sunac PL Du Pantheon	Tianjin	14,709	466,019
Sunac Swan Lake	Wuxi	159,387	1,531,093
Sunac Dream of City	Wuxi	125,623	1,000,550
Sunac 81	Suzhou	38,527	582,684
Sunac Royal Garden	Yixing	54,100	909,998
Sunac Olympic Garden	Chongqing	302,261	3,031,846
Sunac Asia Pacific Enterprise Valley	Chongqing	38,727	453,725
Sunac East Fairyland	Beijing	3,819	89,915
Sunac West Chateau	Beijing	83,487	3,331,521
Sunac Long Beach Mansion	Beijing	13,360	271,164
Total		**1,193,734**	**19,209,132**

Summary of principal properties

In 2011, the Group has engaged in a total of 19 property development projects. The following tables set forth certain details of the Group's projects based on actual data or estimates of the Group and associated project companies as of 31 December 2011 unless otherwise noted.

Project Summary as of 31 December 2011

Project	Location	Type of property product	Total site area (sq.m.)	Estimated aggregate GFA (sq.m.)	Estimated saleable/ rentable GFA (sq.m.)	Interest attributable to the Group	Estimated completion time
Sunac Magnetic Capital	Tianjin	High-rise apartments, retail properties, offices, serviced apartments and car parks	460,840	1,248,768	1,188,539	100%	December 2014
Sunac Mind-Land International	Tianjin	High-rise apartments, detached villas, retail properties and car parks	497,501	809,386	749,414	100%	December 2012
Sunac Central of Glorious	Tianjin	High-rise and mid-rise apartments, townhouses, retail properties and car parks	14,608	64,738	62,977	100%	October 2012
Sunac Joy Downtown	Tianjin	Retail properties	25,234	56,615	55,960	100%	Completed in June 2006
Sunac PL Du Pantheon	Tianjin	High-rise apartments, retail properties and car parks	70,600	246,982	241,636	100%	June 2015
Sunac Glorious Mansion	Tianjin	High-rise and mid-rise apartments, retail properties and car parks	121,412	305,088	303,036	100%	October 2013
Sunac Central Academy	Tianjin	High-rise and mid-rise apartments, retail properties and car parks	268,425	722,407	704,243	100%	June 2016
Sunac Mian Er Project	Tianjin	High-rise apartments, town houses, retail properties, offices, serviced apartments and car parks	111,446	385,644	385,644	49%	September 2016

Project Summary as of 31 December 2011

Project	Location	Type of property product	Total site area (sq.m.)	Estimated aggregate GFA (sq.m.)	Estimated saleable/ rentable GFA (sq.m.)	Interest attributable to the Group	Estimated completion time
Sunac East Fairyland	Beijing	High-rise apartments, retail properties and car parks	54,502	166,481	144,276	100%	Completed in November 2010
Sunac West Chateau	Beijing	Mid-rise apartments, retail properties and car parks	190,665	448,109	315,995	100%	December 2013
Sunac Long Beach Mansion	Beijing	Mid-rise apartments, retail properties and car parks	63,940	133,956	100,786	100%	December 2013
Sunac LaiGuangying Project	Beijing	High-rise apartments, retail properties and car parks	139,168	331,175	234,720	49%	2015
Sunac Olympic Garden	Chongqing	High-rise and mid-rise apartments, town houses, detached villas, retail properties, serviced apartments, offices and car parks	1,714,366	2,575,185	1,989,752	100%	December 2014
Sunac Eton Manor	Chongqing	High-rise and mid-rise apartments, town houses, retail properties, serviced apartments and car parks	179,293	371,962	305,261	100%	December 2014
Sunac Asia Pacific Enterprise Valley	Chongqing	High-rise apartments, retail properties, serviced apartments, offices and car parks	118,912	759,515	607,205	85%	October 2014
Sunac Swan Lake	Wuxi	High-rise and mid-rise apartments, townhouses, retail properties, service apartments and car parks	733,889	1,410,178	1,312,655	100%	June 2014
Sunac Dream of City	Wuxi	High-rise and mid-rise apartments, townhouses, retail properties and car parks	570,182	1,052,889	944,011	71%	December 2014

Project Summary as of 31 December 2011

Project	Location	Type of property product	Total site area (sq.m.)	Estimated aggregate GFA (sq.m.)	Estimated saleable/ rentable GFA (sq.m.)	Interest attributable to the Group	Estimated completion time
Sunac 81	Suzhou	Townhouses, detached villas and retail properties	133,434	100,340	82,581	100%	December 2012
Sunac Royal Garden	Yixing	High-rise and mid-rise apartments, townhouses, detached villas, retail properties and car parks	268,945	460,523	395,597	100%	December 2014
Total			**5,737,362**	**11,649,939**	**10,124,290**		

Completed Properties for the year ended 31 December 2011

Project	Location	Aggregate GFA (sq.m.)	Saleable/ rentable GFA (sq.m.)	Unsold/ held for rental aggregate GFA (sq.m.)	Saleable/ rentable GFA unsold/ held for rental (sq.m.)
Sunac Magnetic Capital	Tianjin	1,120,200	1,061,605	234,620	222,347
Sunac Mind-Land International	Tianjin	760,803	723,800	47,509	45,198
Sunac Joy Downtown	Tianjin	56,615	55,960	12,870	12,721
Sunac East Fairyland	Beijing	166,481	144,276	0	0
Sunac West Chateau	Beijing	230,598	181,161	145,828	114,564
Sunac Olympic Garden	Chongqing	1,584,561	1,266,194	122,755	98,091
Sunac Asia Pacific Enterprise Valley	Chongqing	435,384	347,779	8,248	6,589
Sunac Swan Lake	Wuxi	818,978	756,701	153,937	142,232
Sunac Dream of City	Wuxi	369,097	341,383	26,137	24,174
Sunac 81	Suzhou	72,207	55,500	24,848	19,099
Sunac Royal Garden	Yixing	39,000	26,704	28,327	19,397
Total		**5,653,925**	**4,961,064**	**805,080**	**704,412**

Properties under Development as of 31 December 2011

Project	Location	Estimated aggregate GFA (sq.m.)	Estimated saleable/ rentable GFA (sq.m.)	Estimated saleable/ rentable GFA not pre-sale/ held for rental (sq.m.)
Sunac Magnetic Capital	Tianjin	22,436	22,090	17,062
Sunac Mind-Land International	Tianjin	48,583	25,614	11,214
Sunac Central of Glorious	Tianjin	64,738	62,977	15,718
Sunac Glorious Mansion	Tianjin	212,554	210,870	173,203
Sunac Central Academy	Tianjin	185,431	183,288	137,195
Sunac PL Du Pantheon	Tianjin	149,789	144,444	129,724
Sunac West Chateau	Beijing	217,510	134,834	134,834
Sunac Long Beach Mansion	Beijing	133,956	100,786	89,363
Sunac Olympic Garden	Chongqing	279,656	207,355	80,377
Sunac Swan Lake	Wuxi	282,260	258,905	203,475
Sunac Dream of City	Wuxi	208,002	190,735	44,978
Sunac 81	Suzhou	28,134	27,082	3,728
Sunac Royal Garden	Yixing	108,768	103,140	70,581
Total		**1,941,816**	**1,672,121**	**1,111,453**

Properties to be Constructed as of 31 December 2011

Project	Location	Estimated aggregate GFA (sq.m.)	Estimated saleable/ rentable GFA (sq.m.)
Sunac Magnetic Capital	Tianjin	106,131	104,844
Sunac Glorious Mansion	Tianjin	92,534	92,166
Sunac Central Academy	Tianjin	536,976	520,955
Sunac PL Du Pantheon	Tianjin	97,193	97,193
Sunac Mian Er Project	Tianjin	385,644	385,644
Sunac Laiguangying Project	Beijing	331,175	234,720
Sunac Olympic Garden	Chongqing	710,968	516,203
Sunac Asia Pacific Enterprise Valley	Chongqing	324,131	259,426
Sunac Eton Manor	Chongqing	371,962	305,261
Sunac Swan Lake	Wuxi	308,940	297,049
Sunac Dream of City	Wuxi	475,790	411,892
Sunac Royal Garden	Yixing	312,756	265,753
Total		**4,054,198**	**3,491,105**

Land bank

For the year ended 31 December 2011, the Group has acquired five sites in total, among which three in Tianjin, one in Chongqing and one in Beijing. These acquisitions added an aggregate site area of approximately 819,744 sq.m. to its land bank. The planned GFA of these newly acquired projects was approximately 2,116,276 sq.m., of which 1,750,698 sq.m. was attributable to the Group. The Company believes that an expanded land bank in the main target regions of the Group is an essential key for the Group's future success in property development.

Outlook

Although initial success of real estate adjustment measures adopted by the Central Government has been achieved, we believe such adjustment measures will persist in 2012, thus creating a similar sales and financing environment for the whole industry as 2011. It will accelerate the pace of industry integration and bring about an opportunity to the excellent enterprises for further expansion. During the year of 2012, we will proactively respond to the changes on the market and capture the opportunity arising from it based on the security of cash flow, focus on the existing cities we selected meticulously and acquire quality land on premium location. At the same time, the Company also considers prudently entering into Shanghai market in order to seek optimization of resources allocation, strives to strengthen its position on the market and lays a solid foundation for its sustainable and steady development in future.

Financial Review

Revenue

For the year ended 31 December 2011, the Group still focused on development of real estate properties in six cities of the PRC, namely Beijing, Tianjin, Chongqing, Wuxi, Suzhou and Yixing. The Group continued to deliver a solid performance, achieving satisfactory growth in its core businesses. Revenue of the Group was substantially generated from sales of residential and commercial properties for the year. Only a minor portion of the Group's revenue was derived from rental of investment properties located in Tianjin and the income from property management services business.

Revenue of the Group for the year ended 31 December 2011 amounted to RMB10,604.0 million, which has an increase of 59.4% comparing with the total revenue for the year ended 31 December 2010.

The following table shows certain details of the revenues:

	For the year ended 31 December			
	2011		2010	
	RMB'000	%	RMB'000	%
Sales of properties	**10,433,205**	**98.4**	6,593,575	99.1
Property-management service income	**152,991**	**1.4**	40,952	0.6
Rental income from investment properties	**17,851**	**0.2**	19,232	0.3
Total	**10,604,047**	**100.0**	6,653,759	100.0
Total GFA delivered (sq.m)	**739,301**		711,521	
Average selling prices ("ASP") per sq.m sold (RMB)	**14,112**		9,267	

The increase in sales of properties was primarily due to a 52.3% increase in the ASP per sq.m. of the properties the Group delivered in the year ended 31 December 2011 from RMB9,267 per sq.m. in 2010 to RMB14,112 per sq.m. in 2011, which was mainly attributable to (i) the mix of different types of properties in different cities delivered in the year ended 31 December 2011; (ii) the proportion of the sale and delivery of properties with higher ASP for the year was 60%, representing a substantial increase of 17 percentage points from 43% in 2010 and (iii) the Group's property quality improvement in the properties delivered in the year ended 31 December 2011.

Cost of sales

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

Cost of sales of the Group increased to RMB7,037.6 million for the year ended 31 December 2011 from RMB3,775.6 million in the year ended 31 December 2010, which was primarily due to (i) a significant increase in the proportion of the sale and delivery of properties with higher unit value to total cost of sales from 38% in 2010 to 57% for the year; (ii) increase in development costs incurred in connection with the Group's improvement in property quality and a general rise in development costs because of inflation; and (iii) the impact of the equity interest acquisition.

In January 2011, the Group acquired additional 40% equity interest in the previous jointly controlled entity, Chongqing Yatai (previously named Chongqing Yuneng Sunac Real Estate Development Co., Ltd. Further, in September 2011, the Group acquired the outstanding 50% equity interest of the previous associate, Beijing Sunac Hengji. Upon completion of the acquisitions, Chongqing Yatai and Beijing Sunac Hengji became subsidiaries of the Group and were consolidated in the Company's consolidated financial statements. According to requirements of the HKFRSs, the properties of Chongqing Yatai and Beijing Sunac Hengji were remeasured at fair value at the respective acquisition dates in the Company's consolidated financial statements. The fair value of the properties in Chongqing Yatai and Beijing Sunac Hengji rose by approximately RMB1,026.5 million and RMB4,367.9 million respectively as compared with their carrying amounts and the amortization of their valuation surplus totaling RMB1,311.6 million in 2011 was included in the Group's cost of sales for the year.

Gross profit

Gross profit of the Group amounted to RMB3,566.5 million, or an increase of 23.9% compared with last year. Gross profit margin was 33.6% for the year or a decrease of 9.7 percentage points from last year, which was mainly due to the impacts of the equity interest acquisition (as mentioned in "Cost of sales" section). Excluding the impact of the equity interest acquisition, the gross profit margin was 46.0% in 2011.

Gain from re-measurement of previously held interests

The gain from re-measurement of previously held interests recognized in 2011 was due to our acquisitions of additional equity interests in our previous jointly controlled entity, Chongqing Yatai, and the previous associate, Beijing Sunac Hengji in 2011. The two entities became subsidiaries of the Company after the transactions. According to HKFRSs, the previously held equity interests are remeasured at the fair value of the related equity interests as at the acquisition dates. Therefore, gains of RMB181.3 million and RMB654.1 million were recognized respectively for the differences between the book values and the fair values of the previously held equity interests in Chongqing Yatai and Beijing Sunac Hengji.

The significant increase of the fair values of the equity interests was basically in line with the value increase of the real estate properties developed by the two entities. As we mentioned in the "Cost of Sales" section above, according to the HKFRSs, the properties are also remeasured at fair value, which results in an increased cost of sales for delivered properties subsequent to the transaction dates.

Loss from fair value of investment properties

For the year ended 31 December 2011, the Group had a net loss from fair value of investment properties of RMB75.9 million, comparing with nil in 2010. The fluctuation in loss from fair value of investment properties during the year was primarily due to the recategorization of certain completed properties held for sale to investment properties as we decided to change the designated use of such properties, the revaluation of our investment properties at Magnetic Capital, primarily as a result of changes in investment income receivable on such properties and changes in prevailing market conditions.

Selling and marketing costs

Selling and marketing costs of the Group rose to RMB314.1 million in 2011 from RMB108.8 million in 2010, which was primarily due to an increase of 7 (Chongqing Yatai and Beijing Sunac Hengji included) in the number of projects newly launched during the year. Additionally, during the year, the China property market was adversely affected by the controlling measures rolled out by the Central Government and the Group made greater effort on marketing and brand publicity activities to promote sales. The proportion of selling and marketing cost to the sales amount for the year ended 31 December 2011 was 1.6%, as compared with that of 1.3% in the year ended 31 December 2010.

Administrative expenses

The Group's administrative expenses increased to RMB301.1 million for the year ended 31 December 2011 from RMB155.8 million for the year ended 31 December 2010, which was mainly due to an increase of 7 (including Chongqing Yatai and Beijing Sunac Hengji) in the number of projects newly launched, resulting in an increase of relevant expenses. The proportion of administrative expenses to the sales amount in 2011 was 1.6%, comparing with that of 1.9% in the year ended 31 December 2010.

Other income

The Group's other income decreased by RMB6.1 million from RMB24.4 million in 2010 to RMB18.3 million in 2011, which was primarily due to a decrease of RMB13.1 million in investment income as a result of the collection of entrusted loans to the Group's associates for the year ended 31 December 2011. Such decrease was partially offset by an increase of RMB7.7 million in government grants.

Other expenses

The Group's other expenses increased by RMB5.7 million from RMB1.8 million for the year ended 31 December 2010 to RMB7.5 million for the year ended 31 December 2011, which was primarily due to donations of RMB4.7 million during the year ended 31 December 2011.

Operating profit

As a result of the foregoing, the Group's operating profit increased significantly by RMB1,085.5 million from RMB2,636.1 million in 2010 to RMB3,721.6 million in 2011, which was primarily due to (i) gross profit increased by RMB688.3 million; and (ii) gain from re-measurement of previously held interests increased by RMB835.4 million which was primarily attributable to the acquisitions of additional equity interests in a jointly controlled entity, Chongqing Yatai and an associate, Beijing Sunac Hengji, although the Group's operating expenses had increased by RMB438.2 million.

Finance costs, net

The Group's net finance costs amounted to RMB183.3 million for the year ended 31 December 2011, or a growth of RMB15.0 million comparing with last year and the capitalized interest increased from RMB236.2 million in 2010 to RMB787.7 million in 2011, which was mainly attributable to an increase in interest expenses on the Group's total borrowings from RMB366.2 million in 2010 to RMB932.1 million in 2011. This increase was due primarily to (i) an increase of borrowings to finance our expanded property development activities for the year ended 31 December 2011; and (ii) a rise of interest rates under the tighten monetary policy of central bank of the PRC.

Share of profit of jointly controlled entities

The Group's share of profit of jointly controlled entities decreased to RMB0.1 million for the year ended 31 December 2011 from RMB49.8 million in 2010, which was primarily due to the impact of equity interest acquisition. On 1 January 2011, the Group acquired an additional 40% equity interest in Chongqing Yatai (previous jointly controlled entity) and a 40% equity interest in APEV Property Management Co., Ltd. ("APEV"). Upon completion of the acquisitions, Chongqing Yatai became an 85% owned subsidiary of the Group and APEV became a jointly controlled entity of the Group. APEV was mainly engaged in property management service with low profits and only 40% of the net profit from APEV was attributable to the Group, which resulted in the substantial decrease in share of profit of jointly controlled entities for the year.

