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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1918)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

- The sales amount of the Group increased by 76.3% to RMB6,817.5 million during the six months ended 30 June 2011, from RMB3,867 million for the corresponding period in 2010.
- The revenue of the Group increased by 67.9% to RMB1,326.2 million for the six months ended 30 June 2011, from RMB789.8 million for the corresponding period in 2010.
- Gross profit of the Group increased by 63.5%, to RMB646.1 million for the six months ended 30 June 2011, from RMB395.0 million for the corresponding period in 2010.
- The profit of the Group increased by RMB127.3 million, or 67.0%, to RMB317.2 million for the six months ended 30 June 2011, from RMB189.9 million for the corresponding period in 2010.

BUSINESS HIGHLIGHTS

Summary of Principal Properties

We have engaged in a total of 17 property development projects. The following table sets forth certain details of our projects based on actual data or estimates of the Group and associated project companies as of 30 June 2011.

Project Summary as of 30 June 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
Magnetic Capital	Tianjin	High-rise apartments, retail properties, offices, serviced apartments and car parks	460,840	1,264,893	1,202,269	100%	September 2014
Mind-Land International	Tianjin	High-rise apartments, detached villas, retail properties and car parks	497,501	809,584	745,832	100%	December 2013
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
Joy Downtown	Tianjin	Retail properties	25,234	56,615	55,960	100%	Completed in June 2006
Pl Du Pantheon	Tianjin	High-rise apartments, retail properties and car parks	70,600	246,764	246,764	100%	December 2014
Glorious Mansion	Tianjin	High-rise and mid-rise apartments, retail properties and car parks	121,412	305,089	303,037	100%	December 2012
Central Academy	Tianjin	High-rise and mid-rise apartments, retail properties and car parks	268,425	738,194	725,009	100%	December 2014
East Fairyland	Beijing	High-rise apartments, retail properties and car parks	54,502	166,481	144,276	25%	Completed in November 2010
West Chateau	Beijing	Mid-rise apartments, retail properties and car parks	190,665	448,109	315,995	35%	December 2012
Long Beach Mansion	Beijing	High-rise and mid-rise apartments, retail properties and car parks	63,940	133,956	106,303	100%	November 2012
Olympic Garden	Chongqing	High-rise and mid-rise apartments, town houses, detached villas, retail properties, serviced apartments, offices and car parks	1,714,366	2,560,442	1,982,170	100%	June 2015
Sunac Lushan	Chongqing	High-rise and mid-rise apartments, town houses, retail properties, serviced apartments and car parks	179,293	388,371	326,713	100%	December 2014
Asia Pacific Enterprise Valley	Chongqing	High-rise apartments, retail properties, serviced apartments, offices and car parks	118,912	759,891	611,135	85%	June 2014
Swan Lake	Wuxi	High-rise and mid-rise apartments, townhouses, retail properties, service apartments and car parks	733,889	1,410,178	1,312,673	100%	December 2014
Dream of City	Wuxi	High-rise and mid-rise apartments, townhouses, retail properties and car parks	570,182	1,033,090	945,657	71%	December 2014
Sunac 81	Suzhou	Townhouses, detached villas and retail properties	133,434	101,040	82,739	100%	June 2012
Royal Garden	Yixing	High-rise and mid-rise apartments, townhouses, detached villas, retail properties and car parks	268,945	466,995	394,475	100%	December 2014
Total			**5,486,748**	**10,954,427**	**9,563,985**		

Sales Amount

The Group and its associated project companies achieved sales amount of RMB6,817.5 million, representing 431,764 sq.m in gross floor area ("GFA") during the six months ended 30 June 2011.

