

INTERIM REPORT **2010**



SRE GROUP LIMITED
上置集團有限公司

(Stock Code: 1207)



For the six months ended
30 June 2010

Revenue (HK\$'000)	1,984,218
Gross Profit (HK\$'000)	745,807
Gross Profit Margin (%)	38%
Net Profit attributable to equity holders of the Company (HK\$'000)	160,771
Basic earnings per share (HK cents)	4.46
Dividend per share-Interim (HK cents)	–

Interim Results

The Board of Directors (“the Board”) of SRE Group Limited is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (“the Group”) for the six months ended 30 June 2010 together with comparative figures for the previous corresponding period in 2009. The unaudited interim financial statements for the six months ended 30 June 2010 have been reviewed by the Company’s Audit Committee.

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	2010 Unaudited	2009 Unaudited
Revenue	3	1,984,218	387,610
Cost of sales		(1,238,411)	(276,185)
Gross profit		745,807	111,425
Selling and marketing costs		(66,281)	(44,722)
Administrative expenses		(243,788)	(93,719)
Other income		–	3,533
Other gains/(losses) – net	4	(26,868)	232,767
Operating profit		408,870	209,284
Finance income		18,276	9,347
Finance costs		(121,241)	(12,815)
Finance (costs)/income – net		(102,965)	(3,468)
Share of (losses)/profit of associates		8,359	(47,081)
Profit before tax		314,264	158,735
Tax	5	(279,233)	(32,503)
Profit for the period		35,031	126,232
Profit attributable to:			
Owners of the parent		160,771	177,264
Non-controlling interests		(125,740)	(51,032)
Other comprehensive income			
Exchange differences on translation of financial statements into presentation currency		107,788	3,578
Other comprehensive income for the period, net of tax		107,788	3,578

Interim Consolidated Statement of Comprehensive Income

3

For the six months ended 30 June 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	2010 Unaudited	2009 Unaudited
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		142,819	129,810
Total comprehensive income attributable to:			
Owners of the parent		237,150	180,201
Non-controlling interests		(94,331)	(50,391)
		142,819	129,810
Earnings per share attributable			
to ordinary equity holders of the parent	6		
– Basic		4.46 cents	6.29 cents
– Diluted		4.38 cents	8.27 cents

Interim Consolidated Statement of Financial Position

At 30 June 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

		30 June 2010	31 December 2009
	Notes	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		2,601,229	2,684,121
Completed investment properties		6,388,167	6,329,400
Investment properties under construction		330,124	193,879
Prepaid land lease payments		566,574	565,492
Goodwill	8	640,406	453,788
Interests in associates		66,979	87,807
Financial asset at fair value through profit and loss		82,210	–
Deferred tax assets		202,337	177,588
Non-current accounts receivable	9	98,822	106,365
Other non-current assets		338,858	362,935
		11,315,706	10,961,375
Current assets			
Prepaid land lease payments		9,424,874	7,954,454
Properties held or under development for sale		6,113,290	4,705,378
Land infrastructure under development for sale		4,534,050	4,353,169
Inventories		37,833	19,852
Amounts due from associates		1,839	1,825
Prepayments and other current assets		110,686	261,014
Other receivables		1,384,756	1,329,071
Accounts receivable	9	305,905	401,322
Prepaid income tax		–	83,820
Cash and bank balances		3,060,058	4,602,822
		24,973,291	23,712,727
Total assets		36,288,997	34,674,102

Interim Consolidated Statement of Financial Position

5

At 30 June 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	30 June 2010 Unaudited	31 December 2009 Audited
EQUITY AND LIABILITIES			
Equity			
Issued capital and premium		4,736,489	4,736,489
Other reserves		1,307,194	1,221,202
Retained profits		2,236,450	2,234,050
Equity attributable to owners of the parent		8,280,133	8,191,741
Non-controlling interests		2,681,307	3,115,939
Total equity		10,961,440	11,307,680
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings		8,951,020	5,942,549
Guaranteed senior notes		554,927	552,463
Deferred income from sale of golf club membership		628,890	639,041
Deferred tax liabilities		1,921,787	1,638,787
		12,056,624	8,772,840
Current liabilities			
Interest-bearing bank and other borrowings		649,884	1,589,958
Convertible bonds-host debts		316,284	312,219
Advances received from the pre-sale of properties under development		4,952,860	4,943,649
Accounts payable	10	2,796,870	3,176,373
Other payables and accruals		2,332,343	2,339,360
Current income tax liabilities		1,352,257	1,428,561
Guaranteed senior notes, current portion		98,817	95,813
Deferred income arising from construction of ancillary public facilities		771,618	696,291
Amounts due to related companies		–	11,358
		13,270,933	14,593,582
Total liabilities		25,327,557	23,366,422
Total equity and liabilities		36,288,997	34,674,102
Net current assets		11,702,358	9,119,145
Total assets less current liabilities		23,018,064	20,080,520

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

(Unaudited)