Share of profit/(loss) of associates

The Group's share of loss of associates amounted to RMB10.1 million for the year ended 31 December 2011, as compared with a share of profit of RMB79.4 million in 2010. This change was primarily attributable to the acquisition of additional equity interests in associates Beijing Sunac Hengji and Beijing Shouchi Yuda Real Estate Development Co., Ltd. ("Shouchi Yuda") in September 2011, both of which became subsidiaries of the Group. The Sunac East Fairyland developed by Shouchi Yuda had completed most of its sales and delivery by the end of 2010 and the delivery of Sunac West Chateau developed by Beijing Sunac Hengji had not yet occurred before the acquisition.

Income tax expenses

Income tax expenses represent current and deferred PRC corporate income tax ("CIT") and land appreciation tax ("LAT") payments made and provisions payable by the Group's PRC subsidiaries. Income tax expenses of the Group amounted to RMB1,145.2 million in 2011, or an increase of 8.4% from RMB1,056.1 million in 2010, which was primarily attributable to an increase in the Group's profit before income tax for the year ended 31 December 2011 compared to that for the year ended 31 December 2010.

Profit

As a result of the foregoing, the Group's profit for the year ended 31 December 2011 increased 54.6% to RMB2,383.1 million against RMB1,541.0 million last year. Between these periods, net profit margin of the Group decreased slightly from 23.2% to 22.5%.

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

	For the year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Profit/(loss) for the year/period	**2,383,072**	1,540,991
Attributable to:		
Owners of the parent	**2,356,168**	1,542,161
Non-controlling interests	**26,904**	(1,170)
	2,383,072	1,540,991

Non-controlling interests

As at 31 December 2011, the non-controlling interests of the Group amounted to RMB354.7 million (as at 31 December 2010: nil). The increase in non-controlling interests was primarily due to the impacts of the following:

(1) Upon acquisition of additional 40% equity interest in Chongqing Yatai in January 2011, Chongqing Yatai became an 85% owned subsidiary of the Group. As at 31 December 2011, the equity attributable to the non-controlling interests of Chongqing Yatai amounted to RMB141.7 million.

(2) On 27 May 2011, an independent third party, United Trust Company Limited 國聯信託股份有限公司 ("United Trust") acquired 28.57% equity interest of a former wholly owned subsidiary of the Group, Wuxi Sunac City Construction Co. Ltd. ("Wuxi Sunac City"), by a registered capital increase of RMB200.0 million. As at 31 December 2011, the equity attributable to the non-controlling interests of Wuxi Sunac City amounted to RMB213.0 million.

Cash position

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

The Group's cash and cash equivalents (including restricted cash) was RMB3,867.1 million as at 31 December 2011, or a decrease of 9.0% against RMB4,249.0 million as of 31 December 2010.

This decrease was principally attributable to (i) the net cash outflow of RMB2,079.0 million in operating activities because it was not enough for the proceeds from the pre-sale and sale of properties to completely offset the payment for land grant fees of projects newly launched, taxes, construction cost and the other operating expenditure in relation to our increased property development activities; (ii) the net cash outflow of RMB1,479.1 million in investing activities which was mainly due to the net outflow of RMB378.1 million from the acquisition of Chongqing Yatai and Beijing Sunac Hengji, and the net outflow of RMB1,078.4 million in investing associates; and (iii) the net cash inflow of RMB3,176.1 million in financing activities primarily because of the net increase of RMB3,178.2 million in borrowings.

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

Borrowing and collateral

The Group had total borrowings of RMB11,574.6 million as at 31 December 2011 compared to RMB5,692.7 million as of 31 December 2010. The increase of RMB5,881.9 million was mainly due to the increase of the loans obtained from banks and other non-bank financial institutions.

As at 31 December 2011, the Group's borrowings totaling RMB11,528.6 million (as at 31 December 2010: RMB5,643.0 million) were secured or jointly secured by the Group's properties under development, completed properties held for sale and investment properties totaling RMB14,658.0 million (as at 31 December 2010: RMB3,757.0 million), certain equity interests of the Group's subsidiaries (including those legally transferred as collateral) and guarantee by a third party.

Net debt to total assets ratio and gearing ratio

Net debt to total assets ratio is calculated as net debt divided by total assets. Net debt is calculated as total borrowings (including current and long-term borrowings) less cash and cash equivalents. As at 31 December 2011, the net debt to total assets ratio of the Group is 22.9%, as compared with 9.2% as of 31 December 2010.

Gearing ratio is calculated as net debt divided by total capital. Total capital is calculated as total equity plus net debt. As at 31 December 2011, the gearing ratio of the Group is 51%, as compared with 24% as at 31 December 2010.

Both increases were due to increased borrowings as a result of an increase in the number of projects newly developed for the year ended 31 December 2011. With consideration of the current situation, the Group plans to continue to maintain a steady financial management policy, discipline prudent control over expenditures, closely monitor the changes of the ratios and endeavor to keep the ratio at a reasonable level.

Interest rate risk

As the Group does not have significant interest-bearing assets, the Group's income and operating cash flows are substantially independent from changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

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

	At 31 December 2011 RMB' million	At 31 December 2010 RMB' million
Floating rates		
Less than 12 months	**1,067**	519
1 to 5 years	**6,083**	2,536
Sub-total	**7,150**	3,055
Fixed rates		
Less than 12 months	**1,187**	549
1 to 5 years	**3,238**	2,089
Sub-total	**4,425**	2,638
Total	**11,575**	5,693

As at 31 December 2011, the Group did not use any interest rate swaps to hedge its exposure to interest rate risk. The Group analyze its interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

Foreign exchange risk

The Group conduct its business principally in Renminbi, since all of the operating entities are based in the PRC. As at 31 December 2011, most of the operating entities' assets and liabilities were denominated in Renminbi and in the opinion of the Directors, these entities did not have significant foreign currency risk exposure. The Group will closely monitor and manage its exposure to fluctuation in foreign exchange rates.

Contingent Liabilities

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure the obligations of such purchasers for repayment of their mortgage loans. As at 31 December 2011 the amount is RMB1,975.7 million compared with RMB3,769.6 million as at 31 December 2010.

Such guarantees terminate upon the earlier of (i) the issuance of the Property Ownership Certificate and the property encumbrance certificate, which generally takes place within an average period of two to three years after completion of the guarantee registration; and (ii) the satisfaction of obligations under the mortgage loans by the purchasers. The Group's guarantee period starts from the dates of grant of the mortgage.

Biographies of Directors and Senior Management

Executive Directors

Mr. SUN Hongbin ("Mr. Sun"), aged 48, the Founder, Chairman, Executive Director and Chief Executive Officer of the Company. Mr. Sun has nearly 20 years of ample experience in the property sector in China. He is primarily responsible for strategic planning and general operation of the Group. Mr. Sun obtained a master's degree in engineering from Tsinghua University in 1985 and completed an advanced management program at Harvard Business School in 2000.

Mr. WANG Mengde ("Mr. Wang"), aged 40, Executive Director, Executive President and Chief Financial Officer of the Company. Mr. Wang has 13 years of experience in the property sector in China. He joined the Group in 2006 and acted as the chief financial officer and the vice president of the Group since then. He has been the executive president of the Group since 2011. Prior to joining the Group, Mr. Wang was the chief operating officer and chief financial officer of Sunco China from 2005 to 2006, and the general manager of a subsidiary of Sunco China in East China region from 2003 to 2005. From 1997 to 1999, he worked at Tianjin Samsung Wool Textile Co., Ltd., where he was in charge of corporate finance and accounting management. Mr. Wang graduated from Nankai University with a bachelor's degree in auditing in 1997.

Mr. LI Shaozhong ("Mr. Li"), aged 48, Executive Director and Vice President of the Company Mr. Li has over 20 years of extensive experience in property development and engineering. He joined the Group in 2003 and acted as the general manager of Sunac Ao Cheng from 2003 to 2007 and from 2009 to 2011, he held the position of executive president. Since 2007 he has been the vice president of our Group. Mr. Li graduated from the Graduate School of Tianjin University with a master's degree in engineering in 1987 and obtained his doctorate degree in management in 2007.

Mr. CHI Xun ("Mr. Chi"), aged 38, is Executive Director the Company and the General Manager of Sunac Tianjin Company. Mr. Chi has 13 years of experience in real estate development and sales management. He joined the Group in 2004 and held the position of deputy general manager of Sunac Zhidi from 2004 to 2005. Since 2005, he has been the general manager of Sunac Zhidi. Prior to joining us, Mr. Chi worked at various property companies where he was primarily responsible for project development, design and sales. Mr. Chi graduated from Harbin Institute of Technology in 1997 with a bachelor's degree in architecture.

Mr. SHANG Yu ("Mr. Shang"), aged 32, is Executive Director of the Company and the General Manager of Sunac Chongqing Company. Mr. Shang has 12 years of experience in the property sector in China. He joined the Group in 2003 and was the deputy general manager of Sunac Ao Cheng and Chongqing OG from 2003 to 2004. Since 2006 till now, he has become the general manager of Chongqing OG. Mr. Shang graduated from Tianjin Institute of Urban Construction with a bachelor's degree in property development and management in 2001 and then obtained a master's degree in business administration from the China Europe International Business School in 2008.

Non-executive Directors

Ms. HU Xiaoling ("Ms Hu"), aged 41, Non-executive Director of the Company. She joined CDH Investments in 2002 and is currently a Managing Director of CDH Investments Management (Hong Kong) Limited. She is also a non-executive director of SYSWIN Inc., whose shares are listed on the New York Stock Exchange and a non-executive director of Belle International Holdings Limited, whose shares are listed on the Hong Kong Stock Exchange. Ms. Hu is a director of Midea Group Co.,Ltd, Yingliu International Holdings Limited and Beijing Motie Book Co., Limited as well. Prior to joining CDH Investments Management (Hong Kong) Limited, Ms. Hu worked for China International Capital Co., Limited and Arthur Anderson. She is a fellow member of the Association of Chartered Certified Accountants. Ms. Hu graduated from Beijing Jiaotong University (北京交通大學), previously known as Northern Jiaotong University (北方交通大學), with a Master's degree in economics and accounting and Bachelor's degree in economics.

Mr. ZHU Jia ("Mr. Zhu"), aged 49, Non-executive Director of the Company. Mr. Zhu is a Juris Doctorate degree holder from Cornell Law School and currently a managing director of Bain Capital Asia, LLC. Mr. Zhu has solid and extensive experience in a broad range of cross border mergers and acquisitions as well as international financing transactions involving Chinese companies. Before joining Bain Capital Asia, LLC in 2006, he was the chief executive officer of the China business of Morgan Stanley Asia Limited. Mr Zhu is currently Chairman of the Board of Clear Media Limited. He is also a non-executive director of each of SinoMedia Holding Limited, GOME Electrical Appliances Holding Limited, Greatview Aseptic Packaging Company Limited, whose shares are listed on SEHK. Meanwhile, he is an independent non-executive director of Youku.com Inc., a company listed on the NYSE.

Independent Non-executive Directors

Mr. POON Chiu Kwok ("Mr. Poon"), aged 49, Independent Non-executive Director of the Company. Mr. Poon possesses years of appropriate accounting and related financial management expertise. He now serves as an executive director and company secretary of Huabao International Holdings Limited (listed on SEHK with stock code 336), an independent non-executive director and a member of the audit committee of Guangzhou Shipyard International Company Limited (listed on SEHK with stock code 317 and Shanghai Stock Exchange ("SSE") with stock code 600685), and of Ningbo Port Company Limited (listed on the SSE with stock code 601018), Yuanda China Holdings Limited (listed on SEHK with stock code 2789). Changan Minsheng APLL Logistics Co., Ltd. (listed on SEHK with stock code 8217) and China Tianrui Group Cement Company Limited (listed on SEHK with stock code 1252). Mr. Poon is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. He is a member and Associate Instructor of Hong Kong Securities Institute ("HKSI") and is also a long-serving member of Professional Education Commission of HKSI. He obtained a master's degree in international accounting, a post-graduate diploma in laws, a bachelor's degree in laws and a bachelor's degree in business studies. Mr. Poon joined the Group in June 2011.

Mr. LI Qin ("Mr. Li"), aged 71, Independent Non-executive Director of the Company. He is also the chairman of the supervisors committee of Legend Holdings Limited, the controlling shareholder of Lenovo Group Limited (a listed company on the Main Board of the Stock Exchange). Mr. Li has extensive experience in business management, formulation of comprehensive business plans and strategies and their implementation. Mr. Li graduated from Beijing Institute of Mechanical Engineering (北京機械學院) (presently known as the Xi'an University of Technology (西安理工大學)) with a bachelor's degree in Automatic Control Engineering in 1965. From 1965 to 1984, Mr. Li worked for the Technological Research Institute of Chinese Academy of Sciences. At the end of 1984, he co-founded New Technology Development Company (the predecessor of the Legend Group Limited). From 2001 to December 2007, Mr. Li was also the chairman of Digital China Holdings Limited, a company which was spun-off in 2001 from Lenovo Group Limited (whose shares are listed on the Main Board of the Stock Exchange). In 1992, Mr. Li was awarded "Outstanding Entrepreneur of Private Enterprises" by the Committee of Science and Technology of China and in the same year, he was also named as China's Outstanding Middle-Youth Scientist. In 1994, Mr. Li was awarded "Excellent Entrepreneur in High-Technology Industry" by the Beijing Municipal Science & Technology Commission. In 2000, he was also awarded as the "Municipal Model Worker of Beijing." Mr. Li joined our Company in August 2009.

Mr. MA Lishan ("Mr. Ma"), aged 60, Independent Non-executive Director of the Company. Mr. Ma graduated from Beijing Foreign Studies University in 1975. Mr. Ma served in various managerial positions in the PRC food and edible oils industries and has extensive experience in corporate management. Mr. Ma served as an executive director of China Foods Limited (中國食品有限公司) (formerly known as "China Foods Holdings Limited (中國食品發展集團有限公司)" and "COFCO International Limited (中國糧油國際有限公司)"), whose shares are listed on the Main Board of the Stock Exchange since January 1996. From May 1997 to June 2003, Mr. Ma served as the managing director of China Foods Limited and was the managing director of COFCO International Limited between April 2002 and June 2003. In 2000, Mr. Ma served as the deputy general manager of China Foods Import and Export (Group) Co., Ltd. (中國糧油食品進出口（集團）有限公司). From June 2003 to July 2005, Mr. Ma served as the deputy managing director of COFCO (Hong Kong) Limited (中國糧油食品集團（香港）有限公司). Mr. Ma was an executive director of Sino Resources Limited from 7 June 2008 to 16 January 2009 whose shares are listed on the Stock Exchange. He also serves as an executive director and Chairman of Hao Tian Resources Group Limited and an independent non-executive director of Silver Base Group Holdings Limited, the shares of both companies are listed on the Stock Exchange. Mr. Ma joined our Company in August 2009.

Senior Management

Mr. JING Hong ("Mr. Jing"), aged 50, General Manager of Sunac Beijing Company. Mr. Jing graduated from the Beijing Jiaotong University (previously known as Northern Jiaotong University) in 1984 with a bachelor's degree in engineering. From 1991 to 2002, Mr. Jing served as assistant president of the Lenovo Group Limited, whose shares are listed on the Main Board of the Stock Exchange and deputy director of the president's office of Legend Holdings Limited (the controlling shareholder of the Lenovo Group Limited, whose shares are listed on the Main Board of the Stock Exchange). From October 2002 to 2006, Mr. Jing served as vice president of Sunco China, a company engaged in the business of property development in the PRC. Mr. Jing has extensive experience in real estate development. He joined our Group in January 2007. Since then, he has been the general manager of Shougang Sunac and is responsible for overall business operations.

Mr. TIAN Qiang ("Mr. Tian"), aged 34, General Manager of Sunac South Jiangsu Company. Mr. Tian joined the Group in 2007 and acted as a deputy general manager of Tianjin Xiangchi Investment Co., Ltd. ("Tianjin Xiangchi"). In late 2007, he held the position of a general manager of Wuxi Sunac Real Estate. Before joining the Group, Mr. Tian has been a sales manager, deputy general sales manager and general manager between 2002 and 2007 at Sunco China. Mr. Tian graduated from the Tianjin Institute of Urban Construction in 1999 with a bachelor's degree in engineering.

Ms. MA Zhixia ("Ms. Ma"), aged 39, Vice President of the Group. Ms. Ma is in charge of market positioning, cost control and sales management of the Group. She joined our Group in 2003 and from 2003 to 2005, she acted as a deputy general manager and general manager of Sunac Zhidi. Since 2005, she has been the vice president of the Group. Ms. Ma graduated from Nankai University with a bachelor's degree in economics in 1995.

Mr. CHEN Hengliu ("Mr. Chen"), aged 57, Vice President of the Group. Mr. Chen is primarily responsible for the management of human resources department, legal department, property management department and administrative department. He joined the Group in 2006 and has been the vice president since then. Prior to joining our Group, he worked for Lenovo Group Limited, China Sciences Group (Holding) Co., Ltd. (中科實業集團（控股）有限公司) and Sina.com Technology (China) Co., Ltd. Mr. Chen graduated from Beijing Normal University in 1982 with a bachelor's degree in science and in 1985 he obtained a master's degree in science from the Post-graduate School of Chinese Academy of Sciences.