Project	**Location**	**Approximate GFA sold** *(sq.m)*	**Approximate value** *(RMB'000)*
Mind-Land International	Tianjin	45,979	795,340
Magnetic Capital	Tianjin	62,778	1,401,930
Central of Glorious	Tianjin	17,191	529,570
Swan Lake	Wuxi	47,973	472,590
Dream of City	Wuxi	54,898	477,390
Sunac 81	Suzhou	6,037	144,520
Royal Garden	Yixing	4,376	129,560
Olympic Garden	Chongqing	132,800	1,441,040
Asia Pacific Enterprise Valley	Chongqing	31,982	335,090
East Fairyland	Beijing	1,814	89,920
West Chateau	Beijing	25,936	1,000,500
Total		**431,764**	**6,817,450**

INTERIM RESULTS WITH NOTES

The board of directors (the "Board") of Sunac China Holdings Limited (the "Company") is pleased to announce that the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011 with comparative figures for the corresponding period in 2010, as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Audited)
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**1,326,210**	789,793
Cost of sales	*4*	**(680,147)**	(394,747)
Gross profit		**646,063**	395,046
Gain from deemed disposal of previously held interests		**181,289**	–
Selling and marketing costs	*4*	**(96,121)**	(48,526)
Administrative expenses	*4*	**(97,568)**	(59,455)
Other income	*5*	**17,039**	19,309
Other expenses	*6*	**(2,883)**	(770)
Operating profit		**647,819**	305,604
Finance costs, net	*7*	**(180,606)**	(70,228)
Share of profit of jointly controlled entities		**–**	24,899
Share of profit of associates	*8*	**(6,899)**	41,305
Profit before income tax		**460,314**	301,580
Income tax expenses	*9*	**(143,154)**	(111,645)
Profit for the period		**317,160**	189,935
Attributable to:			
Owners of the Company		**318,698**	191,105
Non-controlling interests		**(1,538)**	(1,170)
		317,160	189,935
Basic earnings per share (RMB)	*10*	**0.106**	0.085
Diluted earnings per share (RMB)	*10*	**0.106**	0.085
Dividends	*11*	**–**	191,182

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Profit for the period	**317,160**	189,935
Gain recognised directly in equity		
– Gain from fair value of available-for-sale financial assets	**–**	(209)
Total comprehensive income for the period	**317,160**	189,726
Attributable to:		
Owners of the Company	**318,698**	189,726
Non-controlling interests	**(1,538)**	–
Total comprehensive income for the period	**317,160**	189,726

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2011

	Unaudited 30 June 2011 *RMB'000*	Audited 31 December 2010 *RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	**22,071**	17,932
Investment properties	**583,500**	583,500
Intangible assets	**307,918**	308,873
Investment in a jointly controlled entity	**–**	178,540
Investment in and loan to associates	**190,556**	459,315
Deferred income tax assets	**264,733**	228,335
	1,368,778	1,776,495
Current assets		
Properties under development	**15,258,277**	8,032,371
Completed properties held for sale	**876,947**	1,009,898
Amounts due from related parties	**185,839**	7
Other receivables	**1,327,367**	681,773
Restricted cash	**423,833**	291,056
Cash and cash equivalents	**1,748,336**	3,957,952
	19,820,599	13,973,057
Total assets	**21,189,377**	15,749,552
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Ordinary shares	**259,112**	259,112
Share premium	**1,783,783**	1,783,783
Other reserves	**175,390**	165,226
Retained earnings	**2,774,538**	2,455,840
	4,992,823	4,663,961
Non-controlling interests	**326,286**	–
Total equity	**5,319,109**	4,663,961

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2011

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**5,133,570**	4,625,113
Long-term payable		**152,415**	131,868
Deferred income tax liabilities		**356,736**	210,678
		5,642,721	4,967,659
Current liabilities			
Trade and other payables	*12*	**2,429,272**	2,446,814
Advanced proceeds from customers		**5,306,480**	1,422,258
Amounts due to related parties		**105**	450,104
Current income tax liabilities		**676,970**	731,136
Borrowings		**1,814,720**	1,067,620
		10,227,547	6,117,932
Total liabilities		**15,870,268**	11,085,591
Total equity and liabilities		**21,189,377**	15,749,552
Net current assets		**9,593,052**	7,855,125
Total assets less current liabilities		**10,961,830**	9,631,620

Notes:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. REVENUE

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Sales of properties	**1,260,275**	766,880
Property management service income	**56,963**	13,375
Rental income	**8,972**	9,538
	1,326,210	789,793