From 1 January 2010 to 30 June 2010

Attributable to owners of the parent

	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Equity component of			Non- controlling interests	Total equity	
						Other reserves	convertible bonds	Retained profits			
At 1 January 2010	4,736,489	6,498	248	215,706	734,392	84,997	179,361	2,234,050	8,191,741	3,115,939	11,307,680
Total comprehensive income for the year	-	-	-	-	76,379	-	-	160,771	237,150	(94,331)	142,819
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	27,917	-	27,917
Equity-settled share options to management of a subsidiary	-	-	-	-	-	1,162	-	-	1,162	701	1,863
Changes due to increase in equity interests in a subsidiary	-	-	-	-	-	8,451	-	-	8,451	(346,496)	(338,045)
Dividends	-	-	-	-	-	-	-	(158,371)	(158,371)	(22,423)	(180,794)
At 30 June 2010	4,736,489	6,498	248	215,706	810,771	94,610	179,361	2,236,450	8,280,133	2,681,307	10,961,440

(Unaudited)

From 1 January 2009 to 30 June 2009

Attributable to equity holders of the parent

	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Other reserve	Retained profits	Total	Minority interests	Total equity
Total comprehensive income	-	-	-	-	2,937	-	177,264	180,201	(50,391)	129,810
Revaluation reserve transfer to retained profits upon sale of properties	115,285	-	-	-	-	-	-	115,285	-	115,285
At 30 June 2009 (unaudited)	4,118,386	7,238	248	214,076	725,060	75,940	1,627,123	6,768,071	1,350,385	8,118,456

Condensed Consolidated Cash Flow Statement

7

At 30 June 2010 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Note	For the six months ended 30 June	
		2010 (Unaudited)	2009 (Unaudited)
Operating activities			
Cash generated from/(used in) operations	17	(2,678,008)	512,860
Interest paid		(319,870)	(191,187)
Income tax paid		(122,042)	(259,289)
Net cash outflow from operating activities		(3,119,920)	62,384
Investing activities			
Purchase of property, plant and equipment		(18,350)	(5,903)
Proceeds from disposal of property, plant and equipment		1,140	–
Construction of investment property		(105,310)	–
Acquisition of subsidiaries, net of cash acquired		(139,235)	–
Disposal of subsidiaries		296,153	–
Increase in equity interests in a subsidiary		(412,753)	–
Increase in investments in an associate		–	(182,871)
Interest received		9,561	3,694
Net cash (used in) investing activities		(368,794)	(185,080)
Financing activities			
Increasing in borrowings		1,910,679	182,264
Cash received from the capital injection from minority shareholders of subsidiaries		27,347	–
Dividends paid to non-controlling shareholders of subsidiaries		(2,996)	–
Dividends paid to the Company's shareholders		(22,423)	–
Net cash generated from financing activities		1,912,607	182,264
Increase/(decrease) in cash and cash equivalents		(1,576,107)	59,568
Cash and cash equivalents at 1 January		4,602,822	1,575,476
Effect of foreign exchange rate changes, net		33,343	4,241
Cash and cash equivalents at 30 June		3,060,058	1,639,285

The accompanying notes are an integral part of this interim condensed consolidated financial statements.

(Amounts expressed in HK\$'000 unless otherwise stated)

1. Basis of preparation and accounting policies

1.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with IAS 34.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2009.

1.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions

The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position or performance of the Group.

1. Basis of preparation and accounting policies (continued)

1.2 Significant accounting policies (continued)

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes noncash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position or performance of the Group.

Improvements to IFRSs (issued May 2008)

In May 2008, the Board issued its first omnibus of amendments to its standards. All amendments issued are effective for the Group as at 31 December 2009, apart from the following:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and had no impact on the financial position or financial performance of the Group.

Improvements to IFRSs (issued April 2009)

In April 2009 the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IFRS 8 Operating Segment Information: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information.

(Amounts expressed in HK\$'000 unless otherwise stated)

1. Basis of preparation and accounting policies (continued)

1.2 Significant accounting policies (continued)

Improvements to IFRSs (issued April 2009) (continued)

IAS 7 *Statement of Cash Flows*: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement. The transaction is reflected in the Statement of Cash Flows.

IAS 36 *Impairment of Assets*: The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 2 *Share-based Payment*

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

IAS 1 *Presentation of Financial Statements*

IAS 17 *Leases*

IAS 38 *Intangible Assets*

IAS 39 *Financial Instruments: Recognition and Measurement*

IFRIC 9 *Reassessment of Embedded Derivatives*

IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- The property development segment develops and sells residential and commercial properties;
- The land infrastructure development segment engages in land infrastructure development and the construction of ancillary public facilities;
- The property leasing segment leases offices and commercial properties owned by the Group which are classified as investment properties;
- The hotel operations segment provides hotel accommodation, hotel catering and conference hall services; and
- The corporate and other operations segment comprises, principally, golf course operations and the provision of property management services.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices on sales and transfers between operating segments are negotiated on an arm's length basis in a manner similar to transactions with third parties.