Ms. MIN Feng ("Ms. Min"), aged 41, is the Chairman of Sunac South Jiangsu Company. From September 1992 to January 2000, she served as a reporter and editor of Tianjin Daily News. From February 2000 to March 2006, Ms. Min was a general manager and chairman of a subsidiary of Sunco China and vice president of Sunco China, a company engaged in the business of property development in the PRC. Ms. Min served as the chairman and general manager of Wuxi Sunac Real Estate from March 2006 to November 2007. Ms. Min has been the chairman of Wuxi Sunac Real Estate since December 2007. Ms. Min graduated from the Department of Chinese Language and Literature of Tianjin Normal University with a bachelor's degree.

Mr. HUANG Shuping ("Mr. Huang"), aged 31, Vice President and Joint Company Secretary of the Company. Mr. Huang is primarily responsible for corporate finance, investor relations and compliance management of the Group. He joined the Group in 2007 and acted successively as a supervisor and a general manager of the capital operations centre, a deputy general manager of the finance management department and an assistant to CEO. Since 2011, he has been a vice president of the Group. Before joining us, Mr. Huang was an assistant to the president of Sunco China with responsibilities in capital management from 2005 to 2007. From 2004 to 2005, he was a project manager of the assets management department of the Capital Securities Co., Ltd. Mr. Huang graduated from Xiamen University with a bachelor's degree in economics in 2003 and received a master's degree from the University of Liverpool in finance in 2004.

Ms. MA Sau Kuen Gloria ("Ms. Ma"), aged 53, Joint Company Secretary of the Company. Ms. Ma is a director and Head of Registration and Compliance Services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Ms. Ma has over 30 years of experience in corporate secretarial work that includes acting as company secretary for companies listed on The Stock Exchange of Hong Kong Limited, setting up companies in different jurisdictions such as Hong Kong, Cayman Islands and British Virgin Islands. She also has extensive knowledge and experience in corporate restructuring and legal compliance issues. Ms. Ma holds a master degree in Business Administration from the University of Strathclyde, Scotland, and is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Corporate Governance Report

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

Corporate Governance Practices

Compliance with the Code on Corporate Governance Practices (the "Corporate Governance Code")

The Company has adopted the code provisions in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices and has, throughout the year ended 31 December 2011, complied with all applicable code provisions under the Corporate Governance Code, save and except for the only deviation from code provision A.2.1 of the Corporate Governance Code, namely, the roles of the chairman and chief executive officer have not been separated. Although Mr. Sun Hongbin assumes both the roles of Chairman and Chief Executive Officer, the divisions of responsibilities between the two roles are clearly defined. The role of the Chairman is to monitor the duties and performance of the Board, whereas the role of Chief Executive Officer is to manage the Group's business. The Board believes that at the current stage of development of the Group, vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

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

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") as the guidelines for the directors' dealings in the securities of the Company. Following specific enquiries of all Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2011 in relation to their securities dealings, if any.

The Board

The Board assumes the responsibility of leadership and control of the Company, and supervises and approves significant decisions regarding financial performance, strategic development objectives and operations of the Company. The Management is delegated with authorities and responsibilities by the Board for the Company's daily operations and businesses management according to the Board's instructions. In addition, the Board has established various Board committees and has delegated various duties to the Board committees, including the Audit Committee (the "Audit Committee"), the Remuneration Committee (the "Remuneration Committee"), and the Nomination Committee (the "Nomination Committee") (together, the "Board Committees"). All the Board Committees perform their distinct roles in accordance with their respective terms of reference.

Board Composition

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

Non-executive Directors
Ms. Hu Xiaoling
Mr. Zhu Jia

Independent Non-executive Directors
Mr. Poon Chiu Kwok
Mr. Li Qin
Mr. Ma Lishan

There is no relationship (including financial, business, family or other material relationship) between any members of the Board. The Directors' respective biographical information is set out on pages 21 to 23. The present Board has extensive experiences in corporate finance and management both in Hong Kong and China. Pursuant to the Listing Rules, Mr. Poon Chiu Kwok possesses appropriate expertise in accounting and financial management. The diversified experiences and backgrounds of Directors contribute the Company better corporate governance and performance standards, which brings the stakeholders of the company long-term benefits.

As at 31 December 2011, the Board has met the requirement of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate qualification, or accounting or related financial management expertise (in compliance with Rule 3.10 of the Listing Rules). The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company have not been separated as required by the provision A.2.1 of the Code.

Mr. Sun Hongbin is the Chairman and Chief Executive Officer of the Company. Mr. Sun has extensive experience in property industry and is responsible for: (i) making strategic decisions on the Group's business developments and operations; and (ii) making significant decisions on the Group's daily business operations. The board of Directors of the Company (the "Board") considers that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. With rigorous corporate governance practice, the Board can assure the well balance between authorities and responsibilities. The Board comprises five executive Directors (including Mr. Sun), two non-executive Directors and three independent non-executive Directors, reflecting the independence of the Board.

Board Meetings

The Board has convened four meetings during the year ended 31 December 2011 to discuss corporate strategies, business plans and other significant issues of the Group. Details of the attendance at the Board meetings convened are set out as follows:

Name of Director	Attendance/Number of meetings held
Executive Directors	
Mr. Sun Hongbin *(Chairman)*	4/4
Mr. Wang Mengde *(Executive President and Chief Financial Officer)*	4/4
Mr. Li Shaozhong *(Vice President)*	3/4
Mr. Chi Xun	3/4
Mr. Shang Yu	3/4
Non-executive Directors	
Ms. Hu Xiaoling	3/4
Mr. Zhu Jia	3/4
Independent Non-executive Directors	
Ms. Kan Lai Kuen, Alice *(resigned on 8 June 2011)*	1/4
Mr. Poon Chiu Kwok *(appointed on 8 June 2011)*	2/4
Mr. Li Qin	4/4
Mr. Ma Lishan	4/4

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

- Acquisition of land in Tianjin, Chongqing and Beijing;
- Adoption of post-IPO Share Option Scheme;
- Proposed issuance of high-yield bond;
- Change of an independent non-executive director;
- Daye Trust, Xinhua Trust and Daye Yingrun Trust Fund Scheme;
- Formation of a joint venture with Poly Tianjin;
- Acquisition of relevant interests in an associated Company

Each of the executive Directors has entered into a service contract with the Company, for a term of three years from 7 October 2010. Each of the non-executive Directors has been appointed from 7 October 2010, for a term of two years. Each of the independent non-executive Directors (except Mr. Poon Chiu Kwok ("Mr. Poon")) has been appointed from 7 October 2010, for a term of two years. Mr. Poon has been appointed from 8 June 2011, for a term of one year.

Board Committees

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

Audit Committee

The primary duties of the Audit Committee are to review completeness of the Company's policies and procedures on internal control and to review financial statements of the Group. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Poon Chiu Kwok (Chairman of the Audit Committee), Mr. Li Qin and Mr. Ma Lishan. The terms of reference of the Audit Committee has been adopted by the Board on 27 November 2009 and amended on 29 March 2012 and is uploaded to the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sunac.com.cn). During the year ended 31 December 2011, the Audit Committee has convened two meetings in total, and the individual attendance of each member during the period is set out as follows:

Name of Member	Attendance/Number of meetings held
Ms. Kan Lai Kuen, Alice *(resigned on 8 June 2011)*	1/2
Mr. Poon Chiu Kwok *(appointed on 8 June 2011)*	1/2
Mr. Li Qin	2/2
Mr. Ma Lishan	2/2

At the above meetings, members of the Audit Committee have reviewed the audited annual results of 2010 and reviewed the interim results of 2011 and have discussed with our auditor about the tasks they performed. The annual results of the Company for the year ended 31 December 2011 have also been reviewed by the Audit Committee.

The Audit Committee has reviewed the remuneration of our auditor for 2011 and has recommended the Board to re-appoint PricewaterhouseCoopers as our auditor for 2012, subject to approval by shareholders at the forthcoming annual general meeting expected to be held on 18 May 2012.

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

Remuneration Committee

The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration of the Directors and senior management as well as to evaluate and make recommendations on employee benefit arrangements. The terms of reference of the Remuneration Committee has been adopted by the Board on 27 November 2009 and amended on 29 March 2012 and has been uploaded to the websites of the Stock Exchange and Company.

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

The Remuneration Committee held two meetings during the year ended 31 December 2011, and the individual attendance of each member during the period is set out as follows:

Name of Member	Attendance/Number of meetings held
Ms. Kan Lai Kuen, Alice *(resigned on 8 June 2011)*	1/2
Mr. Poon Chiu Kwok *(appointed on 8 June 2011)*	1/2
Mr.Sun Hongbin	2/2
Mr. Li Qin	2/2
Mr. Ma Lishan	1/2

The major work performed by the Remuneration Committee in 2011 included reviewing and making recommendation of the Directors' remuneration for the year ending 31 December 2012.

Nomination Committee

The primary duties of the Nomination Committee are to identify and to nominate suitable candidates for Directors and senior management. Criteria adopted by the Committee in considering whether the relevant personnel are suitable for Directors include their qualifications, experience, expertise and knowledge as well as provisions of the Listing Rules. The terms of reference of the Nomination Committee has been adopted by the Board on 27 November 2009 and amended on 29 March 2012 and has been uploaded to the websites of the Stock Exchange and the Company.

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

The Nomination Committee held two meetings during the year ended 31 December 2011, and the individual attendance of each member during the period is set out as follows:

Name of Member	Attendance/Number of meetings held
Mr. Sun Hongbin *(Chairman)*	2/2
Ms. Kan Lai Kuen, Alice *(resigned on 8 June 2011)*	1/2
Mr. Poon Chiu Kwok *(appointed on 8 June 2011)*	1/2
Mr. Li Qin	2/2
Mr. Ma Lishan	2/2

The major work performed by the Nomination Committee in 2011 included the recommendation of the appointment of an independent non-executive Director to the Board for approval.

Auditor's Remuneration

During the year, the remunerations paid or payable to PricewaterhouseCoopers in respect of its statutory audit services are RMB3 million. During the year, our auditor did not provide any non-audit services.

Accountability and Audit

The Directors acknowledge their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year ended 31 December 2011 which give a true and fair view of the state of affairs of the Group and of the results and cash flow for the period. The Directors consider that the financial statements have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The statements of the auditor of the Group about its reporting responsibility on the consolidated financial statements of the Group is set out in the section headed "Independent Auditor's Report" on pages 50 to 51 of this report.

Internal Control

The Company continues to adopt best practices and industry standards for corporate governance and internal control and draw on our senior management's expertise and experience to facilitate our operations.

The Board is responsible for maintaining an effective internal control system and reviews the effectiveness and the operational performance of the Group's internal control system to ensure the Group's assets and shareholder's benefit. The Company leverages on the expertise offered by internal and external professionals to develop its internal control system. During the year, the Board conducted a review of the effectiveness of the Group's internal control system. The annual review has considered the adequacy of resources, qualification and experiences of staff of the Company's accounting and financial function, and their training programmes and budget.

In addition to the annual internal control review performed regularly by the Internal Control department (the "Internal Control Department") of the Company, the Company has engaged Protiviti Shanghai Co., Ltd. (a third-party internal control advisor specializing in risk management advisory and internal control related services) to continuingly review and strengthen the Company's internal control system. The Audit Committee and the Board of the Company will regularly review the Company's performance and its internal control system, further strengthen its internal management and clarify the terms of references of each operating unit, so as to ensure an ordered operation with high efficiency and a rapid response to market conditions.

Information Disclosure

The Company discloses information in compliance with the securities regulations of the Stock Exchange, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. Our primary focus is to ensure that information disclosure is timely, fair, accurate, truthful and complete, thereby enabling our shareholders, the investors as well as the public to make rational and informed decisions.

Investor Relations Report

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

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

During the year, the Company's investor relations team proactively organized and participated in a series of activities such as investor meetings and non-deal road shows which were held in Hong Kong, Singapore, Beijing, Shenzhen and Shanghai by securities firms. At the same time, it also keeps close ties with the capital market through organizing teleconferences and inviting domestic and foreign investors and analysts to the Group's headquarters and cities where our projects are located to have meetings or on-site visits. During the year, the investor relations team has organized a total of 411 meetings with investment institutions and analysts and received 201 on-site project visits with investment institutions and analysts.

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

Summary of Investor Relations Meetings

Month	Activities	Place
January	Deutsche Bank Access China Conference	Beijing
March	2010 Annual Results Announcement-Analysts Meeting, Press Conference and Results Roadshow	Hong Kong
May	Deutsche Bank Access Asia Conference 2011	Singapore
June	Mirae Asset Hong Kong/China Property Access Day Citi Greater China Investor Conference	Hong Kong Dalian
July	CICC China Property Industry Corporate Day Citi China Mini Conference (Property)	Singapore Hong Kong
August	2011 Interim Results Announcement-Analysts Meeting, Press Conference and Results Roadshow	Hong Kong
September	UBS China Property Conference 2011	Hong Kong

Month	Activities	Place
October	Citi Greater China Investor Conference	Macau
	CICC 2011 Corporate Day (Property and Auto)	Hong Kong
	Roadshow arranged by CICC	Beijing
	Roadshow arranged by Chartered Band	Hong Kong
November	Merrill Lynch New China Conference 2011	Beijing
	CICC investor Forum 2011	Beijing
	Jefferies China Property Day	Hong Kong
December	Roadshow arranged by Macquarie	Shanghai
	Merrill Lynch China Property Industry Corporate Day	Hong Kong
	CMS China Investors Forum 2012	Shenzhen
	The Industries Selected Strategy Conference hosted by Guoyuan Securities (HK) Co., Ltd.	Dongguan

Report of the Directors

The board (the "Board") of directors (the "Directors") of the Company is pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Group is an integrated residential and commercial property developer with a focus on large-scale, medium to high-end property developments in selected cities in China.

An analysis of the Group's revenue and operating results for the year by principal activities is set out in note 23 to the consolidated financial statements of the Group.

RESULTS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income of the Group on page 56.

Land Bank

For the year ended 31 December 2011, the Group has acquired five sites in total, among which three in Tianjin, one in Chongqing and one in Beijing. These acquisitions added an aggregate site area of approximately 819,744 sq.m. to its land bank. The planned GFA of these newly acquired projects was approximately 2,116,276 sq.m., of which 1,750,698 sq.m. was attributable to the Group. The Company believes that an expanded land bank in the main target regions of the Group is an essential key for the Group's future success in property development.

Mergers and Acquisitions

For the year ended 31 December 2011, the Company completed an acquisition in the first-tier city of Beijing. In September 2011, Tianjin Sunac Zhidi Co., Ltd. ("Sunac Zhidi"), a wholly-owned subsidiary of the Company, acquired the remaining 50% equity interest in Beijing Shougang Sunac Real Estate Development Co., Ltd. ("Shougang Sunac") for a cash consideration of RMB1,450 million. Upon completion of such acquisition, Shougang Sunac became a wholly owned subsidiary of the Group. In January 2012, Suanc Zhidi completed to acquire the 51% equity interest in Wuxi Greentown Hubin Real Estate Co., Ltd. ("Hubin Real Estate"), which is mainly engaged in the development of Sunac Camphorwood Mansion in Wuxi, for a cash consideration of RMB51 million.

Property, Plant And Equipment

Details of the movements in property, plant and equipment during the year are set out in note 7 to the consolidated financial statements of the Group.

Borrowings

Details of borrowings are set out in note 22 to the consolidated financial statements of the Group.

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

As at 31 December 2011, the distributable reserve of the Company amounted to approximately RMB3,177.6 million.

Financial Summary

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

FINAL DIVIDENDS

The Board proposes to declare a final dividend of RMB7.85 cents per share in cash, approximately RMB235.6 million in aggregate, for the year ended 31 December 2011, which are expected to be paid on 8 August 2012 to shareholders whose names appear on register of members of the Company as at 25 May 2012, subject to shareholders' approval in the forthcoming annual general meeting of the Company expected to be held on 18 May 2012 (the "AGM"). The proposed final dividend will be paid in Hong Kong dollars, such amount to be calculated by reference to the middle rate published by the People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at 18 May 2012.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from 14 May 2012 to 18 May 2012 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 11 May 2012.

For the purpose of determining the shareholders' entitlement to the final dividend, the register of members of the Company will also be closed from 24 May 2012 to 25 May 2012 (both days inclusive), during which period no transfer of shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted on at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 pm on 23 May 2012.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, revenue attributable to the largest customer of the Group amounted to approximately 3.2% of the total revenue in the year and the five largest customers of the Group accounted for 4.8% of the Group's revenue in the year.

For the year ended 31 December 2011, purchases attributable to the largest supplier of the Group amounted to approximately 3.2% of the total purchases in the year and the five largest suppliers of the Group accounted for 11.9% of the Group's purchases in the year.