3. SEGMENT INFORMATION

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

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

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

	Six months ended 30 June 2011		
	Property development and investment	**Property management services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Total segment revenue	**1,269,247**	**56,963**	**1,326,210**
Cost of sales	**(631,978)**	**(48,169)**	**(680,147)**
Segment results	**637,269**	**8,794**	**646,063**
Segment income/(expenses):			
– Selling and marketing costs	**(96,118)**	**(3)**	**(96,121)**
– Administrative expenses	**(89,663)**	**(7,905)**	**(97,568)**
– Other income	**16,202**	**837**	**17,039**
– Other expenses	**(2,804)**	**(79)**	**(2,883)**
– Finance costs	**(180,606)**	**–**	**(180,606)**
– Share of loss of associates	**(6,899)**	**–**	**(6,899)**
– Gain from deemed disposal of previously held interests	**181,289**	**–**	**181,289**
Profit before income tax	**458,670**	**1,644**	**460,314**

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

4. EXPENSES BY NATURE

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Cost of properties sold:		
– Construction costs	**383,702**	238,573
– Land use rights costs	**160,297**	79,132
– Business tax	**69,734**	41,983
– Capitalised interests	**16,693**	22,173
– Other costs	**49,721**	12,886
Advertisement and promotion costs	**71,428**	33,826
Staff costs	**63,469**	24,267
Entertainment expense	**10,321**	4,624
Office and travel expenses	**16,052**	11,950
Other tax expenses	**12,836**	10,459
Depreciation and other amortisation	**6,750**	5,217
Impairment provision for car parks	**2,900**	7,000
Consulting expenses	**3,281**	5,175
Others	**6,652**	5,463
Total cost of sales, selling and marketing costs and administrative expenses	**873,836**	502,728

5. OTHER INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Interest income	**10,393**	5,912
Investment income from loans to associates	**4,460**	11,574
Others	**2,186**	1,823
	17,039	19,309

6. OTHER EXPENSES

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Donation	**2,000**	–
Compensation to customers	**845**	399
Others	**38**	371
	2,883	770

7. FINANCE COSTS, NET

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Interest expenses on:		
– Bank borrowings	**149,643**	108,206
– Borrowings from non-bank financial institutions	**77,797**	16,969
– Borrowings from third parties	**50,486**	5,993
Other finance costs	**92,115**	21,430
Less: Capitalised interests	**(189,435)**	(82,370)
	180,606	70,228

The capitalisation rate used to determine the amount of the interest incurred eligible for capitalisation in the six months ended 30 June 2011 was 5.05% (corresponding period in 2010: 4.86%).

8. INVESTMENT IN AND LOAN TO ASSOCIATES

	As at 30 June 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Equity investment in associates	**109,786**	297,775
Entrusted loan to an associate *(note (a))*	**80,770**	161,540
	190,556	459,315

Note:

(a) On 4 December 2008, the Group's subsidiary, Tianjin Sunac Zhidi Co. Ltd. ("Sunac Zhidi") entered into an agreement with the third party investor of Shougang Sunac, Beijing Shougang Real Estate Development Co. Ltd. ("Beijing Shougang Real Estate"), about investment in a new property project named West Chateau in Shougang Sunac. According to the agreement, the funds are provided by Sunac Zhidi and Beijing Shougang Real Estate in form of loans to Shougang Sunac at the ratio of 20% and 80% respectively. It was also agreed that from the commencement of West Chateau project, 65% and 35% of the net profits from the project are attributable to Beijing Shougang Real Estate and Sunac Zhidi respectively. Up to 30 June 2011, no revenue has been accounted for on West Chateau project.