Note to the Financial Statements

(Amounts expressed in HK\$'000 unless otherwise stated)

2. Operating Segment Information (continued)

An analysis by business segment is as follows:

	Six months ended 30 June 2010 (unaudited)					Total
	Property development	Land infrastructure development	Property leasing	Hotel operations	Corporate and other operations	
Segment revenue						
Sales to external customers	1,579,548	147,420	68,210	125,485	63,555	1,984,218
Intersegment sales	-	-	-	-	19,638	19,638
	<u>1,579,548</u>	<u>147,420</u>	<u>68,210</u>	<u>125,485</u>	<u>83,193</u>	<u>2,003,856</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						(19,638)
Revenue						<u>1,984,218</u>
Segment profit/(loss)	<u>530,399</u>	<u>(48,258)</u>	<u>29,033</u>	<u>(41,030)</u>	<u>(61,274)</u>	<u>408,870</u>
Finance income						18,276
Finance costs						(121,241)
Finance costs – net						<u>(102,965)</u>
Share of profits and losses of associates						<u>8,359</u>
Profit before tax						<u>314,264</u>

(Amounts expressed in HK\$'000 unless otherwise stated)

2. Operating Segment Information (continued)

	Six months ended 30 June 2009 (unaudited)					Total
	Property development	Land infrastructure development	Property leasing	Hotel operations	Corporate and other operations	
Segment revenue						
Sales to external customers	237,376	–	46,444	62,293	41,497	387,610
Segment profit/(loss)	14,001	–	(5,507)	(73,472)	274,262	209,284
Finance income						9,347
Finance costs						(12,815)
Finance costs – net						(3,468)
Share of profits and losses of associates						(47,081)
Profit before tax						158,735

Note to the Financial Statements

(Amounts expressed in HK\$'000 unless otherwise stated)

3. Revenue

Revenue recognized during the period:

	For the six months ended 30 June	
	2010	2009
Sale of development properties	1,645,803	250,466
Development of land and construction of ancillary public facilities	155,382	–
Hotel operations	132,159	65,676
Revenue from property leasing	75,097	48,930
Property management income	32,778	–
Golf operation	34,616	–
Revenue from construction of infrastructure for an intelligent network	2,794	–
Other revenue	25,302	43,978
	2,103,931	409,050
Less: Business tax and surcharges ^(a)	(119,713)	(21,440)
Total revenue	1,984,218	387,610

(a) Business tax and surcharges

Business tax is calculated at 5% of the revenue from the sale of properties, the development of land, hotel operations, golf operation, the installation of intelligent home equipment, the provision of property management services and property leasing and at 3% of the net income received from the construction of infrastructure for an intelligent network after deducting amounts payable to subcontractors.

Government surcharges are calculated at certain percentages of business tax.

(Amounts expressed in HK\$'000 unless otherwise stated)

4. Other Gains/(losses) – net

	For the six months ended 30 June	
	2010	2009
Donor funds	(17,092)	–
Fair value gain/(loss) on investment properties	(865)	1,377
Negative goodwill arising from additional acquisition of an associated company	–	192,432
Reverse impairment of interest in associated company	–	104,379
Derivative financial instruments at fair value through loss – fair value gain, net	–	(69,357)
Loss on disposals of property, plant and equipment	(6,802)	–
Others	(2,109)	3,936
	(26,868)	232,767

5. Tax

	For the six months ended 30 June	
	2010	2009
Current taxation		
– Mainland China income tax	130,608	19,612
– Mainland China LAT	121,223	13,952
	251,831	33,564
Deferred taxation		
– Mainland China income tax	(10,201)	(1,061)
– Mainland China withholding tax	37,603	–
	27,402	(1,061)
Total tax charge for the period	279,233	32,503

(Amounts expressed in HK\$'000 unless otherwise stated)

5. Tax (continued)

(a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25%, in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition, based on certain estimations.

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2016. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

(c) Mainland China land appreciation tax ("LAT")

LAT is incurred upon transfer of property ownership and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures.

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 1% to 2% on proceeds of the sale and pre-sale of properties.

5. Tax (continued)

(d) Mainland China Withholding tax

Pursuant to the PRC Corporate Income Tax Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained profits as at 31 December 2007 are exempted from withholding tax.

6. Earnings per Share

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

For the calculation of the diluted earnings per share, it is assumed that all dilutive potential ordinary shares have been converted into ordinary shares. The Company is holding convertible bonds issued by a subsidiary. The convertible bonds of the subsidiary are assumed to have been fully converted into ordinary shares on 1 January 2010. Profit for the period attributable to ordinary equity holders of the parent has been adjusted accordingly for the calculation of the diluted earnings per share.

7. Dividend

The Board had resolved not to declare an interim dividend for the six months ended 30 June 2010 (2009: Nil).