So far as the Board is aware, neither the Directors, their associates nor any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 19 to the consolidated financial statements of the Group.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. SUN Hongbin *(Chairman and Chief Executive Officer)*
Mr. WANG Mengde
Mr. LI Shaozhong
Mr. CHI Xun
Mr. SHANG Yu

Non-executive Directors

Ms. HU Xiaoling
Mr. ZHU Jia

Independent Non-executive Directors

Ms. KAN Lai Kuen, Alice *(resigned with effect from 8 June 2011)*
Mr. POON Chiu Kwok *(appointed with effect from 8 June 2011)*
Mr. LI Qin
Mr. MA Lishan

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

In accordance with articles 83 and 84 of the Articles of Association of the Company, Mr. WANG Mengde, Mr. LI Shaozhong, Mr. CHI Xun, Mr. SHANG Yu and Mr. POON Chiu Kwok shall retire from office and being eligible, have offered themselves for re-election as Directors at the forthcoming annual general meeting.

PARTICULARS OF DIRECTORS' SERVICE CONTRACTS

Executive Directors

Each of the executive Directors has entered into a service contract with the Company under which he agreed to act as executive Director for an initial term of three years with effect from the 7 October 2010 ("Listing Date"). Either party has the right to give not less than three months' written notice to terminate the contract.

Each of the executive Directors is entitled to a salary and bonus payment, allowance and benefits-in-kind, at the discretion of the Board, and social and welfare benefits provided under the relevant PRC laws and regulations. The aggregate amount of annual salary of the five executive Directors is RMB5,290,000.

Non-executive Directors

Each of the non-executive Directors has entered into an appointment letter with the Company. Each of the appointments is for an initial term of two years commencing from the Listing Date. No fees are payable to the non-executive Directors under the appointment letters.

Independent Non-executive Directors

Each of the independent non-executive Directors (except Mr. Poon Chiu Kwok) has entered into an appointment letter with the Company. Each of the appointments is for an initial term of two years commencing from the date of his/her first becoming a Director of the Company. Mr. Poon Chiu Kwok has entered into an appointment letter with the Company for a term of one year commencing from 8 June 2011. The aggregate amount of annual fees payable to our independent non-executive Directors under the appointment letters is HK$900,000.

None of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers that each of the independent non-executive Directors, namely Mr. Poon Chiu Kwok, Mr. Li Qin and Mr. Ma Lishan to be independent.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2011 are set out in note 30 to the consolidated financial statements of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2011, none of the Directors of the Company are considered to be in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme", at no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS AND DIRECTORS

Mr. Sun and Sunac International Investment Holdings Ltd. ("Sunac International") (the "Covenantors") entered into a non-competition deed (the "Deed") dated 9 September 2010 in favor of the Company, pursuant to which each of the Covenantors undertook to the Company (for its own and on behalf of all members of the Group) that he or it may not, and shall use his or its best endeavors to procure that his or its associates will not, directly or indirectly, hold any interest, or be engaged or otherwise involved, whether for profit, reward or otherwise, in any business (the "Restricted Activity") which is in competition with, or is likely to be in competition with, the business carried on by our Group from time to time (the "Business") whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise, or take any action which interferes with or disrupts, or may interfere with or disrupt, the Business, including, but not limited to, solicitation of any of the customers, suppliers or employees of any member of our Group provided that there shall be no restriction on any of the Covenantors and/or his or its associates holding not more than a 5.26% interest in Sunco A or a 45% equity interest in APEV Property Management ("APEV Interest") or any shares or other securities in any company which conducts or is engaged in any Restricted Activity (the "Subject Company") if such shares or securities are listed on a stock exchange and the total number of shares held by the Covenantors and/or his or its associates in aggregate does not exceed 5% of the issued share capital of the Subject Company and:

(i) there is a holder (together, where appropriate, with its associates) holding a larger shareholding in the Subject Company than the aggregate shareholding held by the relevant Covenantors and/or his or its associates at all times; and

(ii) the total number of the relevant Covenantors' representatives on the board of directors of the Subject Company is not significantly disproportionate in relation to his or its shareholding in the Subject Company.

The Covenantors further undertake:

(a) not to appoint directly or indirectly any executive director in the Subject Company; and

(b) that if Mr. Sun (through Tianjin Ying Xin Xin Heng Investment Consultancy Limited ("Yingxin Xinheng")) decides to dispose of the APEV Interest or if he, it, and/or his or its associates receive any business investment or other business opportunities in relation to the Business (each a "Business Opportunity"), each shall refer any of such Business Opportunities to the Company first on a timely basis, subject to all applicable laws and regulations, and shall give written notice to the Company of the Business Opportunity within seven days for identifying the target company (if relevant) and the nature of the Business Opportunity, the investment or acquisition costs and detailing all information reasonably necessary for the Company to consider whether to pursue the Business Opportunity ("Offer Notice").

The Deed shall terminate on the earliest of the date on which (i) the Covenantors and/or his or its associates shall cease to hold in aggregate 30 per cent. or more of the entire issued share capital of the Company or otherwise cease to be our Controlling Shareholder; or (ii) the Shares shall cease to be listed and traded on the Stock Exchange (except for suspension of trading of the Shares on the Stock Exchange due to any reason).

Our independent non-executive Directors have reviewed, for the year ended 31 December 2011, the compliance by the Covenantors with their non-competition undertakings and, in particular, the right of first refusal in relation to the Business Opportunity as provided under the Deed. In this connection, the Covenantors have provided all necessary data, including without limitation, details of any proposed investment constituting the Business Opportunity, to the independent non-executive Directors for their review.

Each Covenantor has undertaken to provide all data necessary for (i) the annual review by the independent non-executive Directors in respect of his or its compliance with the Deed; and (ii) the enforcement of the Deed. Each Covenantor has made an annual declaration on compliance with the Deed for disclosure in this annual report.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2011, certain Directors and their close family members, and companies controlled by certain Directors and/or their close family members entered into transactions with the Group which are disclosed in note 39 "Related party transactions" to the consolidated financial statements of the Group.

SHARE OPTION SCHEMES

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

Pre-IPO Share Option Scheme

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

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

(b) the total number of Shares which may be issued upon the exercise of all Pre-IPO Share Options is 51,080,000 Shares, representing approximately 1.67% of the total issued share capital of the Company immediately following the completion of the issue of 2,230,000,000 Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of the Company ("Capitalization Issue") and our global offering ("Global Offering") (assuming that the options under the pre-IPO share option schemes of the Company have been exercised in full);

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

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

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

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

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

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

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

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

As of the date of this annual report, options to subscribe for an aggregate of 51,080,000 Shares, representing approximately 1.67% of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the options under the pre-IPO share option schemes of the Company have been exercised in full), have been conditionally granted to 121 grantees, for nominal consideration of HK$1.00 paid by each grantee, under the Pre-IPO Share Option Scheme. The exercise price per Share shall be equal to HK$2.784, being 80% of the offer price of the Company's Shares in the initial public offering.

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

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

(1) The percentage is calculated based on the number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (on the basis that the Over-allotment Option was not exercised but assuming that the options under the pre-IPO share option schemes of the Company have been exercised in full).

Except for our Directors listed in the table above, none of the grantees under the Pre-IPO Share Option Scheme is a connected person of the Group. The weighted average value of options granted during the year has been disclosed in note 19 of the financial statements.

The Binomial valuation model was used to estimate the fair value of the option. It is one of the commonly used models to estimate the fair value of an option which can be exercised before the expiry of the option period. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Post-IPO Share Option Scheme

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

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

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

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

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

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

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

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

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

The Post-IPO Share Options, once vested, shall be exercisable within a period of three years from the date of grant.

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

On 30 September 2011, the Company granted an aggregate of 39,900,000 share options under the Post-IPO Share Option Scheme, at an exercise price of HK$1.484 per Share. The closing price of the Share on the date of grant is HK$1.41 per Share. Particulars of the grantees under the Post-IPO Share Option Scheme and the number of options granted to them are set forth below:

Name of the grantee	Position	Number of Shares to be issued upon exercise of all options	Percentage of Shares in issue upon exercise of all options
Directors			
Mr. Sun Hongbin	Chairman, Chief Executive Officer and executive Director	2,600,000	0.09%
Mr. Wang Mengde	Executive President, Chief Financial Officer, executive Director and authorized representative	2,300,000	0.08%
Mr. Li Shaozhong	Vice President and executive Director	2,300,000	0.08%
Mr. Chi Xun	General manager of Sunac Tianjin Company and executive Director	2,600,000	0.09%
Mr. Shang Yu	General manager of Sunac Chongqing Company and executive Director	2,300,000	0.08%
Senior management			
Mr. Jing Hong	General manager of Sunac Beijing Company	2,600,000	0.09%
Mr. Tian Qiang	General manager of Sunac South Jiangsu Company	2,300,000	0.08%
Ms. Ma Zhixia	Vice President	1,600,000	0.05%
Mr. Chen Hengliu	Vice President	2,000,000	0.07%
Ms. Min Feng	Chairman of Sunac South Jiangsu Company	800,000	0.03%
Mr. Huang Shuping	Vice President and joint company secretaries	2,100,000	0.07%
Mr. Lu Peng	General manager of Tianjin Poly Sunac Company	1,800,000	0.06%
Sub-total: 12 grantees		25,300,000	0.84%
129 other employees		14,600,000	0.49%
Total		**39,900,000**	**1.33%**

Save as disclosed herein, during the year ended 31 December 2011, the Company had not adopted any share option schemes. Save as disclosed in this report, none of any share options were granted, exercised, cancelled and lapsed during the year ended 31 December 2011.

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

As at 31 December 2011, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("the SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, are set out below:

(i) Interest in Shares of the Company and/or associated corporation

Name of Director	Nature of Interest	Relevant company (including associated corporations)	Number of shares of the relevant company(1)	Approximate percentage of interest in the relevant company
Mr. Sun Hongbin	Interest in a controlled corporation (2)	The Company	1,555,578,451(L)	51.85%
	Beneficial interest	Sunac International Investment Holding Ltd ("Sunac International") (3)		100%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) Mr. Sun is the beneficial owner of 100% of the issued share capital of Sunac International and is deemed to be interested in the Shares held by Sunac International.

(3) Sunac International is our holding company and therefore an "associated corporation" of our Company within the meaning of Part XV of the SFO.

(ii) Interest in the underlying shares of our Company

Name of Director	Nature of Interest	Name of Shares	Approximate percentage of interest in the Company
Mr. Sun Hongbin	Beneficial interest[1]	6,200,000	0.21%
Mr. Wang Mengde	Beneficial interest[1]	5,600,000	0.19%
Mr. Li Shaozhong	Beneficial interest[1]	5,900,000	0.20%
Mr. Chi Xun	Beneficial interest[1]	6,200,000	0.21%
Mr. Shang Yu	Beneficial interest[1]	5,600,000	0.19%

Note:

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

Save as disclosed herein, as at 31 December 2011, none of the Directors and chief executives of the Company, or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Company, as at 31 December 2011, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares of the Company:

Name of Shareholders	Nature of Interest/Capacity	Number of Shares or underlying Shares [1]	Approximate percentage of shareholding
Sunac International	Beneficial interest	1,555,578,451 (L)	51.85%
Bain Capital Sunac Limited	Beneficial interest	300,336,637 (L)	10.01%
Bain Capital Asia Integral Investors, L.P.[2]	Interest in a controlled corporation	300,336,637 (L)	10.01%
Bain Capital Asia Fund, L.P.[3]	Interest in a controlled corporation	300,336,637 (L)	10.01%
Bain Capital Partners Asia, L.P.[4]	Interest in a controlled corporation	300,336,637 (L)	10.01%
Bain Capital Investors, LLC[5]	Interest in a controlled corporation	300,336,637 (L)	10.01%

Name of Shareholders	Nature of Interest/Capacity	Number of Shares or underlying Shares [1]	Approximate percentage of shareholding
CDH Aurora Limited ("CDH")[6]	Beneficial interest	255,200,737 (L)	8.51%
CDH China Fund III, L.P.[6]	Interest in a controlled corporation	255,200,737 (L)	8.51%
CDH III Holdings Company Limited[6]	Interest in a controlled corporation	255,200,737 (L)	8.51%
China Diamond Holdings III, L.P.[6]	Interest in a controlled corporation	255,200,737 (L)	8.51%
China Diamond Holdings Company Limited[6]	Interest in a controlled corporation	255,200,737 (L)	8.51%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) Bain Capital Asia Integral Investors, L.P. owns 99.48% of the shares in Bain Capital Sunac Limited.

(3) Bain Capital Asia Fund, L.P. owns 94.45% of the partnership interests in Bain Capital Asia Integral Investors, L.P.

(4) Bain Capital Partners Asia, L.P. is the general partner and owns 0.10% of the partnership interest in Bain Capital Asia Fund, L.P.

(5) Bain Capital Investors, LLC is the general partner of, and owns 0.10% of the partnership interest in, Bain Capital Partners Asia, L.P. and Bain Capital Asia Integral Investors, L.P.

(6) CDH, a limited liability company incorporated in the BVI, is a wholly owned subsidiary of CDH China Fund III, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands focused on private equity investments in China. The general partner of CDH China Fund III, L.P. is CDH III Holdings Company Limited, a limited liability company organized and existing under the laws of the Cayman Islands. China Diamond Holdings III, L.P. is the holding company of CDH III Holdings Company Limited, and China Diamond Holdings Company Limited is the general partner of China Diamond Holdings III, L.P. Each of CDH China Fund III, L.P., CDH III Holdings Company Limited, CDH III Holdings Company Limited, China Diamond Holdings III, L.P. and China Diamond Holdings Company Limited is deemed to be interested in the Shares held by CDH under the SFO.

Save as disclosed herein, as at 31 December 2011, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries had redeemed, purchased or sold any of the Shares of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the law of Cayman Islands being the jurisdiction in which the Company was incorporated under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2011, the Group had a total of 3,028 employees in Hong Kong and the PRC. For the year ended 31 December 2011, the staff cost of the Group was approximately RMB225.2 million.

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

The Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme adopted by the Company on 9 September 2010 and 29 April 2011 respectively serve to provide incentives for, among others, our employees to work with commitment for the Company, details of which are disclosed from page 103 of this report. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the year ended 31 December 2011.

The emoluments of the Directors are firstly reviewed by the Remuneration Committee of the Board and then approved by the Board, having regard to the Director's skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions.

SUBSEQUENT EVENTS

Details of significant events after 31 December 2011 are set out in note 43 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08 of the Listing Rules requires there to be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public.

Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. PricewaterhouseCoopers. A resolution for the reappointment of PricewaterhouseCoopers as the Company's auditor is to be proposed at the forthcoming annual general meeting of the Company.

For and on behalf of the Board
Sunac China Holdings Limited
Sun Hongbin
Chairman

Hong Kong, 29 March 2012

Independent Auditor's Report

羅兵咸永道

To the shareholders of Sunac China Holdings Limited
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sunac China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 52 to 132, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

羅兵咸永道

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2012

Consolidated Balance Sheet

As at 31 December 2011

		As at 31 December	
		2011	2010
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	28,157	17,932
Investment properties	8	551,500	583,500
Intangible assets	9	313,841	308,873
Investment in jointly controlled entities	10	97	178,540
Investment in and loan to associates	11	1,420,753	459,315
Deferred income tax assets	12	424,924	228,335
Available-for-sale financial assets	13	10,212	–
		2,749,484	1,776,495
Current assets			
Properties under development	14	19,999,293	8,032,371
Completed properties held for sale	15	5,651,306	1,009,898
Amounts due from related parties	39(d)	–	7
Trade and other receivables and prepayments	16	1,345,368	681,773
Restricted cash	17	1,103,719	291,056
Cash and cash equivalents	18	2,763,386	3,957,952
		30,863,072	13,973,057
Total assets		33,612,556	15,749,552
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	19	259,112	259,112
Reserves	20		
– Proposed final dividend	42	235,617	–
– Others		6,556,258	4,404,849
		7,050,987	4,663,961
Non-controlling interests		354,728	–
Total equity		7,405,715	4,663,961

		As at 31 December	
	Note	2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	9,320,700	4,625,113
Long-term payable		–	131,868
Deferred income tax liabilities	12	2,258,287	210,678
		11,578,987	4,967,659
Current liabilities			
Trade and other payables	21	5,212,897	2,446,814
Advanced proceeds from customers		5,839,974	1,422,258
Amounts due to related parties	39(d)	66,150	450,104
Current income tax liabilities		1,254,933	731,136
Borrowings	22	2,253,900	1,067,620
		14,627,854	6,117,932
Total liabilities		26,206,841	11,085,591
Total equity and liabilities		33,612,556	15,749,552
Net current assets		16,235,218	7,855,125
Total assets less current liabilities		18,984,702	9,631,620

The notes on pages 59 to 132 are an integral part of these consolidated financial statements.

The financial statements on pages 52 to 132 were approved by the Board of Directors on 29 March 2012 and were signed on its behalf.

Sun Hongbin *Director*	**Wang Mengde** *Director*

Balance Sheet

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	40	3,440,401	1,413,497
Current assets			
Amount due from subsidiaries		64	234,592
Other receivables	16	1,195	26
Cash and cash equivalents	18	17,897	1,805,707
		19,156	2,040,325
Total assets		3,459,557	3,453,822
EQUITY			
Equity attributable to owner of the Company			
Share capital	19	259,112	259,112
Reserves	20		
– Proposed final dividend	42	235,617	–
– Others		2,941,982	3,162,497
Total equity		3,436,711	3,421,609
LIABILITIES			
Current liabilities			
Other payables		11,170	23,722
Amount due to subsidiaries		11,676	8,491
Total liabilities		22,846	32,213
Total equity and liabilities		3,459,557	3,453,822
Net current assets		(3,690)	2,008,112
Total assets less current liabilities		3,436,711	3,421,609

The notes on pages 59 to 132 are an integral part of these consolidated financial statements.