Investment in and loan to associates

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

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Beginning of period/year *(note (i))*	**297,775**	218,332
Dividend income	**(181,090)**	–
Acquisition of a new associate *(note (ii))*	**–**	–
Share of (loss)/profit of associates	**(6,899)**	79,443
End of period/year	**109,786**	297,775

Note:

(i) As at 30 June 2011, the Group has a 50% equity interest in an unlisted PRC entity, Shougang Sunac. Shougang Sunac is treated as an associate of the Group because the other equity holder of Shougang Sunac has casting vote at board meetings in the event that the Directors of Shougang Sunac cannot reach a majority decision. Shougang Sunac has a wholly owned subsidiary named Beijing Shouchi Yuda Real Estate Development Co. Ltd. ("Shouchi Yuda"). Sunac Zhidi acquired a 50% equity interest in Shougang Sunac from Sunco Land (Beijing) Real Estate Development Co. Ltd. ("Sunco Land") in August 2007. According to the agreement with Sunco Land, the consideration for this acquisition is 50% of dividends distributable from Shougang Sunac attributable to the existing project named East Fairyland in Shouchi Yuda. The actual value of the related payable for the consideration is included in long-term payable.

(ii) In January 2011, the Group acquired 40% equity interest in an unlisted PRC entity, Chongqing Asia Pacific Enterprise Valley Property Management Co. Ltd. ("APEV Property Management") at a consideration of RMB1.

Investment in associates as at 30 June 2011 includes goodwill of RMB7.8 million. (As at 31 December 2010: RMB7.4 million).

The Group's interests in its associates for the period ended 30 June 2011 are as follows:

	Country of incorporation	Assets	Liabilities	Revenue	Profit/(loss)	Interest in profit/(loss)
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*%*
Chongqing Asia Pacific Enterprise Valley Property Management Co., Ltd.	PRC	1,280	(2,411)	(2,873)	(17)	40
Shougang Sunac	PRC	3,413,517	(3,403,449)	–	(8,850)	35
Shouchi Yuda	PRC	75,288	(75,961)	(89,915)	1,967	50

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Corporate income tax charge ("CIT")		
– Current income tax	**121,830**	53,918
– Deferred income tax	**(37,401)**	(6,391)
	84,429	47,527
Land appreciation tax ("LAT")	**58,725**	64,118
	143,154	111,645

(a) CIT

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Profit before income tax	**460,314**	301,580
Income tax calculated at statutory rate	**115,079**	75,395
LAT deduction	**(14,682)**	(16,029)
Income not subject to tax	**(34,784)**	(21,422)
Non-deductible expenses	**10,098**	3,609
Others	**8,718**	5,974
	84,429	47,527

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.

No provision for Hong Kong profits tax has been made, as the Group does not have any assessable profits in Hong Kong for the six months ended 30 June 2011.

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25% and the estimated assessable profits for the six months ended 30 June 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.

10. 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 period.

	Six months ended 30 June	
	2011	2010
Profit attributable to owners of the parent *(RMB'000)*	**318,698**	191,105
Weighted average number of ordinary shares in issue (thousand)	**3,000,000**	2,250,000

2,230,000,000 shares were issued under the capitalisation issue upon the completion of global offering in October 2010. The weighted-average number of ordinary shares in issue for the six months ended 30 June 2010 was adjusted accordingly.

(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.

	Six months ended 30 June	
	2011	2010
Profit attributable to owners of the parent *(RMB'000)*	**318,698**	191,105
Weighted average number of ordinary shares in issue (thousand)	**3,000,000**	2,250,000
Weighted average number of ordinary shares for diluted earnings per share (thousand)	**3,000,000**	2,250,000

The Company did not have any potential dilutive shares for the six months ended 30 June 2010. Accordingly, diluted earnings per share are the same as basic earnings per share.

Diluted earnings per share is also the same as the basic earnings per share for the six months ended 30 June 2011 as the exercise price of the outstanding share options granted by the Company was higher than the current market price of the Company's shares and the conversion of the outstanding share options would have anti-dilutive effect on earnings per share.

11. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2011 (for the six months ended 30 June 2010: RMB191.2 million).

12. TRADE AND OTHER PAYABLES

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Trade payables *(Note (a))*	**1,318,399**	1,498,202
Other taxes payable	**833,378**	768,870
Other payables	**262,986**	156,426
Payroll and welfare payables	**14,509**	23,316
	2,429,272	2,446,814

Note (a):

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

	As at 30 June 2011 *RMB'000*	As at 31 December 2010 *RMB'000*
Within 90 days	**692,987**	686,900
90-180 days	**150,749**	55,431
180-365 days	**73,825**	188,802
Over 365 days	**400,838**	567,069
	1,318,399	1,498,202

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

In the first half year of 2011, the Group focused on development of real estate properties in six cities of China, namely Beijing, Tianjin, Chongqing, Wuxi, Suzhou and Yixing. For the six months ended 30 June 2011, the revenue of the Group was substantially generated from sales of residential and commercial properties. Only a minor portion was derived from rental of investment properties located in Tianjin and the income from property management services business.