Note to the Financial Statements

(Amounts expressed in HK\$'000 unless otherwise stated)

8. Goodwill

	2010 Unaudited	2009 Audited
Cost		
At beginning of period/year	453,788	447,495
Acquisition of subsidiaries (Note 12)	182,595	5,582
Exchange realignment	4,023	711
At end of period/year	640,406	453,788
Accumulated impairment		
At beginning and end of period/year	–	–
Net carrying amount		
Balance, end of period/year	640,406	453,788
Balance, beginning of period/year	453,788	447,495

(Amounts expressed in HK\$'000 unless otherwise stated)

9. Accounts Receivable

	30 June	Group
	2010	31 December
		2009
Accounts receivable	316,265	411,635
Less: Impairment	(10,360)	(10,313)
	305,905	401,322
Non-current accounts receivable	98,822	106,365
	404,727	507,687

An aging analysis of accounts receivable is set out below:

	30 June	31 December
	2010	2009
Within 6 months	104,320	201,473
6 months – 1 year	45,337	16,717
1 – 2 years	125,572	181,490
Over 2 years	139,858	118,320
	415,087	518,000

(Amounts expressed in HK\$'000 unless otherwise stated)

9. Accounts Receivable (continued)

The Group's sale of development properties, hotel and golf (other than golf membership) operations are generally on a cash basis. While the Group's trading terms with its customers for other operations are mainly on credit, the credit terms of the Group are as follows:

- Golf club membership fees: such fees are paid by installments, with a credit term ranging from 1 to 2 years;
- Development of land infrastructure: there is no clearly specified credit terms, the receivables represent the Group's share of the proceeds from land sold by local governments through public auction, such receivables from the local governments are generally collectible within 6 months after the land sale. However, it may take more than one year for the Group to receive certain portions (e.g. the amount attributable to public utility fee) of the receivables;
- Others: generally within 6 months.

Except for the amounts receivable in respect of the sale of land receivable from the local governments, the Group's other accounts receivable relate to a large number of diversified customer and there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

(Amounts expressed in HK\$'000 unless otherwise stated)

10. Accounts Payable

	Group	
	30 June 2010	31 December 2009
Accounts payable	2,796,870	3,176,373

An aging analysis of accounts payable as at the balance sheet date is as follows:

	30 June 2010	31 December 2009
Within 1 year	2,350,404	2,546,524
1 – 2 years	369,251	522,927
Over 2 years	77,215	106,922
	2,796,870	3,176,373

Accounts payable represent payables arising from property construction. The accounts payable are non-interest-bearing and are normally settled within one year.

(Amounts expressed in HK\$'000 unless otherwise stated)

11. Investment in subsidiaries

- (1) In April 2010, the listed company acquired 97,939,859 shares of China New Town Development Company Limited (CNTD) at a price of HK\$66.38 million on the SGX-ST. On the same day, Sinopower, a wholly owned subsidiary of SRE, served a notice to CNTD relating to the exercise of conversion rights attached to the underlying bonds. Upon completion of bond conversion, shareholding of the listed company in CNTD increased from 53.18% to 62.36%.
- (2) On 10 February 2010, Sinopower, a wholly-owned subsidiary of the Company, entered into the conditional sale and purchase agreement (the “Acquisition Agreement”) with an unrelated third party (the “Vendor”), pursuant to which Sinopower has conditionally agreed to purchase the entire issued share capital of Big Prime Limited (“the Sale Share”) and the unsecured, non-interest bearing and repayable on demand loans in the sum of US\$2,874,257 (approximately HK\$22,419 thousand) (the “Loan”) from the Vendor at the consideration of RMB305,000 thousand (approximately HK\$346,000 thousand), which will be paid by Sinopower in cash at the completion of the Acquisition Agreement. Big Prime Limited is an investment holding company incorporated in the BVI and will be indirectly holding a 9% equity interest in Huarui Asset Management, a 51% owned subsidiary of the Company, through its wholly-owned Hong Kong subsidiary. The acquisition has been completed, Huarui Asset Management has become a 60% owned subsidiary of the Company.

Pursuant to the Acquisition Agreement, the Vendor has granted to Sinopower an irrevocable call option (the “Call Option”) whereby Sinopower can require the Vendor to sell or procure the sale to Sinopower up to 40% of the equity interest (“Option Interest”) in Huarui Asset Management at a strike price equal to 90% of the fair value of the Option Interest as at the date being one month immediately preceding the date of the relevant option exercise notice, which shall be arrived at with reference to valuation of the retail property known as Shenyang Richgate Shopping Mall (including the land use rights) by an independent property valuer to be appointed by Sinopower and agreed by the Vendor. The Call Option may be exercised by Sinopower more than once from time to time and at any time during the period of two years from the completion date.

11. Investment in subsidiaries (continued)

(2) (continued)

The Acquisition Agreement and all transactions contemplated thereunder and any other agreements or documents in connection therewith have been approved, confirmed and/or ratified by the Special General Meeting of the Company held on 29 March 2010.

The completion of the acquisition is conditional upon certain conditions being satisfied or waived by Sinopower on or before 10 November 2010. The acquisition transaction has been completed on 18 May 2010.