The financial statements on pages 52 to 132 were approved by the Board of Directors on 29 March 2012 and were signed on its behalf.

Sun Hongbin
Director

Wang Mengde
Director

Consolidated Income Statement

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Revenue	23	10,604,047	6,653,759
Cost of sales	25	(7,037,574)	(3,775,608)
Gross profit		3,566,473	2,878,151
Gain from re-measurement of previously held interests	38	835,430	–
Loss from fair value of investment properties, net	24	(75,900)	–
Selling and marketing costs	25	(314,090)	(108,799)
Administrative expenses	25	(301,079)	(155,819)
Other income	27	18,316	24,411
Other expenses	28	(7,540)	(1,840)
Operating profit		3,721,610	2,636,104
Finance income	31	18,687	18,504
Finance costs	31	(202,030)	(186,756)
Finance costs, net	31	(183,343)	(168,252)
Share of profit of jointly controlled entities	10	97	49,828
Share of (loss)/profit of associates	11	(10,072)	79,443
Profit before income tax		3,528,292	2,597,123
Income tax expenses	32	(1,145,220)	(1,056,132)
Profit for the year		2,383,072	1,540,991
Attributable to:			
Owners of the Company		2,356,168	1,542,161
Non-controlling interests		26,904	(1,170)
		2,383,072	1,540,991
Basic earnings per share (RMB)	33(a)	0.785	0.636
Diluted earnings per share (RMB)	33(b)	0.784	0.636

The notes on pages 59 to 132 are an integral part of these consolidated financial statements.

Dividends	42	235,617	191,182

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

		Year ended 31 December	
	Note	2011 RMB'000	2010 RMB'000
Profit for the year		2,383,072	1,540,991
Gain recognised directly in equity			
– Gain from fair value of available-for-sale financial assets	13	212	–
Total comprehensive income for the year		2,383,284	1,540,991
Attributable to:			
Equity owners of the Company		2,356,380	1,542,161
Non-controlling interests		26,904	(1,170)
Total comprehensive income for the year		2,383,284	1,540,991

The notes on pages 59 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves (Note 20) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	1,762	–	121,245	1,247,758	1,370,765	500,343	1,871,108
Comprehensive income							
Profit for the year	–	–	–	1,542,161	1,542,161	(1,170)	1,540,991
Total Comprehensive Income	–	–	–	1,542,161	1,542,161	(1,170)	1,540,991
Transactions with Owners							
Acquisition of non-controlling interests	–	–	(108,827)	–	(108,827)	(499,173)	(608,000)
Dividends	–	–	–	(191,182)	(191,182)	–	(191,182)
Employees share option	–	–	9,513	–	9,513	–	9,513
Share issuance under global offering	64,769	1,976,364	–	–	2,041,133	–	2,041,133
Share issuance under capitalization issue	192,581	(192,581)	–	–	–	–	–
Statutory reserve	–	–	142,897	(142,897)	–	–	–
Others	–	–	398	–	398	–	398
At 31 December 2010	259,112	1,783,783	165,226	2,455,840	4,663,961	–	4,663,961
Comprehensive income							
Profit for the year	–	–	–	2,356,168	2,356,168	26,904	2,383,072
Change in fair value	–	–	212	–	212	–	212
Total Comprehensive Income	–	–	212	2,356,168	2,356,380	26,904	2,383,284
Transactions with Owners							
Transaction with non-controlling interest (Note 37)	–	–	(8,044)	–	(8,044)	208,044	200,000
Acquisition of a subsidiary (Note 38 (a))	–	–	–	–	–	119,780	119,780
Employees' share option	–	–	38,690	–	38,690	–	38,690
Statutory reserve	–	–	145,445	(145,445)	–	–	–
At 31 December 2011	259,112	1,783,783	341,529	4,666,563	7,050,987	354,728	7,405,715

The notes on pages 59 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
		Year ended 31 December	
Cash flows from operating activities			
Cash used in operations	34	(1,429,217)	(1,250,117)
Income tax paid		(1,245,726)	(327,650)
Net cash used in operating activities		(2,674,943)	(1,577,767)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	38	(378,139)	(313,977)
Investment to associates	11	(798,911)	–
Collection of loans to an associate	11	161,540	131,520
Purchase of property, plant and equipment ("PPE")	7	(13,134)	(13,055)
Purchase of financial assets	13	(10,000)	(3,000)
Purchase of intangible assets		(870)	–
Proceeds from disposal of PPE	34	1,435	3,138
Proceeds from disposals of financial assets		–	3,813
Payment for new land use right acquisition	10	(441,000)	–
Net cash used in investing activities		(1,479,079)	(191,561)
Cash flows from financing activities			
Proceeds from borrowings		6,198,000	4,989,813
Cash receiving from non-controlling interests		200,000	–
Repayments of borrowings		(3,019,843)	(1,968,434)
Guarantee deposits (payments)/collection, net	17	(216,671)	221,078
Payment of interests and other finance costs		(202,030)	(162,223)
Proceeds from issuance of ordinary shares on global offering	19	–	2,253,970
Payment of shares issuance costs	19	–	(212,837)
Payment for acquiring non-controlling interest		–	(626,736)
Payment of dividends		–	(191,183)
Net cash generated from financing activities		2,959,456	4,303,448
Net (decrease)/increase in cash and equivalents		(1,194,566)	2,534,120
Cash and cash equivalents at beginning of year		3,957,952	1,423,832
Cash and cash equivalents at end of year	18	2,763,386	3,957,952

The notes on pages 59 to 132 are an integral part of these consolidated financial statements.

1 General information

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

The Company was incorporated in the Cayman Islands on 27 April 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its registered office is Landmark Square, 3rd floor, 64 Earth Close, P. O. box 30592, Grand Cayman KY1-1203, Cayman Island.

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

These financial statements are presented in thousands of units of Renminbi ("RMB'000") unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 29 March 2012.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by available for sale financial assets and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) *Going concern*

The Group meets its day-to-day working capital requirements through its pre-sale proceeds, bank facilities and other borrowings from third parties. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's property products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group had adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 22.

(b) *The Group has adopted the following new and amended HKFRSs:*

HKFRS (Amendments) — Third annual improvement project (2010) published in May 2010 by the HKICPA

HKFRS 3 (Revised) — Business combinations

- Clarifies that entities should apply the rules in HKFRS 3 (not HKFRS 7, HKAS 32 or HKAS 39) to contingent consideration that arose from business combinations with acquisition dates that precede the application of HKFRS 3.
- Clarifies that only entities with present ownership instruments that entitle their holders to a pro rata share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interest at fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

HKAS 27 (Revised) — Consolidated and separate financial statements

- Clarifies that the consequential amendments from HKAS 27 made to HKAS 21. 'The effect of changes in foreign exchange rates, HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when HKAS 27 is applied earlier.

HKAS 32 (Amendment) — Financial Instruments: Presentation – Classification of rights issues

- Rights issues are now required to be classified as equity if they are issued for a fixed amount of cash regardless of the currency in which the exercise price is denominated, provided they are offered on a pro rata basis to all owners of the same class of non-derivative equity. Entities will no longer classify rights issues, for which non-derivative the exercise price is denominated in a foreign currency, as derivative liabilities with fair value changes being recorded in profit or loss. Rather, entities will be able to classify these rights in equity with no re-measurement.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) The Group has adopted the following new and amended HKFRSs: (continued)

HKAS 24 (Revised) — Related party disclosures

– The amendment introduces an exemption from all of the disclosure requirements of IAS/HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

i) the name of the government and the nature of their relationship; and

ii) the nature and amount of any individually-significant transactions; and

iii) the extent of any collectively-significant transactions qualitatively or quantitatively.

– It also clarifies and simplifies the definition of a related party.

HK(IFRIC) – Int 19 — Extinguishing financial liabilities with equity instruments

– The interpretation clarifies the accounting by the debtor when the debtor renegotiates the terms of its debt with the result that the liability is extinguished through issuing its own equity instruments to the creditor (i.e. a "debt for equity swap"). A gain or loss recognised in profit or loss is the difference between the fair value of the equity instruments issued and the carrying amount of the financial liability.

– If the fair value of the equity instruments cannot be reliably measured then the fair value of the existing financial liability is used to measure the gain or loss.

– The amount of the gain or loss should be separately disclosed on the face of the statement of comprehensive income or in the notes.

HKFRS 7 — Financial instruments: Disclosures

– Clarifies seven disclosure requirements for financial instruments, with a particular focus on the qualitative disclosures and credit risk disclosures.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) *The Group has adopted the following new and amended HKFRSs: (continued)*

HKAS 1 — Presentation of financial statements

- Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

HKAS 34 — Interim financial reporting

- The circumstances likely to affect fair values of financial instruments and their classification;
- Transfers of financial instruments between different levels of the fair value hierarchy,
- Changes in classification of financial assets, and
- Changes in contingent liabilities and assets.

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

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

HKFRS 7 (Amendment) — Disclosures – Transfers of financial assets (effective on or after 1 July 2011)

- This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

Disclosures – Offsetting financial assets and financial liabilities (effective on or after 1 January 2013)

- The amendments also require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets (effective on or after 1 January 2012) – HKAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in HKAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, HK(SIC) 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into HKAS 12 the remaining guidance previously contained in HK(SIC) 21, which is withdrawn.
HKAS 1 (Amendment)	Presentation of financial statements (effective on or after 1 July 2012) – The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
HKFRS 10	Consolidated financial statements (effective on or after 1 January 2013) – The objective of IFRS/HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

HKAS 27 (revised 2011) — Separate financial statements (effective on or after 1 January 2013)

- HKAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

HKFRS 11 — Joint arrangements (effective on or after 1 January 2013)

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

HKAS 28 (revised 2011) — Associates and joint ventures (effective on or after 1 January 2013)

- HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS/HKFRS 11.

HKFRS 12 — Disclosure of interests in other entities (effective on or after 1 January 2013)

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

HKFRS 13 — Fair value measurements (effective on or after 1 January 2013)

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

HKAS 19 (Amendment)	Employee benefits (effective on or after 1 January 2013) – These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities (effective on or after 1 January 2014) – The amendments clarify the requirements for offsetting financial instruments on the balance sheet: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered equivalents to net settlement.
HKFRS 9	Financial instruments (effective on or after 1 January 2015) – HKFRS 9 is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply.
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures (effective on or after 1 January 2015) – HKFRS 7 and HKFRS 9 (Amendments) "Mandatory effective date and transition disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required.

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 upon their initial application.

2 Summary of significant accounting policies (continued)

2.2 Consolidation

(a) Subsidiaries

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

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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 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 identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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.

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

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) Transaction with non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have 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 purposes of subsequently accounting for the retained interest as an associate, joint venture or financial 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 reclassified to profit or loss.

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

(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.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(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, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

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

2.3 Segment reporting

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

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 Company's functional and the group's presentation currency.

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the income statement within "other (losses)/gains – net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(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 in other comprehensive income.

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

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

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

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

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

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

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

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

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 within "Other gains/(losses) – net" in the income statement.

2.6 Investment properties

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

2 Summary of significant accounting policies (continued)

2.6 Investment properties (continued)

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

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.

2.7 Intangible assets

(a) Goodwill

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

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

2.8 Land use rights

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

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

2 Summary of significant accounting policies (continued)

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

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 year 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.

2.10 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.

2.11 Completed properties held for sale

Completed properties remaining unsold as at the balance sheet dates are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

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

2 Summary of significant accounting policies (continued)

2.12 Financial assets

(a) Classification

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

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivable, amounts due from related parties, other receivables, restricted cash and cash and cash equivalents in the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless investment matures or management intends to dispose of it within twelve months of the reporting period.

(b) Recognition and measurement

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

2 Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

(b) Recognition and measurement (continued)

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "Other gains/(losses) – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "Other gains/(losses) – net".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Restricted cash

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

2.15 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 Summary of significant accounting policies (continued)

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade payables

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

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

2.18 Borrowings

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

Borrowings are classified as current liabilities unless the group has 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 year 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 year in which they are incurred.

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

2.19 Current and deferred income tax

The tax expense for the year 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.

2 Summary of significant accounting policies (continued)

2.19 Current and deferred income tax (continued)

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not 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.

2.20 Employee benefits

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

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

2 Summary of significant accounting policies (continued)

2.21 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

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

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2 Summary of significant accounting policies (continued)

2.22 Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

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

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.

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

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

(e) Dividend income

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

2.24 Government grants

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

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

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

2 Summary of significant accounting policies (continued)

2.25 Leases

Leases in which 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 year 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 year 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.

2.26 Dividend distribution

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

2.27 Comparatives

The Group previously disclosed interest income on bank deposits within "Other income". Management believes that their inclusion in "finance income" is a fairer representation of the Group's activities.

2.28 Financial guarantee liabilities

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

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

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since all of the operating entities are based in the PRC. The foreign currency balances as at 31 December 2011 were primarily the proceeds from the global offering denominated in HK$. Considering the increase trend of RMB value in recent years, the Group has converted most of the funds held in HK$ into RMB to minimise the exchange loss risk. Accordingly, as at 31 December 2011, most of the operating entities' assets and liabilities were denominated in RMB. The equivalent of RMB15 million was denominated in HK$ as at 31 December 2011. The Group is keeping a timely monitoring and may carry out necessary actions, such as hedging program, to manage the exchange risks.

(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 which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. During 2011 and 2010, the Group's borrowings were all denominated in Renminbi (year ended 31 December 2010: Renminbi).

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

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

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

	Floating rates			Fixed rates			Total
RMB' million	Less than 1 year	1 to 5 years	Sub-total	Less than 1 year	1 to 5 Years	Sub-total	
Borrowings							
At 31 December 2011	1,067	6,083	7,150	1,187	3,238	4,425	11,575
At 31 December 2010	519	2,536	3,055	549	2,089	2,638	5,693

As at 31 December 2011, if the interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been lower/higher by RMB7.6 million and the capitalised interest would have been higher/lower by RMB43.1 million (as at 31 December 2010: RMB6.7 million and RMB12.8 million).

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

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

(iii) Price risk

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

The directors are of the view that the Group's exposure to price risk with regard to its investments is not significant since it is the Group's policy not to invest significant amounts that might have a detrimental impact to the Group's financial results and the Group only invests in such items from time to time. All investments must be approved by the senior management team before they may be entered into. As at 31 December 2011, such investments amounting to RMB10 million was classified as available-for-sales assets.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

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

Credit risk is managed by the central management team, together with the central treasury team. Credit risk arises from cash and cash equivalents, restricted cash deposited with banks, other receivables due from related parties and third parties, notes receivables, as well as credit exposures to commercial customers who let space in our investment properties. Residential and commercial property sales are paid for through up-front cash transactions.

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

Certain customers of the Group have arranged bank financing for their purchases of the properties. The Group entities have provided guarantees to secure obligations of such customers for repayments, normally up to the time when the customers obtain the legal certificates of the property ownership. Detailed disclosure of these guarantees is made in Note 36(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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date up 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
Group				
At 31 December 2011				
Borrowings	2,254	6,070	3,251	11,575
Trade and other payables (Note 41)	2,873	631	–	3,504
Financial guarantee (Note 36(a))	1,976	–	–	1,976
At 31 December 2010				
Borrowings	1,068	2,135	2,490	5,693
Trade and other payables (Note 41)	1,088	567	–	1,655
Financial guarantee (Note 36(a))	3,770	–	–	3,770

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.

3 Financial risk management (continued)

3.2 Capital risk management (continued)

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% or less. The gearing ratios of the Group as at 31 December 2011 and 2010 were as follows:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Total borrowings (Note 22)	11,574,600	5,692,733
Restricted cash (Note 17)	(1,103,719)	(291,056)
Cash and cash equivalents (Note 18)	(2,763,386)	(3,957,952)
Net debts	7,707,495	1,443,725
Total equity	7,405,715	4,663,961
Total capital	15,113,210	6,107,686
Gearing ratio	51%	24%

The increase in gearing ratio as at 31 December 2011 was mainly caused by a significant increase of borrowings which was made in line with the increase in property projects developments during the year ended 31 December 2011.

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 markets is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

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

5 Critical accounting estimates and judgements

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

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 Income taxes

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

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

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

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

5 Critical accounting estimates and judgements (continued)

5.3 PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, since the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to its understanding of the interpretation of tax rules by various tax authorities. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income taxes and deferred income tax provisions in the years 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. As at 31 December 2011, no such provision need to be accrued based on the Group's assessment.