The revenue of the Group increased by RMB536.4 million, or 67.9%, from RMB789.8 million for the six months ended 30 June 2010 to RMB1,326.2 million for the corresponding period in 2011.

The following table shows certain details of sales:

	Six months ended 30 June			
	2011		2010	
	RMB'000	*%*	*RMB'000*	*%*
Sales of properties	**1,260,275**	**95.0**	766,880	97.1
Property management service income	**56,963**	**4.3**	13,375	1.7
Rental income from investment properties	**8,972**	**0.7**	9,538	1.2
Total	**1,326,210**	**100.0**	789,793	100.0
Total gross floor area ("GFA") delivered (sq.m)	**83,174**		72,770	
Average selling prices ("ASP") per sq.m sold (RMB)	**15,152**		10,538	

The increase in sales of properties was primarily due to a 43.8% increase in the ASP per sq.m. sold from RMB10,538 per sq.m. for the six months ended 30 June 2010 to RMB15,152 per sq.m. for the corresponding period in 2011 as a result of (i) our general improvements to property quality and (ii) the sale and delivery of properties with higher unit value, such as commercial properties of Magnetic Capital project and townhouse of Sunac 81 project. The total GFA delivered increased by 14.3% from approximately 72,770 sq.m. for the six months ended 30 June 2010 to approximately 83,174 sq.m. for the corresponding period in 2011.

Cost of sales

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

Cost of sales of the Group increased by 72.3%, to RMB680.1 million for the six months ended 30 June 2011 from RMB394.7 million for the corresponding period in 2010. This increase was primarily attributable to the higher average cost per sq.m. of the increase of property sales (from RMB5,258 per sq.m. for the six months ended 30 June 2010 to RMB7,580 per sq.m. for the corresponding period in 2011), which was due primarily to (i) an increase in construction costs incurred in connection with our general upgrade of property quality, (ii) higher unit costs associated with high-unit-value properties such as commercial properties and townhouses, and (iii) a general increase in construction cost as a result of inflation.

Gross profit

Gross profit of the Group increased by 63.5%, to RMB646.1 million for the six months ended 30 June 2011, from RMB395 million for the corresponding period in 2010. The gross profit margin decreased slightly from 50.0% for the six months ended 30 June 2010 to 48.7% for the corresponding period in 2011.

Selling and marketing costs

Our selling and marketing costs increased by RMB47.6 million from RMB48.5 million for the six months ended 30 June 2010 to RMB96.1 million for the corresponding period in 2011. This increase in selling and marketing costs was mainly due to an increase of RMB37.6 million in advertisement and promotion costs relating to the pre-sale activities in line with the development and expansion of projects. Additionally, staff costs increased by RMB6.9 million as a result of increases in both average headcount and employees' salaries for the six months ended 30 June 2011.

Administrative expenses

Our administrative expenses increased by RMB38.1 million from RMB59.5 million for the six months ended 30 June 2010 to RMB97.6 million for the corresponding period in 2011. This increase in administrative expenses was due primarily to (i) higher staff costs which increased by RMB14.7 million as a result of increases in both average headcount and employees' salaries for the six months ended 30 June 2011 and (ii) amortization of share option expenses which increased by RMB17.6 million as a result of the expansion of projects.

Other income

Our other income decreased by RMB2.3 million from RMB19.3 million for the six months ended 30 June 2010 to RMB17.0 million for the corresponding period in 2011. The decrease in other income was primarily attributable to a decrease of RMB7.1 million in investment income as a result of the repayment of certain entrusted loans for the six months ended 30 June 2011 that were provided by Sunac Zhidi to certain of our associates. Such decrease was partially off-set by an increase of RMB4.5 million in interest income, which was due to higher average bank balances for the six months ended 30 June 2011 compared with corresponding period in 2010.