12. Business Combinations

(1) Bairun

In January 2010, a non-wholly owned subsidiary of the company completed the acquisition of 100% equity interest in Bairun, a property development company located in Shanghai City, the PRC at a consideration of RMB 90 million.

(2) Haibo

In January 2010, a non-wholly owned subsidiary of the company completed the acquisition of 100% equity interest in Haibo, a property development company located in Shanghai City, the PRC at a consideration of RMB 75.25 million.

(3) Xiabo

In January 2010, a non-wholly owned subsidiary of the company completed the acquisition of 100% equity interest in Xiabo, a property development company located in Shanghai City, the PRC at a consideration of RMB 38.8 million.

(4) ZhongQing

In April 2010, a non-wholly owned subsidiary of the company completed the acquisition of 100% equity interest in ZhongQing, a property development company located in Wuxi City, the PRC at a consideration of RMB 108 million.

(Amounts expressed in HK\$'000 unless otherwise stated)

13. Related Party Transactions

(a) Amount due from Related Companies

As at 30 June 2010, balances with related companies are unsecured and mainly represent current amounts due from associated companies which are interest free and are without fixed settlement period. The carrying amount of balances with related companies approximated their fair value.

- (b) During the period ended 30 June 2010, compensation to key management and their close family members amounted to HK\$9.8 million.

14. Interest-bearing Bank and Other Borrowings

As at 30 June 2010, the aggregate bank borrowings of the Group amounted to approximately HK\$9,601 million (31 December 2009: approximately HK\$7,533 million) of which, approximately HK\$9,264 million (31 December 2009: approximately HK\$7,276 million) were secured by pledge of the Group's property, plant and equipment, leasehold land and properties held or under development for sale and investment properties.

As at 30 June 2010, the Group's bank borrowings were secured by (a) pledging of certain property, plant and equipment with an aggregate net book value of approximately HK\$2,118 million; (b) pledging of certain leasehold land and properties held or under development for sale with an aggregate net book value of approximately HK\$9,336 million; and (c) pledging of investment properties with an aggregate net book value of approximately HK\$6,309 million.

15. Guaranteed Notes

On 24 April 2006, the Company issued guaranteed notes maturing on 24 April 2013 (the "Maturity Date"), with an aggregate principal amount of US\$200 million and a fixed interest rate of 8.625% per annum (the "Guaranteed Notes"). Some of the Guaranteed Notes were redeemed in July 2009 and the current outstanding principal amount is US\$71,461,000.

16. Convertible Bonds

On 23 July 2009 (the “Issue Date”), the Company issued convertible bonds (the “CB4”), maturing on 23 July 2014, for an aggregate principal amount of RMB446.9 million with an initial conversion price of HK\$1.056 per share with a fixed exchange rate applicable to the conversion of RMB0.8818 = HK\$1.00 per ordinary share of the Company (subject to certain anti-dilutive adjustments). The coupon interest rate is 6% per annum, payable semi-annual in arrears on 23 Jan and 23 July in each year. The bondholders have the option to convert CB4 to ordinary shares of the Company at any time after 41 days from the Issue Date to the 10th business days before its maturity. The bondholders also have the option to require redemption at 100% of the principal amount at any time after three years from the Issue date. The Company also has the option to redeem, at an amount at 100% of the principal amount, all of the CB4 if at least 90% of the Bonds (including bonds issued pursuant to the option) originally issued have already been converted, redeemed or purchased and cancelled before 30 days prior to its maturity date.

The conversion option embedded in the CB4 meets the definition of equity instruments of the Company, and is therefore classified as equity and separated from the liability components of the convertible bonds. The other embedded derivatives are not separated from host debt because their economic characteristic and risks are closely related to those of the host debt. The liability component is initially recognised as its fair value, net of transaction costs allocated to the liability component, and are subsequently measured at amortised cost. The residual amount (i.e. the excess of net proceeds over the amount allocated to the liability component) is assigned as the equity component (the conversion option) and is included in shareholders' equity.

As at 30 June 2010, the fair value of CB4 host debt is HK\$388,595 thousand (31 December 2009: HK\$371,041 thousand).

Note to the Financial Statements

(Amounts expressed in HK\$'000 unless otherwise stated)

17. Notes to the Consolidated Statement of Cash Flows

Reconciliation of profit before tax to net cash outflow from operating activities:

	For the six months ended 30 June	
	2010	2009
Profit before tax	314,264	158,735
Adjustments for:		
Depreciation of property, plant and equipment	82,737	56,423
Amortisation of prepaid land lease payments	7,307	–
Loss on disposal of property, plant and equipment	6,801	–
Share of (profits)/losses of associates	(8,359)	47,081
Negative goodwill arising from additional acquisition of an associate company	–	(192,432)
Reversal of impairment of interests in an associate company	–	(104,379)
Fair value loss/(gain) on derivatives embedded in convertible bonds	–	69,357
Finance income	(18,276)	(9,347)
Finance costs	121,241	12,815
Fair value gain on investment properties	698	(1,377)
Fair value gain on investment properties under construction	166	–
Gain on dispose of the interest in a company	725	–
Management share option expense	1,864	–
	509,168	36,876
Decrease/(increase) in prepaid land lease payments	(693,631)	55,231
Decrease/(increase) in properties held or under development for sale	(1,110,479)	(491,810)
Decrease/(increase) in inventories	(17,754)	1,160
(Increase)/decrease in amounts due from related companies	–	136,886
(Increase) in prepayments and other current assets	120,489	(17,752)
Decrease in other receivables	(241,635)	(121,463)
Decrease/(increase) in accounts receivable	112,397	(7,995)
(Decrease) in accounts payable	(904,167)	(300,310)
(Decrease)/increase in other payables and accruals	(457,601)	(177,922)
(Decrease) in amounts due to related parties	(11,153)	(7,968)
Increase/(decrease) in advances received from the pre-sale of properties under development	(36,108)	1,407,927
(Decrease)/increase in deferred income from sale of golf club membership	(15,988)	–
Increase in deferred income arising from construction of ancillary public facilities	68,454	–
Cash generated from/(used in) operations	(2,678,008)	512,860

(Amounts expressed in HK\$'000 unless otherwise stated)

18. Events after the Reporting Period

CNTD is a company incorporated in the British Virgin Islands with limited liability and shares of which have been listed on the SGX-ST since 14 November 2007. As at 30 June 2010, its issued ordinary share capital is indirectly owned as to approximately 62.36% by the Company through its wholly-owned subsidiary Sinopower Investment Limited. CNTD and its subsidiaries are new town developers in the PRC principally engaged in the business of the planning and development of largescale new town projects in some of the PRC's largest cities. CNTD had on 8 July 2010 submitted a Form A1 listing application form to the Stock Exchange for the listing of, and permission to deal in, the CNTD Shares on the Main Board of the Stock Exchange by way of introduction.

19. Contingencies

Under the relevant PRC Laws, Shanghai Real Estate is jointly liable for all outstanding debts and amounts payable to creditors of Mengshan that were in existence prior to the De-merger. Such debts/amounts owing to creditors of Mengshan that Shangzhi Real Estate is jointly liable for as at 30 June 2010 amounted to approximately HK\$825,274.

Note to the Financial Statements

(Amounts expressed in HK\$'000 unless otherwise stated)

20. Commitments

	30 June 2010 Unaudited	31 December 2009 Audited
Contracted, but not provided for		
Investment property under construction	57,967	114,911
Land infrastructure under development	2,473,664	2,517,112
Properties held or under development for sale	2,961,229	2,351,719
Consideration for potential business combination	750,000	853,634
Outstanding cost consideration for completed business combination	173,086	–
Property, plant and equipment and leasehold land	324,288	306,664
	6,740,234	6,144,040
Authorised, but not contracted for		
Investment property under construction	189,081	192,011
Land infrastructure under development	5,982,863	6,033,393
Properties held or under development for sale	3,469,266	3,163,732
Property, plant and equipment and leasehold land	2,898,239	2,875,480
	12,539,449	12,264,616
	19,279,683	18,408,656

21. Comparative Figures

Certain comparative figures to the current year's interim consolidated financial statements have been restated and reclassified in accordance with disclosure requirements and also to conform with current year's presentation.

22. Approval of the Interim Condensed Consolidated Financial Statements

The interim consolidated financial statements were approved and authorised for issue by the board of directors on 20 August 2010.

Financial Review

During the period under review, the Group recorded a net revenue of approximately HK\$1,984 million (2009: HK\$388 million), an increase of approximately 418% compared with that of the corresponding period of last year. The increase in net revenue for the period was mainly due to the increase in property sales which is expected to further increase for the second half of the year. Profit attributable to equity holders of the Company amounted to approximately HK\$160.7 million (2009: approximately HK\$177.3 million), a slight decrease of approximately 9.36% compared with that of the corresponding period of last year.

Liquidity and Financial Resources

The Group's liquidity position remains sound. Cash and bank balances amounted to approximately HK\$3,060 million as at 30 June 2010 (31 December 2009: approximately HK\$4,603 million). Working capital (net current assets) of the Group as at 30 June 2010 amounted to approximately HK\$11,702 million (31 December 2009: approximately HK\$9,119 million), an increase of approximately 28.3%. Current ratio was at a healthy level of 1.88x (31 December 2009: 1.62x).

As at 30 June 2010, the gearing ratio, calculated on the basis of the Group's net payables and borrowings (after deducting cash and bank balance) over total capital (total equity plus net payables and borrowings), was approximately 55% (31 December 2009: 45%).

Management is of the opinion that existing financial resources will be sufficient for future business plans.

Charges on Assets and Contingent Liabilities

As at 30 June 2010, bank borrowings of approximately HK\$9,264 million (31 December 2009: approximately HK\$7,276 million) were secured by pledge of the Group's leasehold land, investment properties, property, plant and equipment and properties held or under development for sale.

As at 30 June 2010, the Group had no contingent liabilities (31 December 2009: nil) in respect of guarantees to assist home buyers to obtain mortgage loans from banks and complete mortgage procedures.