5.6 Impairment of goodwill

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

6 Segment information

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

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

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

	Year ended 31 December 2011		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
Total segment revenue	10,451,056	152,991	10,604,047
Cost of sales	(6,897,556)	(140,018)	(7,037,574)
Segment results	3,553,500	12,973	3,566,473
Segment income/(expenses):			
– Gain from deemed disposal of previously held interests	835,430	–	835,430
– Loss from fair value of investment properties, net	(75,900)	–	(75,900)
– Selling and marketing costs	(314,090)	–	(314,090)
– Administrative expenses	(277,782)	(23,297)	(301,079)
– Other income	15,427	2,889	18,316
– Other expenses	(7,279)	(261)	(7,540)
– Finance costs, net	(183,343)	–	(183,343)
– Share of profit of jointly controlled entities	97	–	97
– Share of loss of associates	(10,072)	–	(10,072)
Profit/(loss) before income tax	3,535,988	(7,696)	3,528,292

6 Segment information (continued)

	Year ended 31 December 2010		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
Revenue from external customers	6,612,807	40,952	6,653,759
Cost of sales	(3,735,942)	(39,666)	(3,775,608)
Segment results	2,876,865	1,286	2,878,151
Segment income/(expenses):			
– Selling and marketing costs	(107,556)	(1,243)	(108,799)
– Administrative expenses	(149,080)	(6,739)	(155,819)
– Other income	23,364	1,047	24,411
– Other expenses	(1,812)	(28)	(1,840)
– Finance costs, net	(168,252)	–	(168,252)
– Share of profit of jointly controlled entities	49,828	–	49,828
– Share of profit of associates	79,443	–	79,443
Profit/(loss) before income tax	2,602,800	(5,677)	2,597,123

6 Segment information (continued)

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

	31 December 2011		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
Total assets per the balance sheet	33,574,849	37,707	33,612,556
Including:			
Investment in jointly controlled entities	97	–	97
Investment in and loan to associates	1,420,753	–	1,420,753
Investment properties	551,500	–	551,500
Total liabilities per the balance sheet	26,130,472	76,369	26,206,841

	31 December 2010		
	Property development and investment RMB'000	Property management services RMB'000	Total RMB'000
Total assets per the balance sheet	15,719,004	30,548	15,749,552
Including:			
Investment in jointly controlled entities	178,540	–	178,540
Investment in and loan to associates	459,315	–	459,315
Investment properties	583,500	–	583,500
Total liabilities per the balance sheet	11,024,429	61,162	11,085,591

7 Property, plant and equipment

	Vehicles RMB'000	Furniture and office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Year ended 31 December 2010				
Opening net book amount	6,497	1,531	835	8,863
Additions	9,033	3,880	537	13,450
Additions due to acquisition of subsidiaries	–	632	330	962
Disposals	(668)	(350)	(4)	(1,022)
Depreciation	(2,144)	(1,439)	(738)	(4,321)
Closing net book amount	12,718	4,254	960	17,932
At 31 December 2010				
Costs	19,596	8,858	2,436	30,890
Accumulated depreciation	(6,878)	(4,604)	(1,476)	(12,958)
Net book amount	12,718	4,254	960	17,932
Year ended 31 December 2011				
Opening net book amount	12,718	4,254	960	17,932
Additions	4,315	4,479	4,340	13,134
Additions due to acquisition of subsidiaries	3,066	2,482	–	5,548
Disposals	(591)	(370)	–	(961)
Depreciation	(3,823)	(2,503)	(1,170)	(7,496)
Closing net book amount	15,685	8,342	4,130	28,157
At 31 December 2011				
Costs	26,675	16,151	6,776	49,602
Accumulated depreciation	(10,990)	(7,809)	(2,646)	(21,445)
Net book amount	15,685	8,342	4,130	28,157

Depreciation charges of the Group for each of the year ended 31 December 2011 and 2010 were expensed in selling and administrative expenses in the consolidated income statements.

8 Investment properties

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
At beginning of year	583,500	583,500
Transfer from completed properties held for sale	43,900	–
Loss from fair value measurement (Note 24)	(75,900)	–
At end of year	551,500	583,500

The following amounts have been recognised in the income statement:

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Rental income (Note 23)	17,851	19,232

The investment properties were revalued as at 31 December 2011 by an independent professional valuer, DTZ Debenham Tie Leung Ltd. (as at 31 December 2010: DTZ Debenham Tie Leung Ltd.). The valuations were performed 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 below:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	551,500	583,500

8 Investment properties (continued)

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Within 1 year	18,603	15,620
Later than 1 year but no later than 5 years	68,688	77,565
Later than 5 years	145,474	146,536
	232,765	239,721

As at 31 December 2011, certain investment properties with balance totalling RMB207 million were pledged as collaterals for the Group's borrowings (as at 31 December 2010: RMB154 million) (Note 22).

9 Intangible assets

	31 December 2011 RMB'000	31 December 2010 RMB'000
Goodwill (Note (a))	300,958	291,023
Trademark (Note (b))	11,900	17,850
Others	983	–
	313,841	308,873

(a) Goodwill

	Year ended 31 December 2011 RMB'000	2010 RMB'000
Beginning of year	291,023	258,261
Acquisition of subsidiaries	9,935	32,762
End of year	300,958	291,023

9 Intangible assets (continued)

(a) Goodwill (continued)

The goodwill additions during the year ended 31 December 2011 arose from the acquisition of Beijing Sunac Hengji Zhidi Real Estate Development Co., Ltd., (it was previously a Company's associate named Beijing Shougang Sunac Real Estate Development Co., Ltd., hereafter "Beijing Sunac Hengji") which became a subsidiary in September 2011, and the acquisition of Chongqing Yatai Shiye Real Estate Development Co. Ltd. which became a subsidiary (it was previously a Company's jointly controlled entity named Chongqing Yuneng Real Estate Development Co., Ltd., hereafter "Chongqing Yatai") in January 2011. The goodwill is mainly attributable to the future appreciation of the related property projects (Note 38).

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Chongqing Sunac Jiye Real Estate Development Co. Ltd. ("Chongqing Jiye")	48,308	48,308
Wuxi Sunac Real Estate Co. Ltd. ("Wuxi Sunac Real Estate")	85,708	85,708
Wuxi Sunac City Construction Co. Ltd. ("Wuxi Sunac City")	124,245	124,245
Sunac Property Management	32,762	32,762
Chongqing Yatai	918	–
Beijing Sunac Hengji	9,017	–
	300,958	291,023

A discount rate of 15% was used for the analysis of each cash-generating unit in the operating entities as at 31 December 2011 (as at 31 December 2010: 15%).

9 Intangible assets (continued)

(b) Trademark

Trademark represents the cost of the right for Chongqing Jiye 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 Jiye can use the trademark until the completion of the development of the related project which is expected by 2013.

	RMB'000
Year ended 31 December 2010	
Cost	
At 1 January 2010	58,136
Amortisation	
At 1 January 2010	(34,336)
Charged for the year	(5,950)
At 31 December 2010	(40,286)
Net book value	
At 31 December 2010	17,850
Year ended 31 December 2011	
Cost	
At 1 January 2011	58,136
Amortisation	
As at 1 January 2011	(40,286)
Charged for the year	(5,950)
At 31 December 2011	(46,236)
Net book value	
At 31 December 2011	11,900

10 Investment in jointly controlled entities

	31 December 2011 RMB'000	31 December 2010 RMB'000
Equity investment in jointly controlled entities	97	178,540

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

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Beginning of year	178,540	128,712
Jointly controlled entities that became subsidiaries (Note 38 (a))	(178,540)	–
Investment in a new jointly controlled entity (Note (a))	0	–
Share of profit of jointly controlled entities	97	49,828
End of year	97	178,540

Note:

(a) On 1 January 2011, the wholly owned subsidiary of the Group, Tianjin Sunac Zhidi Co., Ltd. ("Sunac Zhidi"), acquired a 40% equity interest in APEV Property Management Co., Ltd. ("APEV Property Management") from Chongqing Yuneng Real Estate (Group) Co. Ltd., one of the third party shareholders of APEV Property Management. The consideration is RMB1.

Upon the completion of the above transaction, APEV Property Management became a jointly controlled entity of the Group.

The Group's interests in its jointly controlled entity for the year ended 31 December 2011 are as follows:

	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Profit RMB'000	Interest %
APEV Property Management	PRC	1,100	1,438	3,105	97	40

11 Investment in and loan to associates

	31 December 2011 RMB'000	31 December 2010 RMB'000
Equity investment in associates	1,420,753	297,775
Entrusted loan to an associate	–	161,540
	1,420,753	459,315

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

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Beginning of year	459,315	218,332
(Collection)/provision of loan to associates	(161,540)	161,540
Dividend from associates	(181,090)	–
Associates that became subsidiaries (Note 38 (b))	(106,860)	–
Investment in a new associate (Note (a))	980,000	–
Share of (loss)/profit of associates	(10,072)	79,443
Prepayment for new investment (Note (b))	441,000	–
End of year	1,420,753	459,315

Note:

(a) On 7 September 2011, a wholly owned subsidiary of the Company Sunac Zhidi, entered into an agreement with a third party investor, Poly (Tianjin) Real Estate Development Co., Ltd. ("Poly Real Estate"), in relation to the establishment of a new property project company named Tianjin Poly Sunac Investment Company Limited. ("Poly Sunac") in Tianjin, the PRC. The Group has a 49% equity interest in Poly Sunac. Poly Sunac is treated as an associate of the Group because Sunac Zhidi will not control Poly Sunac and Poly Real Estate has casting vote at board meetings of Poly Sunac.

(b) On 16 December 2011, another wholly owned subsidiary of the Company, Beijing Sunac Hengji and Tianjin Sunac Ao Cheng Investment Co., Ltd. ("Sunac Ao Cheng"), jointly with a third party business partner, secured an acquisition of a new land use right in Beijing Laiguangying. An new joint venture will be established by Beijing Sunac Hengji, Sunac Ao Cheng and the business partner, which will be an associate to develop this new property project. As at 31 December 2011, a prepayment of RMB441 million by Beijing Sunac Hengji for the acquisition of the land use right will be transferred to the investments in the associate.

The Group's interests in its associates for the year ended 31 December 2011 are as follows:

	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Loss RMB'000	Interest %
Poly Sunac	PRC	1,156,153	176,400	–	(247)	49

12 Deferred income tax

	31 December 2011 RMB'000	31 December 2010 RMB'000
Deferred income tax assets recoverable:		
– within 12 months	106,773	18,993
– after 12 months	318,151	209,342
	424,924	228,335
Deferred income tax liabilities to be settled:		
– within 12 months	1,042,085	33,727
– after 12 months	1,216,202	176,951
	2,258,287	210,678

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

(a) Deferred income tax assets

	Payments and accruals pending receipt of sufficient tax documents RMB'000	Unpaid land appreciation tax RMB'000	Deductible tax loss RMB'000	Total RMB'000
At 1 January 2010	33,227	–	20,205	53,432
(Charged)/credited to the income statement	23	177,254	(2,374)	174,903
At 31 December 2010	33,250	177,254	17,831	228,335
(Charged)/credited to the income statement	28,295	127,815	(13,667)	142,443
Acquisition of subsidiary (Note 38)	7,638	–	46,508	54,146
At 31 December 2011	69,183	305,069	50,672	424,924

12 Deferred income tax (continued)

(b) Deferred income tax liabilities

	Deferred land appreciation tax ("LAT") on acquisition of new subsidiaries RMB'000	Deferred corporate income tax: Fair value on acquisitions RMB'000	Deferred corporate income tax: Fair value of investment properties RMB'000	Deferred corporate income tax: Distributable profits from the PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2010	–	141,987	23,742	50,212	215,941
(Credited)/charged to the income statement	–	(33,015)	–	25,820	(7,195)
Acquisition of subsidiary (Note 38)	–	–	1,932	–	1,932
At 31 December 2010	–	108,972	25,674	76,032	210,678
(Credited)/charged to the income statement	–	(209,133)	(18,975)	70,690	(157,418)
Acquisition of subsidiary (Note 38)	1,894,284	875,027	–	–	2,769,311
Transfer to land appreciation tax payable	(564,284)	–	–	–	(564,284)
At 31 December 2011	1,330,000	774,866	6,699	146,722	2,258,287

13 Available-for-sale financial assets

	31 December 2011 RMB'000	31 December 2010 RMB'000
Beginning of year	–	800
Subscription	10,000	3,000
Redemption	–	(3,800)
Change in fair value	212	–
End of year	10,212	–

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

14 Properties under development ("PUD")

	31 December 2011 RMB'000	31 December 2010 RMB'000
Comprising:		
Land use rights	13,939,223	5,942,332
Construction costs	5,488,210	1,947,164
Capitalised financial costs	571,860	142,875
	19,999,293	8,032,371
Including: PUD to be completed within 12 months	8,618,079	2,148,776
PUD to be completed after 12 months	11,381,214	5,883,595
	19,999,293	8,032,371

The properties under development are all located in the PRC.

As at 31 December 2011, certain properties under development with balances totalling RMB10,809 million were pledged as collaterals for the Group's borrowings (as at 31 December 2010: RMB3,500 million) (Note 22).

15 Completed properties held for sale

	31 December 2011 RMB'000	31 December 2010 RMB'000
Completed properties held for sale, gross	5,688,806	1,041,898
Less: Provision for loss on realisable value	(37,500)	(32,000)
Completed properties held for sale, net	5,651,306	1,009,898

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

As at 31 December 2011, certain completed properties held for sale with balances totalling RMB3,642 million were pledged as collaterals for the Group's borrowings (as at 31 December 2010: RMB103 million) (Note 22).

As at 31 December 2011, the Group is in the process of applying for the ownership certificate in respect of the completed car parks of RMB188 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 Trade and other receivables and prepayments

	The Group		The Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000	31 December 2011 RMB'000	31 December 2010 RMB'000
Trade receivables (Note (c))	39,058	–	–	–
Notes receivables (Note (c))	49,991	–	–	–
Prepaid taxes	787,689	123,079	–	–
Deposits	238,863	160,000	–	–
Prepayment for a new property project	100,000	–	–	–
Loan to a primary land developer for a potential new project	50,000	–	–	–
Deposits for guarantee to customers' bank loans	32,447	33,861	–	–
Prepaid development costs to construction companies	6,306	26,201	–	–
Prepayment to non-controlling interests for equity acquisition	–	320,104	–	–
Others	41,014	18,528	1,195	26
	1,345,368	681,773	1,195	26

Note:

(a) As at 31 December 2011 and 2010, the fair value of trade and other receivables and prepayments approximated their carrying amounts.

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

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Within 90 days		
– Trade receivables	39,058	–
– Notes receivables	49,991	–

The Group normally has no credit term to the customer. The trade receivables as at 31 December 2011 was a timing difference of bank funds transfer. The amount has been received in early January 2012.

Notes receivable were bank acceptance paid by certain customers, which are due within 3 months as at 31 December 2011.

17 Restricted cash

	31 December 2011 RMB'000	31 December 2010 RMB'000
Guarantee deposits for bank loans	507,727	291,056
Restricted cash from pre-sale of properties	526,406	–
Others	69,586	–
	1,103,719	291,056

18 Cash and cash equivalents

	The Group		The Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000	31 December 2011 RMB'000	31 December 2010 RMB'000
Cash at bank and in hand				
– Denominated in RMB	2,745,499	3,696,651	10	1,782,363
– Denominated in HKD	14,587	256,364	14,587	20,716
– Denominated in USD	3,300	4,937	3,300	2,628
	2,763,386	3,957,952	17,897	1,805,707

The conversion of RMB denominated balances into foreign currencies, and the remittance of foreign currencies-denominated bank balances and cash out of the PRC are subject to restrictive foreign exchange control rules and regulations.

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

19 Share capital and share premium – Group and Company

Share capital

	Note	Number of shares	Ordinary shares	
				Equivalent to
		(thousands)	HK$'000	RMB'000
Authorised:				
Ordinary shares of HK$0.01 each				
As at 31 December 2010 and 31 December 2011		10,000,000	1,000,000	
Issued:				
Ordinary shares of HK$0.1 each				
As at 31 December 2010 and 31 December 2011		3,000,000	300,000	259,112

Share premium

	RMB'000
As at 31 December 2010 and 31 December 2011	1,783,783

Notes:

(a) Share-based payments

(i) Pre-IPO share option scheme

The Company has adopted the Pre-IPO Share Option Scheme on 9 September 2010 ("Pre-IPO Option Scheme Adoption Date"). Under the Pre-IPO Share Option Scheme, the Company has conditionally granted to 121 grantees options to subscribe for up to 51,080,000 shares, representing approximately 1.67% of the total number of ordinary shares in issue on fully diluted basis (assuming the options pursuant to the scheme have been exercised in full.). Such options will vest in accordance with the following schedule: 30% upon the first anniversary of the Pre-IPO Option Scheme Adoption Date, an additional 30% upon the second anniversary and an additional 40% upon the third anniversary. The options are conditional on the employees' service in the Group as at the exercise dates. A grantee may exercise any vested portion of his or her options prior to the end of a period of four years from the Pre-IPO Adoption Date, as a subscription price per share equal to 80% of the offer price of the Company's shares in the initial public offering (i.e. 80% of HK$3.48). As at 31 December 2011, no options had been exercised.

19 Share capital and share premium – Group and Company (continued)

Share capital (continued)

Notes: (continued)

(a) Share-based payments (continued)

(ii) Post-IPO share option scheme

A Post-IPO Share Option Scheme was approved and adopted by all shareholders of the Company on the annual general meeting held on 29 April 2011 (the "Post-IPO Option Scheme Adoption Date"). The maximum number of shares in respect of which options ("Options") may be granted should not exceed 99,900,000 shares, representing 3.33% of the total number of shares in issue as at the Post-IPO Scheme Adoption Date. The options are to be granted during a grant period of three years from the Post-IPO Option Scheme Adoption Date. Such options will vest in accordance with the following schedule: 30% upon the grant, an additional 30% upon the first anniversary of the Post-IPO Option Scheme Adoption Date and additional 40% upon the second anniversary. The options are not conditional on the employees' performance target before an option can be exercised. The subscription price for each grant should be at least the higher of (1) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the grant dates, (2) the average of the closing prices of the shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date, and (3) the nominal value of the shares of the Company. The Post-IPO Share Options, once vested, shall be exercisable within a period of three years from the Post-IPO Scheme Adoption Date or the most recent anniversary of the Post-IPO Scheme Adoption Date. On 30 September 2011, the Company has granted the first batch of options to subscribe up to 39,900 thousand shares of the Company, in which, options of 12,100 thousand shares were granted to executive directors.