Other expenses

Our other expenses increased by RMB2.1 million, which was primarily attributable to a donation of RMB2.0 million to Nankai Middle School Education Foundation during the six months ended 30 June 2011.

Operating profit

As a result of the foregoing, our operating profit increased significantly by RMB342.2 million, from RMB305.6 million for the six months ended 30 June 2010 to RMB647.8 million for the corresponding period in 2011, which was primarily due to (i) gross profit increased by RMB251.1 million and (ii) gain from deemed disposal of previously held interests increased by RMB181.3 million which was primarily attributable to the acquisition of additional equity interest in jointly controlled entity, Chongqing Yatai Shiye Real Estate Development Co., Ltd. ("Chongqing Yatai") (formerly known as Chongqing Yuneng Co., Ltd.), although our operating expenses have increased by RMB90.1 million. Accordingly, our operating margin increased from 38.7% for the six months ended 30 June 2010 to 48.8% for the corresponding period in 2011.

Finance costs, net

Our net finance costs increased by RMB110.4 million, or 157.2%, from RMB70.2 million for the six months ended 30 June 2010 to RMB180.6 million for the corresponding period in 2011. This increase in net finance costs was mainly attributable to (i) a larger amount of average borrowings to primarily finance our increased property development activities for the six months ended 30 June 2011 and (ii) a higher weighted average effective interest rate for the six months ended 30 June 2011 principally because of the higher interest rates under the tighten monetary policy of central bank of PRC.

Share of profit of jointly controlled entities

At the beginning of this period, our jointly controlled entity Chongqing Yatai became a subsidiary of the Group. As a result, the amount of share of profit of jointly controlled entities for the six months ended 30 June 2011 is nil.

Share of profit/(loss) of associates

The Group's share of loss of associates amounted to RMB6.9 million for the six months ended 30 June 2011, as compared with a share of profit of RMB41.3 million for the corresponding period in 2010. This change was primarily attributable to the decrease in profit from the East Fairyland project which was developed by Beijing Shouchi Yuda Real Estate Development Co., Ltd., an associate of the Company, because it has completed most of its sales and delivery in 2009 and 2010.

Profit for the Period

As a result of the foregoing, our profit increased by RMB127.3 million, or 67.0%, to RMB317.2 million for the reporting period, from RMB189.9 million for the same period in 2010. Between these periods, net profit margin of the Group decreased slightly from 24.0% to 23.9%.

The following table shows the profit attributable to equity holders of the parent and non-controlling interests respectively as of the dates indicated:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Profit/(loss) for the period	**317,160**	189,935
Attributable to:		
Owners of the Company	**318,698**	191,105
Non-controlling interests	**(1,538)**	(1,170)
	317,160	189,935

Cash position

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

The Group's cash and cash equivalents (including restricted cash) decreased by RMB2,076.8 million or 48.9%, to RMB2,172.2 million as of 30 June 2011, from RMB4,249.0 million as of 31 December 2010.

This decrease was principally attributable to the cash outflow of RMB3,403.8 million in operating activities as a result of payment for land grant fees, taxes and the other expenditure in relation to our increased property development activities. Such cash outflow was partially offset by the cash inflow of RMB355.7 million in investing activities and RMB971.2 million in financing activities primarily because of the increase of the project development loans from bank and other financial institutions. The inflow of RMB355.7 million in investing activities was primarily attributable to (i) carrying cash and cash equivalents of RMB280.6 million from Chongqing Yatai at the acquisition date, and (ii) the repayment of entrusted loans of RMB80.8 million by associates to Sunac Zhidi.

The Group have sufficient working capital and financial resources.

Borrowing and collateral

The Group had total borrowings of RMB6,948.3 million as of 30 June 2011 compared to RMB5,692.7 million as of 31 December 2010. The increase of RMB1,255.6 million was mainly due to the increase of the projects development loans obtained from bank and other financial institutions.