Under the relevant PRC Laws, Shanghai Real Estate is jointly liable for all outstanding debts and amounts payable to creditors of Mengshan that were in existence prior to the De-merger. Such debts/amounts owing to creditors of Mengshan that Shangzhi Real Estate is jointly liable for as at 30 June 2010 amounted to approximately HK\$825,274.

Business Review

In 2009, China's real estate market went through both a downturn and a vigorous rebound, resulting in a V-shaped reversal. In 2010, with state and local governments implementing strict macro-control policies, real estate prices and trading volume have softened to varying degrees in different localities, and the real estate market has gradually become more rational and stable.

Amidst changing macro-economic and real estate market conditions, the Group stayed calm, adhering to our corporate culture and principle of development – be prudent and always have both feet firm on the ground, and at the same time promptly adapted our development strategies to the dynamic regional market conditions and rejuvenated ourselves to ensure a steady and sustainable growth of our business.

Real Estate Development

Progress in Sales

The Group's major projects up for sale in the first half of 2010 were Cedar Villa Original, Rich Gate SeaView, Lake Malaren Garden, Haikou Bund Centre, Shenyang Rich Gate and Central-Ring Centre.

In the first six months of 2010, the Group sold total floor area of 73,460 m², generating sales proceeds of RMB1,251,890,000. Details of these projects follow:

Cedar Villa Original

The Cedar Villa Original rests on Lake Malaren, Luodian Nordic New Town, Baoshan District, Shanghai. It boasts the benefits of proximity to Lake Malaren and high-end facilities including a golf course, featuring a golden Tuscan style of authentic Italian origin. The Cedar Villa Original land was purchased in April 2009, and sales commenced after only twelve months, ie. in May of this year, and enjoyed a favorable reception. A total of 92 villas were sold in the first half of 2010, with a total area of 11,468 m², yielding revenue of RMB248.62 million (an average of RMB21,680 per m²).

Rich Gate Sea View

Rich Gate Sea View situates at seaside at Jinshan in Shanghai. This location emphasizes the four vistas of sea, river, garden and hanging garden in the development of a seaside city complex. Robust sales of the Rich Gate Sea View residential continued during the first half of 2010, selling 29 units from January to June 2010, with gross floor area of 3,745 m², for a total of RMB63.3 million, (averaging RMB16,904 per m²).

Lake Malaren Garden

Lake Malaren Garden resides in Luodian Nordic New Town, Baoshan District, Shanghai. These golf club garden villas feature eclectic European architecture, a palatable harmony with the natural beauty, architectural features and cultural environment of the Nordic New Town. The quality of the Rich Gate brand has attracted much attention. A total of 56 up-market villas and 2 townhouses were sold in the first half of 2010, with a total area of 11,215 m², for gross revenue of RMB314.21 million.

Haikou Bund Centre

During the first half of 2010, Hainan's real estate market witnessed vigorous sales, brought on by the central government's policy of positioning the province as an International Tourism Island, and subsequently cooled off as a result of the strict macro-control measures by central and local governments. The Haikou Bund Centre project managed to adjust its strategies proactively, aptly and swiftly, selling 305 units of Rich Gate (phase-1) from January to June 2010, with a total area of 28,619 m², for RMB406.46 million (averaging RMB14,202 per m² – an increase of 50.6% from 2009). Sales proceeds actually received during this period amounted to RMB409.29 million.

Shenyang Albany

Shenyang Albany first featured in the Spring Housing Fair of Shenyang of 26 March 2010, with the sales office opening on 9 April and sales for phase-1 of the project commencing 29 May 2010. In the first half of 2010, 137 units were sold with a total area of 10,878 m², yielding revenue of RMB93.22 million.

Central-Ring Centre

As a landmark of the Central business district, the Central-Ring Centre has attracted an increasing number of companies with its Grade-A office buildings and high standard facilities. Sales increased in the first half of 2010 for the office building targeted for sale, with a total area of 2,977 m² sold from January to June 2010, yielding RMB72.70 million in revenue.

Development Progress

Adhering to development plans and construction timelines delineated in 2010, the Group and its subsidiary companies have been carrying out engineering work in an orderly and standardized fashion, while making every effort to uphold our high standard of quality. Our major projects are outlined in the following:

Cedar Villa Original

Construction of Cedar Villa Original is divided into Sections A and B, with various forms of property, such as courtyard, villa and apartment. As of 30 June 2010, construction of the foundation, first-, third- and fourth-floor structures of the villas in Section A and foundation filling of the low-rise apartment have been completed. The structures of Villas 1 through 12 in Section B have all been completed, along with a portion of the outdoor construction of Villa 13. The roofs of Blocks 1 through 8 in the courtyard have been completed, along with the structures of the seventh and eighth floors of the medium high-rise apartment and the structures of Blocks 5 and 6.

Cedar Island Oasis Garden

This year marks the final development stage of Cedar Island Oasis Garden. The first half of the year largely involved the preparation of 1,174 residential units for delivery in Section C, with a total area of 125,000 m². As of the end of June, over 1,000 units have been delivered. Currently, work mainly involves landscaping and interior decoration.