The Group has no legal or constructive obligation to repurchase or settle all above mentioned options in cash.

Movement in the number of share options and their related weighted average exercise prices are as follows:

	2011		2010	
	Average price in HK$ per share	Options (thousand)	Average price in HK$ per share	Options (thousand)
At beginning of year	2.78	51,080	–	–
Granted	1.48	39,900	2.78	51,080
At end of year	2.21	90,980	2.78	51,080

As at 31 December 2011, 15,324 thousand shares in Pre-IPO Share Option Scheme and 11,970 thousand shares in Post-IPO Share Options Scheme are exercisable (2010: nil).

The weighted average fair value of options granted during the year determined using the Binomial valuation model was HK$1.41 per option. The significant input into the model were weighted average share price of HK$1.41 at the grant date, exercise price of HK$1.484, volatility of 44.37%, dividend yield of 2.02%, an expected option life of 2.58 years and an annual risk-free interest rate of 0.289%. The expected volatility is determined by calculating the historical volatility of the price of listed companies with similar business to the Group. The expected dividend yield is determined by the Directors based on the expected future performance and dividend policy of the Group. The amortisation of share option of RMB38.7 million was recognised as staff costs in the consolidated income statements (Note 29).

20 Reserves

		The Group							
	Note	Share premium RMB '000	Other reserves RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Financial guarantee reserve RMB'000	Available-for-sale financial assets reserve RMB '000	Retained earnings RMB '000	Total RMB'000
Year ended 31 December 2010									
At 1 January 2010		–	1,393,432	(1,423,109)	151,271	(349)	–	1,247,758	1,369,003
Profit for the year		–	–	–	–	–	–	1,542,161	1,542,161
Acquisition of non-controlling interests		–	(108,827)	–	–	–	–	–	(108,827)
Dividends		–	–	–	–	–	–	(191,182)	(191,182)
Employees share option		–	9,513	–	–	–	–	–	9,513
Share issuance under global offering		1,976,364	–	–	–	–	–	–	1,976,364
Share issuance under capitalization issue		(192,581)	–	–	–	–	–	–	(192,581)
Transfer		–	(349)	–	–	349	–	–	–
Statutory reserve		–	–	–	142,897	–	–	(142,897)	–
Others		–	398	–	–	–	–	–	398
At 31 December 2010		1,783,783	1,294,167	(1,423,109)	294,168	–	–	2,455,840	4,404,849
Year ended 31 December 2011									
Profit for the year		–	–	–	–	–	–	2,356,168	2,356,168
Transaction with non-controlling interests	37	–	(8,044)	–	–	–	–	–	(8,044)
Employees share options	19	–	38,690	–	–	–	–	–	38,690
Statutory reserve		–	–	–	145,445	–	–	(145,445)	–
Change in fair value		–	–	–	–	–	212	–	212
At 31 December 2011		1,783,783	1,324,813	(1,423,109)	439,613	–	212	4,666,563	6,791,875

20 Reserves (continued)

		The Company				
	Note	Share premium RMB'000	Financial guarantee reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Year ended 31 December 2010						
At 1 January 2010		–	(349)	1,417,372	(4,452)	1,412,571
Loss for the year		–	–	–	(43,370)	(43,370)
Employees share options	19	–	–	9,513	–	9,513
Share issuance under global offering		1,976,364	–	–	–	1,976,364
Share issuance under capitalization issue		(192,581)	–	–	–	(192,581)
Transfer		–	349	(349)	–	–
At 31 December 2010		1,783,783	–	1,426,536	(47,822)	3,162,497
Year ended 31 December 2011						
Loss for the year		–	–	–	(23,588)	(23,588)
Employees share options	19	–	–	38,690	–	38,690
At 31 December 2011		1,783,783	–	1,465,226	(71,410)	3,177,599

Note:

(a) Statutory reserves

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

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

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

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

21 Trade and other payables

	31 December 2011 RMB'000	31 December 2010 RMB'000
Trade payables (Note (a))	3,132,703	1,498,202
Other taxes payable	1,620,203	768,870
Other payables	218,979	156,426
Payable for consideration of prior years' equity acquisition (Note (b))	152,415	–
Payroll and welfare payables	88,597	23,316
	5,212,897	2,446,814

Note (a):

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Within 90 days	1,656,060	686,900
90-180 days	636,329	55,431
180-365 days	208,961	188,802
Over 365 days	631,353	567,069
	3,132,703	1,498,202

Note (b):

Sunac Zhidi had acquired the 50% equity interest in Beijing Sunac Hengji from Sunco Land (Beijing) Real Estate Development Co. Ltd. ("Sunco Land") in August 2007. According to the agreement with Sunco Land, the consideration for this acquisition is 50% of the Group's share of profit from Beijing Sunac Hengji attributable to the then existing project named East Fairyland in Beijing Shouchi Yuda Real Estate Development Co., Ltd. ("Shouchi Yuda"), the wholly owned subsidiary of Beijing Sunac Hengji.

22 Borrowings

	31 December 2011 RMB'000	31 December 2010 RMB'000
Non-current		
Secured, borrowed from:		
– Banks	7,098,600	3,580,113
– Other financial institutions	3,650,000	1,237,620
– Third parties	530,000	600,000
Unsecured, borrowed from:		
– Banks	–	4,000
	11,278,600	5,421,733
Less: Current portion of long-term borrowings	(1,957,900)	(796,620)
	9,320,700	4,625,113
Current		
Secured, borrowed from:		
– Banks	–	225,000
– Other financial institutions	250,000	–
Unsecured, borrowed from:		
– Other financial institutions	46,000	46,000
Current portion of long-term borrowings	1,957,900	796,620
	2,253,900	1,067,620
Total borrowings	11,574,600	5,692,733

In 2011, certain subsidiaries of the Company have entered into two fund arrangements with two financial institutions (the "Trustees") respectively. Pursuant to the fund arrangements, the Trustees raised trust funds of RMB600 million and RMB600 million respectively and injected the funds to real estate property development subsidiaries of the Company named Chongqing Sunac Shangfeng Real Estate Co., Ltd. ("Chongqing Sunac Shangfeng") and Beijing Sunac Jiye Real Estate Co., Ltd. ("Beijing Sunac Jiye"). According to the agreements, Chongqing Sunac Shangfeng and Beijing Sunac Jiye should repay the principals and the fixed interests of the funds to the Trustees upon the maturity of the funds in January 2013 and December 2012 respectively. The total principal of the funds of RMB1,200 million as at 31 December 2011 are recognised as borrowings of the Group. 50% equity interest of Chongqing Sunac Shangfeng and 49% of Beijing Sunac Jiye are legally transferred to the Trustees as collateral.

As at 31 December 2011, the Group's borrowings of RMB11,529 million (as at 31 December 2010: RMB5,643 million) were secured or jointly secured by certain Group's properties under development, completed properties held for sale and investment properties totalling RMB14,658 million (as at 31 December 2010: RMB3,757 million), the Group's equity interests of certain subsidiaries (including those legally transferred as collateral) or third party guarantee.

22 Borrowings (continued)

(a) Long-term borrowings

The Group's borrowings as at 31 December 2011 were repayable as follows:

	31 December 2011 RMB'000	31 December 2010 RMB'000
Within 1 year	1,957,900	796,620
Between 1 and 2 years	6,069,700	2,134,300
Between 2 and 5 years	3,251,000	2,490,813
	11,278,600	5,421,733

The weighted-average effective interest rates for the year ended 31 December 2011 was 8.47% (year ended 31 December 2010: 7.41%).

(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 2011 RMB'000	31 December 2010 RMB'000
6 months or less	6,930,000	340,000
6-12 months	220,000	2,715,113
	7,150,000	3,055,113

(c) As at 31 December 2011, the Group had the following committed undrawn banking facilities:

	31 December 2011 RMB'000	31 December 2010 RMB'000
– Expiring within one year	578,000	1,040,000
– Expiring beyond one year	1,839,950	–
	2,417,950	1,040,000

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

23 Revenue

	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000
Sales of properties	10,433,205	6,593,575
Rental income	17,851	19,232
Property management service income	152,991	40,952
	10,604,047	6,653,759

24 Loss from fair value of investment properties, net

	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000
Fair value losses	75,900	–

25 Expenses by nature

	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000
Cost of properties sold:		
– Land use rights costs	2,596,776	747,027
– Construction costs	3,394,763	2,395,537
– Business tax and related surcharges (Note 26)	592,133	358,149
– Capitalised interests	321,894	231,884
– Other costs	132,008	43,011
Staff costs (Note 29)	225,208	83,230
Advertisement and promotion costs	223,919	70,196
Office and travel expenses	52,266	32,284
Other tax expenses	28,414	21,439
Consulting expenses	24,185	5,040
Entertainment expense	22,056	10,913
Depreciation and amortisation	13,644	10,271
Audit fee	3,000	2,000
Others	22,477	29,245
Total cost of sales, selling and marketing costs and administrative expenses	7,652,743	4,040,226

26 Business tax and related surcharges

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

Types	Tax rate	Tax bases
a) Business tax	5%	– Sales of properties – Rental income – Property management services revenue
b) Urban construction and maintenance tax	7%	Business tax paid
c) Education surcharge	3%	Business tax paid
d) Local education surcharge	0%-2%	Business tax paid
e) Anti-flood fund	0%-1%	Business tax paid

27 Other income

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Government grants	7,722	–
Investment income from loans to associates and jointly controlled entities	5,554	18,621
Others	5,040	5,790
	18,316	24,411

28 Other expenses

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Donations	4,693	–
Compensation to customers	2,123	853
Others	724	987
	7,540	1,840

29 Staff costs

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Wages and salaries	156,513	60,516
Pension costs	17,249	3,371
Other social security costs	–	4,936
Staff welfare	12,756	4,894
Share option amortisation (Note 19)	38,690	9,513
	225,208	83,230

30 Directors' and senior management's emoluments

(a) Directors' and senior management's emoluments

The Directors' emoluments are set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Share options expenses	Other benefits including pension	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2011:							
Sun Hongbin	–	1,676	–	2,704	–	–	4,380
Wang Mengde	–	734	–	2,469	58	–	3,261
Li Shaozhong	–	980	–	2,670	58	–	3,708
Chi Xun	–	981	–	2,704	58	–	3,743
Shang Yu	–	919	–	2,469	54	–	3,442
Hu Xiaoling	–	–	–	–	–	–	–
Zhu Jia	–	–	–	–	–	–	–
Kan Lai Kuen*	111	–	–	–	–	–	111
Poon Chiu Kwok*	138	–	–	–	–	–	138
Li Qin	247	–	–	–	–	–	247
Ma Lishan	247	–	–	–	–	–	247
Year ended 31 December 2010:							
Sun Hongbin	–	1,348	–	670	–	–	2,018
Li Shaozhong	–	947	–	670	55	–	1,672
Wang Mengde	–	896	–	615	55	–	1,566
Chi Xun	–	873	–	670	55	–	1,598
Shang Yu	–	806	–	615	55	–	1,476

* Ms. Kan Lia Kuen has resigned as independent non-executive director on 8 June 2011. Mr. Poon Chiu Kwok has replaced her as an independent non-executive director.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included five and three directors for the years ended 31 December 2010 and 2011 whose emoluments are reflected in the analysis presented in Note 30(a) above. The emoluments payable to the remaining two individuals for the year ended 31 December 2011 are as follows:

	Year ended 31 December 2011 RMB'000
Salary and other benefit	1,974
Employees' share options expenses	5,173
Social security costs	125
Total	7,272

(c) In the year ended 31 December 2011, no director or any of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, or as compensation for loss of office (year ended 31 December 2010: nil).

31 Finance income and costs

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Interest expenses on:		
– Bank borrowings	424,989	188,275
– Borrowings from non-bank financial institutions	393,273	95,642
– Borrowings from third parties	113,793	82,305
	932,055	366,222
Exchange loss	20,888	51,727
Other financial cost	36,809	5,037
Finance costs:	989,752	422,986
Less: Capitalised interests	(787,722)	(236,230)
	202,030	186,756
Finance income:		
– Interest income on bank deposits	(18,687)	(18,504)
Net finance costs	183,343	168,252

The capitalisation rate used to determine the amount of the interest incurred eligible for capitalisation in 2011 was 7.2% (2010: 4.86%).

32 Income tax expenses

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Corporate income tax charge ("CIT")		
– Current income tax	1,009,987	731,380
– Deferred income tax	(299,809)	(181,796)
	710,178	549,584
Land appreciation tax ("LAT")	435,042	506,548
	1,145,220	1,056,132

(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	
	2011 RMB'000	2010 RMB'000
Profit before income tax	3,528,292	2,597,123
Income tax calculated at statutory rate	882,073	649,281
LAT deduction	(108,760)	(126,637)
Income not subject to tax	(201,381)	(32,318)
Non-deductible expenses	67,556	14,405
Others	70,690	44,853
	710,178	549,584

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

32 Income tax expenses (continued)

(a) CIT (continued)

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the year ended 31 December 2011 based on existing legislations, interpretations and practices.

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

(b) LAT

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

33 Earnings per share

(a) Basic

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

	Year ended 31 December	
	2011	2010
Profit attributable to owners of the parent (RMB'000)	2,356,168	1,542,161
Weighted average number of ordinary shares in issue (thousand)	3,000,000	2,424,658

33 Earnings per share (continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issues assuming the exercise of the share options.

	Year ended 31 December	
	2011	2010
Profit attributable to owners of the parent (RMB'000)	2,356,168	1,542,161
Weighted average number of ordinary shares in issue (thousand)	3,000,000	2,424,658
Adjusted for Share options (thousand)	3,509	1,512
Weighted average number of ordinary shares for diluted earnings per share (thousand)	3,003,509	2,426,170

The exercise price of the outstanding Pre-IPO share options granted by the Company was higher than the current market price of the Company's shares and the conversion of the outstanding Pre-IPO share options would have anti-dilutive effect on earnings per share. Therefore, the diluted earnings per share has only considered the potential dilutive shares on the Post-IPO share options granted for the year ended 31 December 2011.

34 Cash used in operations

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Profit before income taxes	3,528,292	2,597,123
Adjustments for:		
– Finance costs	202,030	186,756
– Gain on disposal of property, plant and equipment ("PPE")	(474)	(2,116)
– Gain on disposal of financial assets	–	(13)
– Gain from fair value change of investment properties, net	75,900	–
– Amortisation of intangible assets	6,148	5,950
– Depreciation	7,496	4,321
– Gain from re-measurement of previously held interests	(835,430)	–
– Share of profit from associates and jointly control entities	9,975	(129,271)
– Amortization of share options expenses	38,690	9,513
Changes in working capital		
– Restricted cash on advanced proceeds	(595,992)	–
– Properties under development and completed properties held for sale, net	(7,013,234)	(3,234,056)
– Trade and other receivables and prepayments	215,537	45,303
– Trade and other payables	2,931,845	(733,627)
Cash used in operations	(1,429,217)	(1,250,117)

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

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000
Net book amount (Note 7)	961	1,022
Gains on disposal of PPE	474	2,116
Proceeds from disposal of PPE	1,435	3,138

35 Commitments

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Property development expenditure		
– Contracted but not provided for	2,802,419	1,322,599
– Authorised but not contracted	20,397,774	13,782,381
	23,200,193	15,104,980
Investment in new associates		
– Contracted but not provided for (Note (i))	656,600	–
– Authorised but not contracted (Note (ii))	1,137,400	575,460
	1,794,000	575,460
	24,994,193	15,680,440

Note:

(i) This is the commitment of a loan to the associate Poly Sunac for the property development (Note 11(a)).

(ii) As disclosed is Note 11(b), the Group will contribute totalling RMB1,137.4 million to the new project associate.

(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 2011 RMB'000	31 December 2010 RMB'000
No later than 1 year	6,258	1,749
Later than 1 year and no later than 5 years	–	–
	6,258	1,749

36 Financial guarantee

(a) Guarantee on mortgage facilities

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

	31 December 2011 RMB'000	31 December 2010 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units	1,975,718	3,769,624

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) There was no corporate guarantee provided to the Group's subsidiaries by the Company in respect of bank borrowings as at 31 December 2011 (as at 31 December 2010: nil). The Directors consider the subsidiaries to be sufficiently financially resourced to settle their obligations.

37 Transactions with non-controlling interest

(a) Disposal of interest in a subsidiary without loss of control

On 27 June 2011, Wuxi Sunac Real Estate, a wholly owned subsidiary of the Company, entered into a "Capital Increase Agreement" with an independent third party. Pursuant to the agreement, the third party acquired from Wuxi Sunac Real Estate 28.57% equity interest of its wholly owned subsidiary Wuxi Sunac City by a contribution of RMB200 million to Wuxi Sunac City for increasing its registered capital. After the transaction, Wuxi Sunac City became a 71.43% owned subsidiary of the Company.