As at 30 June 2011, the Group's borrowings totalling RMB6,898 million (as at 31 December 2010: RMB5,043 million) were secured or jointly secured by the Group's properties under development, completed properties held for sale and investment properties totalling RMB6,592 million (as at 31 December 2010: RMB3,088 million), certain equity interests of the Group's subsidiaries (including those legally transferred as collateral) and guarantee by a third party respectively.

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 30 June 2011, the net debt to total assets ratio of the Group is 22.5%, compared to 9.2% as of December 31, 2010. Gearing ratio is calculated as net debt divided by total capital. Total capital is calculated as total equity plus net debt. As at 30 June 2011, the gearing ratio of the Group is 47%, compared to 24% as at 31 December 2010. Both increases were due to increased borrowings for the six months ended 30 June 2011.

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 30 June 2011	At 31 December 2010
	RMB'million	*RMB'million*
Floating rates		
Less than 12 months	**1,107**	519
1 to 5 years	**1,985**	2,536
Sub-total	**3,092**	3,055
Fixed rates		
Less than 12 months	**707**	549
1 to 5 years	**3,149**	2,089
Sub-total	**3,856**	2,638
Total	**6,948**	5,693

As at 30 June 2011, the Group did not use any interest rate swaps to hedge our exposure to interest rate risk. We analyze our interest rate exposure monthly by considering refinancing, renewal of existing positions and alternative financing.

Foreign exchange risk

We conduct our business principally in Renminbi, since all of the operating entities are based in PRC. As at 30 June 2011, most of the operating entities' assets and liabilities were denominated in Renminbi and in the opinion of the directors of the Group, these entities did not have significant foreign currency risk exposure. The Group will closely monitor and manage its exposure to fluctuation in currency exchange rates.

Contingent Liabilities

We have arranged bank financing for certain purchasers of our property units and provided guarantees to secure the obligations of such purchasers for repayment of their mortgage loans. As at 30 June 2011 the amount is RMB3,532.6 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. Our guarantee period starts from the dates of grant of the mortgage.

Business Review and Outlook

Review of the first half of 2011

In the first half of the year, the PRC government implemented a series of more stringent policies and measures to further adjust the property market, which has had a negative impact on the property market. The Company has long been maintained the high-end property strategy, providing strong support to resist market risks and operate in a stable manner. At the same time, with its proactive and prudent business and financial strategies and its outstanding performance capability, the management team of the Company has achieved various planned operating objectives for the first half of the year as scheduled.

Project operations and sales highlight

With the more stringent property policies in place, the Company firmly adhered to the high-end property strategy, effectively resisted the policy and market risks and over-fulfilled its planned objectives for the first half of 2011. The Group's revenue from sales and sales amount was RMB1,326 million and RMB6,817.5 million respectively for the first half of the year. Selling expenses and administrative expenses were also maintained at reasonable levels. The proportions of the above expenses to sales amount was 1.41% and 1.43% respectively, which remained low as compared with the same period of last year. All our projects are located in various cities' prime areas and occupy rare resources, and target customers are high-income population in the cities, enabling the Company to operate in a stable manner and effectively withstand the risk arising from market fluctuations. In spite of the adjustments to macro-policies in the first half of the year, due to the high-end property strategy and changes in the structure of the products sold, selling prices of our various projects have not been affected but increased.

Land acquisition highlight in the reporting period

The Group has adopted a prudent and reasonable approach in expanding its land reserves:

On 10 January 2011, it successfully acquired 2 land parcels in Tianjin, now known as the project Glorious Mansion, occupying an estimated aggregate GFA of 305,089 sq.m. by way of listing-for-sale process at a land premium and ancillary engineering fees in aggregate of RMB1,341.22 million. As at the date of this interim results announcement, the consideration has been fully settled.

On 13 January 2011, it successfully acquired the Lushan land parcel in Chongqing occupying an estimated aggregate GFA of 388,371 sq.m. by way of bidding process at a land premium of RMB970 million. As at the date of this interim results announcement, the consideration has been paid off.

On 28 January 2011, it successfully acquired 2 more land parcels in Tianjin, now known as the project Central Academy, occupying an estimated aggregate GFA of 738,194 sq.m. by way of listing-for-sale process at a land premium of RMB1,879.11 million. As at the date of this interim results announcement, the consideration has been fully settled.