	RMB'000
Total equity of Wuxi Sunac City before the transaction	528,153
Add: Contribution by the non-controlling interest	200,000
Total equity of Wuxi Sunac City after the transaction	728,153
Equity attributable to the non-controlling interest after the transaction	208,044
Less: Contribution received from the non-controlling interest	200,000
Loss on disposal within equity	8,044

(b) Effects of the transaction with the non-controlling interest

Total comprehensive income for the year attributable to owners of the Company	2,356,380
Net effect for the transaction with the non-controlling interest on equity attributable to owners of the Company	(8,044)
	2,348,336

38 Business combination

(a) Acquisition of additional equity interest in jointly controlled entity, Chongqing Yatai

On 1 January 2011, the wholly owned subsidiary of the Group, Sunac Zhidi, acquired an additional 40% equity interest in Chongqing Yatai from Chongqing Yuneng Real Estate (Group) Co., Ltd., one of the third party shareholders of Chongqing Yatai. The consideration is RMB319,848,000.

The Group had a 45% equity interest in the jointly controlled entity, Chongqing Yatai, as at 31 December 2010. Upon the completion of the above transaction, the Group obtained the control in Chongqing Yatai and Chongqing Yatai became an 85% owned subsidiary of the Group. Details of net assets acquired and goodwill are as follows:

	RMB'000
Fair value of the 45% equity interest as at the acquisition date	359,829
Less: Carrying value of the investment in Chongqing Yatai	(178,539)
Gain on re-measuring	181,290

Details of net assets of Chongqing Yatai acquired and goodwill are as follows:

	RMB'000
Fair value of 45% equity interest of Chongqing Yatai	359,829
Consideration for additional 40% equity interest of Chongqing Yatai	319,848
	679,677
Less: Fair value of 85% net assets – shown as below	(678,759)
Goodwill	918

38 Business combination (continued)

(a) Acquisition of additional equity interest in jointly controlled entity, Chongqing Yatai (continued)

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

	RMB'000
Cash and cash equivalents	280,580
Property, plant and equipment	2,249
Intangible assets	311
Properties under development and completed properties held for sale	1,744,000
Other receivables	100,417
Amount due from Sunac Zhidi	450,104
Deferred tax assets	1,421
Trade and other payables	(127,392)
Advances proceeds from customers	(701,465)
Borrowings	(303,710)
Current income tax liabilities	(66,919)
Deferred tax liabilities	(581,057)
Net assets	798,539
Less: Non-controlling interest	(119,780)
Fair value of total net assets owned by the Group	678,759
Purchase consideration settled by cash (note a)	–
Cash and cash equivalents in subsidiary acquired	280,580
Cash inflow on acquisition	280,580

Note a: The purchase consideration has been settled in 2010.

38 Business combination (continued)

(b) Acquisition of additional equity interest in the associate, Beijing Sunac Hengji

On 27 September 2011, the wholly owned subsidiary of the Group, Sunac Zhidi, acquired the outstanding 50% equity interest in Beijing Sunac Hengji. As a result, Beijing Sunac Hengji became a wholly owned subsidiary of the Group.

Prior to this acquisition, on 4 December 2008, Sunac Zhidi had entered into an agreement with the third party investor of Beijing Sunac Hengji, Beijing Shougang Real Estate Development Co., Ltd. ("Beijing Shougang"), about investment in the West Chateau project in Beijing Sunac Hengji. According to the agreement, the funds were provided by Sunac Zhidi and Beijing Shougang in form of shareholders' loans to Beijing Sunac Hengji 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 West Chateau project are attributable to Beijing Shougang and Sunac Zhidi respectively.

	RMB'000
Fair value of the equity interest held by the Group as at the acquisition date	761,000
Less: Carrying value of the investment in Beijing Sunac Hengji	(106,860)
Gain on re-measuring	654,140

Details of net assets of Beijing Sunac Hengji acquired and goodwill are as follows:

	RMB'000
Fair value of the equity interest held by the Group as at the acquisition date	761,000
Consideration for additional equity interest of Beijing Sunac Hengji	1,450,000
	2,211,000
Less: Fair value of 100% net assets – shown as below	(2,201,983)
Goodwill	9,017

38 Business combination (continued)

(b) Acquisition of additional equity interest in associate, Beijing Sunac Hengji (continued)

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

	RMB'000
Cash and cash equivalents	791,281
Property, plant and equipment	3,300
Properties under development and completed properties held for sale	7,894,998
Other receivables	104,461
Amount due from Sunac Zhidi	170,000
Deferred tax assets	52,725
Trade and other payables	(155,765)
Advances proceeds from customers	(2,038,016)
Borrowings	(2,400,000)
Current income tax liabilities	(32,747)
Deferred tax liabilities	(2,188,254)
Net assets	2,201,983
Fair value of total net assets owned by the Group	2,201,983
Purchase consideration settled by cash	(1,450,000)
Cash and cash equivalents in subsidiary acquired	791,281
Cash outflow on acquisition	(658,719)

The consideration for the additionally acquired equity interest of Beijing Sunac Hengji has been paid up as of 31 December 2011.

39 Related party transactions

The Group is controlled by Sunac International Investment Holdings Ltd. ("Sunac International"), which owns 51.85% of the Company's shares and is controlled by Mr. Sun Hongbin. The ultimate controlling party of the Group is Mr. Sun Hongbin. The remaining 48.15% of the shares are widely held.

(a) Name and relationship with related parties

Name	Relationship
Mr. Sun Hongbin	The controlling shareholder and the director of the Company
Sunac International	Equity holder of the Company and controlled by Mr. Sun Hongbin
Poly Sunac	Associate
APEV Property Management	Jointly controlled entity
Chongqing Yatai	Jointly controlled entity of the Company prior to 1 January 2011(Note 38(a))
Beijing Sunac Hengji	Associate of the Company prior to 27 September 2011 (Note 38(b))

(b) Transactions with related parties

During the year ended 31 December 2011, the Group had the following significant transactions with related parties:

	The Group Year ended 31 December	
	2011 RMB'000	2010 RMB'000
(i) Receiving of funds		
– Chongqing Yatai	–	503,550
– Beijing Sunac Hengji	161,540	131,520

	The Group Year ended 31 December	
	2011 RMB'000	2010 RMB'000
(ii) Interest income		
– Beijing Sunac Hengji	5,887	22,186

39 Related party transactions (continued)

(b) Transactions with related parties (continued)

	The Group Year ended 31 December	
	2011 RMB'000	2010 RMB'000
(iii) Dividends received		
– Beijing Sunac Hengji	181,089	–

	The Group and the Company Year ended 31 December	
	2011 RMB'000	2010 RMB'000
(iv) Dividends to Sunac International	–	191,182

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

(c) 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 2011 RMB'000	31 December 2010 RMB'000
Amounts due from related parties		
– Beijing Sunac Hengji	–	7
Amounts due to related parties		
– Poly Sunac	(66,150)	–
– Chongqing Yatai	–	450,104

As at 31 December 2011, amounts due to related parties are unsecured, have no fixed terms of repayment, and are cash advances in nature.

40 Interests in subsidiaries

	The Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000
Investments, at cost	48,277	9,587
Quasi-equity loans	3,392,124	1,403,910
	3,440,401	1,413,497

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

Particulars of the subsidiaries of the Group as at 31 December 2011 are set out below:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest 31 December 2010 Directly	31 December 2010 Indirectly	31 December 2011 Directly	31 December 2011 Indirectly	Principal activities
Incorporated in the British Virgin Islands:							
Sunac Real Estate Investment Holdings Ltd.	2 January 2007	US$10,000	100%	–	100%	–	Investment holding
Qiwei Real Estate Investment Holdings Ltd.	6 June 2007	US$1	100%	–	100%	–	Investment holding
Yingzi Real Estate Investment Holdings Ltd.	31 August 2007	US$1	100%	–	100%	–	Investment holding
Jujin Real Estate Investment Holdings Ltd.	6 September 2007	US$1	100%	–	100%	–	Investment holding
Dingsheng Real Estate Investment Holdings Ltd.	6 September 2007	US$1	100%	–	100%	–	Investment holding
Zhuoyue Real Estate Investment Holdings Ltd.	13 September 2007	US$1	100%	–	100%	–	Investment holding
Incorporated in Hong Kong:							
Jujin Property Investment Holdings Ltd.	14 September 2007	HK$1	–	100%	–	100%	Investment holding
Dingsheng Property Investment Holdings Ltd. ("Dingsheng Property")	14 September 2007	HK$1	–	100%	–	100%	Investment holding
Zhuoyue Property Investment Holdings Ltd. ("Zhuoyue Property")	20 September 2007	HK$1	–	100%	–	100%	Investment holding

40 Interests in subsidiaries (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest 31 December 2010 Directly	31 December 2010 Indirectly	31 December 2011 Directly	31 December 2011 Indirectly	Principal activities
Incorporated in the PRC:							
Tianjin Sunac Real Estate Investment Management Co., Ltd.	6 February 2007	RMB460 million	–	100%	–	100%	Investment holding
Tianjin Qiwei Real Estate Investment Management Co., Ltd.	20 July 2007	RMB225 million	–	100%	–	100%	Investment holding
Tianjin Yingzihuijin Property Management Ltd.	26 September 2007	RMB220 million	–	100%	–	100%	Investment holding
Tianjin Jujin Property Management Ltd.	31 October 2007	RMB200 million	–	100%	–	100%	Investment holding
Tianjin Dingsheng Juxian Property Management Ltd.	31 October 2007	RMB200 million	–	100%	–	100%	Investment holding
Tianjin Zhuoyue Property Management Ltd.	31 October 2007	US$15 million	–	100%	–	100%	Investment holding
Tianjin Sunac Huijie Zhidi Co., Ltd.	21 January 2011	HKD700 million	–	–	–	100%	Real estate development
Tianjin Sunac Dingsheng Zhidi Co., Ltd.	4 January 2011	HKD1,700 million	–	–	–	100%	Real estate development
Sunac Zhidi	31 January 2003	RMB900 million	–	100%	–	100%	Real estate development and investment
Tianjin Jujin Hengxin Commercial Co., Ltd.	8 December 2010	US$40 million	–	100%	–	100%	Property management services
Sunac Ao Cheng	25 February 2003	RMB222 million	–	100%	–	100%	Real estate development and investment
Tianjin Sunac Mingxiang Investment Development Co., Ltd. ("Sunac Mingxiang")	6 April 2010	RMB1,200 million	–	100%	–	100%	Real estate development
Tianjin Xiangchi Investment Co., Ltd.	25 September 2006	RMB160 million	–	100%	–	100%	Real estate development
Wuxi Sunac Investment Co. Ltd.	28 July 2010	RMB5 million	–	100%	–	100%	Real estate development and investment
Wuxi Sunac Real Estate	27 February 2004	RMB204.1 million	–	100%	–	100%	Real estate development and investment
Wuxi Sunac City	11 May 2005	RMB448 million	–	100%	–	71.43%	Real estate development

40 Interests in subsidiaries (continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Percentage of attributable equity interest 31 December 2010 Directly	31 December 2010 Indirectly	31 December 2011 Directly	31 December 2011 Indirectly	Principal activities
Incorporated in the PRC (continued):							
Suzhou Chunshen Lake Property Development Co. Ltd.	8 February 2005	RMB140 million	–	100%	–	100%	Real estate development
Yixing Sunac Dongjiu Real Estate Co., Ltd.	9 March 2010	RMB800 million	–	100%	–	100%	Real estate development
Chongqing Jiye	24 April 2004	RMB180 million	–	100%	–	100%	Real estate development and investment
Chongqing Yatai	2 January 2011	RMB280 million	–	45%	–	85%	Real estate development
Chongqing Sunac Shangfeng	21 February 2011	RMB600 million	–	–	–	100%	Real estate development
Beijing Sunac Hengji	27 September 2011	RMB100 million	–	50%	–	100%	Real estate development and investment
Shouchi Yuda	27 September 2011	RMB20 million	–	50%	–	100%	Real estate development
Beijing Sunac Construction Investment Real Estate Co., Ltd	16 August 2010	RMB10 million	–	100%	–	100%	Real estate development and investment
Beijing Sunac Jiye	1 June 2011	RMB204 million	–	100%	–	100%	Real estate development
Langfang Sunac Zhiye Co., Ltd.	11 July 2011	RMB10 million	–	–	–	100%	Real estate development
Tianjin Sunac Yingrun Equity Investment Fund Management Co., Ltd. ("Sunac Yingrun")	11 July 2011	RMB20 million	–	–	–	100%	Investment Management
Tianjin Sunac Property Management Co. Ltd.	21 March 2010	RMB10 million	–	100%	–	100%	Property Management Services and Investment
Sunac Zhidi (Tianjin) Business Operation Management Co., Ltd.	21 March 2010	RMB5 million	–	100%	–	100%	Property management services
Chongqing Sunac Property Management Co., Ltd.	21 March 2010	RMB5 million	–	100%	–	100%	Property management services
Jintan Sunac Plants and Flowers Co., Ltd.	14 July 2010	RMB0.5 million	–	100%	–	100%	Service of maintenance plants and flowers for the property projects
Chongqing Sunac Business Operation Management Co.Ltd	21 March 2010	RMB0.5 million	–	100%	–	100%	Property management services

41 Financial Instruments by category – Group and Company

(a) The Group

	Loans and receivables	
	31 December 2011 RMB'000	31 December 2010 RMB'000
Assets as per balance sheet		
Other receivables excluding prepayments of tax	557,679	18,528
Restricted cash	1,103,719	291,056
Cash and cash equivalents	2,763,386	3,957,952
	4,424,784	4,267,536

	Available-for-sales financial assets	
	31 December 2011 RMB'000	31 December 2010 RMB'000
Assets as per balance sheet		
Available for sale financial assets	10,212	–

	Financial liabilities at amortised costs	
	31 December 2011 RMB'000	31 December 2010 RMB'000
Liabilities as per balance sheet		
Borrowings	11,574,600	5,692,733
Amount due to a related party	66,150	450,104
Trade and other payables excluding statutory liabilities	3,504,097	1,654,628
	15,144,847	7,797,465

41 Financial Instruments by category – Group and Company (continued)

(b) The Company

	Loans and receivables	
	31 December 2011 RMB'000	31 December 2010 RMB'000
Assets as per balance sheet		
Amount due from subsidiaries	64	234,592
Other receivables excluding prepayments	1,195	26
Cash and cash equivalents	17,897	1,805,707
	19,156	2,040,325

	Financial liabilities at amortised costs	
	31 December 2011 RMB'000	31 December 2010 RMB'000
Liabilities as per balance sheet		
Other payables excluding statutory liabilities	11,170	23,722
Amount due to subsidiaries	11,676	8,491
	22,846	32,213

42 Dividends

A final dividend in respect of the year ended 31 December 2011 of RMB0.0785 per share, amounting to a total dividend of RMB235,617,000, is to be proposed at the annual general meeting of the Company expected to be held on 18 May 2012.

	2011 RMB '000	2010 RMB '000
Interim dividend paid	–	191,182
Proposed final dividend RMB0.0785 per ordinary share	235,617	–
	235,617	191,182

43 Events after the balance sheet date

(1) Acquisition of new equity interest

On 5 January 2012, one of the wholly owned subsidiaries of the Company, Sunac Zhidi, entered into an "Equity Transfer Agreement" with Greentown Real Estate Co., Ltd. ("Greentown"), pursuant to which Sunac Zhidi agreed to acquire 51% equity interest owned by Greentown in its subsidiary namely Hubin Real Estate at a cash consideration of RMB51 million. Following the completion of this transaction, Hubin Real Estate will be held as to 51% by Sunac Zhidi and 49% by Greentown respectively. Details of the acquisition are set out in the announcement of the Company dated 5 January 2012.

The Company is currently assessing the assets and liabilities of Hubin Real Estate in accordance with HKFRSs.

(2) Equity Cooperation with a third party

In January 2012, a wholly owned subsidiary of the Company, Sunac Yingrun, has subscribed a subordinated unit trust of RMB100 million by cash. This trust fund ("Trust Fund Scheme") established by Daye Trust Co., Ltd. ("Daye Trust") was for the development for the Sunac Mingxiang project.

On 21 March 2012, a wholly owned subsidiary of the Company, Sunac Zhidi, entered into an Equity Cooperative Agreement with Daye Trust to transfer its 49.5586% equity interest in Sunac Mingxiang, another wholly owned subsidiary of the Company directly owned by Sunac Zhidi, to Daye Trust for a consideration of RMB594,703,200. Pursuant to the agreement, Sunac Zhidi will subscribe the subordinated unit trusts of the Trust Fund Scheme by assign to Daye Trust an account receivable of RMB200 million due from Sunac Mingxiang. As security for the repayment of the RMB200 million receivable due from Sunac Mingxiang, (1) Sunac Mingxiang will pledge certain of its land use rights to Daye Trust; (2) Sunac Zhidi will pledge its equity interests in Sunac Mingxiang to Daye Trust; and (3) Sunac Zhidi will grant a financial guarantee to Daye Trust. It is agreed that if Daye Trust raises any additional fund to Sunac Mingxiang, Sunac Zhidi will contribute the corresponding amount to Sunac Mingxiang to keep the consistent equity interest proportion.

After the transaction, the Group equity interest in Sunac Mingxiang would decrease from 100% to 50.4414%. The Group is still in the process of assessing the accounting impact of the transaction.

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