Operating revenue and profit highlight

In the first half of 2011, the revenue and profit of the Company increased significantly as compared with 2010, of which, the revenue increased by RMB536.4 million as compared with corresponding period of last year to RMB1,326.2 million; the profit increased by RMB127.3 million as compared with corresponding period of last year to RMB317.2 million.

Outlook for the second half of 2011:

We consider that the existing policies on the property market will continue to influence the market and variations in the strictness of the policies across different cities will bring differentiated impact on different types of properties which requires timely and effective adjustments in all aspects of the property development operation. We believe that the existing 17 projects distributed in 6 cities and regions, and the high-end property strategy we stick to will effectively reduce market risks and realise a fast and steady development of the Company. In addition, macro-control will also bring opportunities to the land market where the Company will have a good chance to acquire new quality land parcels. In this regard, the Company has formulated the progressive and prudent business and financial strategies as follows:

To continue to focus on the high-end property strategy and insist on keeping a fast and steady development with profit oriented. We will continue to adhere to our core value "To perfect, to reach far" and further strengthen its key competitiveness across different aspects of property development, such as planning and design of, development and construction of, and marketing of property projects and property management. We will continue to conduct in-depth research on our target markets for the perfection of our products.

We will prudently consider and capture the opportunities of acquiring new land parcels under the condition of maintaining a secured cash flow of the Company.

The Company foresees the market being more austere and will adopt prudent cash flow management. In view of the current market trend, the Company will strictly control its cash flows and make prudent operation and investment decisions, in order to achieve a fast and steady development while ensuring a safe operation of the Company. We will be more prudent on land acquisitions, strictly manage the project funding as scheduled, strengthen our sales and marketing efforts, and ensure completion of all sales collection as scheduled. Meanwhile, we will also strengthen our financing management, and explore more channels of financing with finance costs under control, in order to maintain a sufficient level of liquidity. At the same time, the Company will continue to keep strict control over the gearing ratio.

To continue to strengthen corporate governance and internal control. We will continue to adopt best practices and industry standards for corporate governance and internal control so as to systemise and standardise the corporate governance procedures, and to minimize the risks.

INTERIM DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") 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 six months ended 30 June 2011 in relation to their securities dealings, if any.

CORPORATE GOVERNANCE

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.

During the six months ended 30 June 2011, the Company has complied with all the applicable provisions set out in the Code, save and except for the only deviation from code provision A.2.1 of the Code, namely, the roles of the chairman and chief executive officer have not been separated. Although Mr. Sun Hongbin assumes both the roles of Chairman and Chief Executive Officer, the divisions of responsibilities between the two roles are clearly defined. The role of the Chairman is 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.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provision C.3 of the Code. The audit committee consists of three independent non-executive directors, namely, Mr. Poon Chiu Kwok, Mr. Li Qin and Mr. Ma Lishan, and is chaired by Mr. Poon Chiu Kwok who has possessed appropriate accounting and related financial management expertise. The primary duties of the audit committee are to assist the Board to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company and to perform other duties and responsibilities as assigned by our Board.

The audit committee and the auditor of the Company, PricewaterhouseCoopers reviewed the accounting principles and practices adopted by the Company and discussed matters related to auditing, internal control and financial reporting matters, including the review of the unaudited interim financial results of the Group for the six months ended 30 June 2011.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of HKExnews (www.hkexnews.hk) as well as the website of the Company (www.sunac.com.cn). The Company's 2011 interim report will be dispatched to shareholders and will be published on the aforementioned websites in due course.

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

Hong Kong, 25 August 2011

As at the date of this announcement, the directors of the Company are Mr. SUN Hongbin, Mr. LI Shaozhong, Mr. WANG Mengde, Mr. CHI Xun and Mr. SHANG Yu as executive directors, Ms. HU Xiaoling and Mr. ZHU Jia as non-executive directors and Mr. POON Chiu Kwok, Mr. LI Qin and Mr. MA Lishan as independent non-executive directors.