Albany Oasis Garden

In 2010, construction of Phase 2 of the Albany Oasis Garden and the greenery project on Zhongxing Road commenced simultaneously. The construction department has delineated viable plans and instituted effective measures to meet construction timelines. As of July 2010, Blocks 1 and 2 of Phase 2 commenced large area decoration with landscaping. Excavation and construction of underground pipe and conduit infrastructure are gradually coming underway for the greenery project on Zhongxing Road as well.

Meilan Lake Garden

In 2010, construction of the Meilan Lake Garden mainly involves delivery of Phase 1 and finalization of civil works for Phases 2 and 3. Currently, outdoor work for Phase 1 is virtually complete, and structures of Phases 2 and 3 have also been completed, with installation of facades, doors and windows having begun. The first batch of 136 units of Phase 1 will be delivered by 30 September. Interior decoration of Phase 1 has entered the wood installation stage, and the first batch of decorated units is scheduled for completion and inspection by relevant departments on 15 August, with the interior decoration of the first batch of units to be fully completed before the end of August.

Central-Ring Centre

In the first half of 2010, changes in the development plan and detailed design of Block 6 of Central-Ring Centre were completed and have been filed for approval. To prepare for the construction of the project, the project company has also mapped out a construction timeline.

Rich Gate Sea View

Construction of Rich Gate Sea View fully commenced in 2010. The Company carried out engineering work according to the plans delineated at the beginning of the year. As of the end of June, primary civil construction was virtually complete, with 70% completion of exterior wall construction. Full completion is anticipated in early September. Interior decoration is 60% completed, with full completion anticipated in late October. The overall outdoor and gardening work has commenced and is slated for completion at the end of December.

Shenyang Albany

The Shenyang Albany project achieved a major breakthrough in the first half of 2010. The project company proceeded with the construction, focusing on safety and quality. Structures of five buildings in Shenyang Albany were completed on 12 July 2010, with construction quality receiving 100% approval.

Haikou Bund Center

With steady progress in the structural construction of the Haikou Bund Center over the last year, construction of the main structure of five residential buildings in Phase 1 of Rich Gate reached completion and construction of the second structure has commenced. All of the buildings have satisfactorily passed inspections for planning, design and construction quality. Installation of utilities and facilities has commenced. On 28 April 2010, construction of Phase 1 of the Haikou Bund Centre Westin Hotel project commenced.

Relocation*Albany Oasis Garden*

Relocation, a major goal for Albany Oasis Garden in 2010, commenced in March 2010 for Phase III of the project. Relocation has been implemented in an open and transparent manner throughout the process. As of 30 June, 417 families have signed contracts, representing approximately 26% of total relocation work, and relocation for 290 families was completed.

Minhang Project

The Minhang Project is located at the Qizhong golf course. The project company completed relocation of the Qizhong training course in March 2010 and had finished all works needed for the temporary facilities, thus, well prepared the project for its next stage of development.

Shenyang Albany

Relocation for Shenyang Albany has been undertaken in accordance with state laws and regulations as well as relevant relocation policies. The project company coordinated the relocation team and residents throughout the process. In addition to commencement of presale and construction on the land of Phase I, relocation for 71 families and 5 merchants was completed during the first half of the year, accounting for 9.85% and 20% of the total of 721 families and 25 merchants, respectively.

Land Development

During the first six months of 2010, two land parcels were sold in Wuxi project, which are expected to generate approximately RMB204 million for the project company. RMB99.8 million of such revenue was recognized in the first half of the year. On 4 August 2010, the company transferred the Luodian Project F1-4 and F1-6 for public tender. These two land parcels sold for approximately RMB522.5 million and RMB1.377 billion respectively (approximately RMB20,948 per m² gross floor area – a 129% increase over the highest price of RMB9,128 per m² in September 2009).

Commercial Property Operation

During the first half of 2010, to cope with changes in market conditions and opportunities arising, we have continued to enhance management and operation of our commercial properties, adapt our business strategies for such changes, leverage advantages of our brand and management capabilities, aiming at improving our operating results through learning over experiences. Details include the following:

Shanghai Shops at Rich Gate

Shanghai Shops at Rich Gate achieved a full opening of all shops for the first time during the end of 2009 and beginning of 2010. Meanwhile, we focused in building our “Rich Gate” brand by upholding our brand-building targets of well servicing our tenants, maintaining the position of displacing and selling premium quality products and promoting a culture for classic things. By reinforcing brand positioning of Shops at Rich Gate, we seamlessly integrate quality community, quality properties and quality commercial area.

Shenyang Rich Gate Shopping Mall

Shenyang Rich Gate Shopping Mall combines a wide range of functions, such as shopping, fine food, leisure, entertainment, culture, sports & recreation and services. During the first half of 2010, the Mall adjusted its mode of operation, rationalized rents and upgraded shop exteriors. As of the end of June 2010, leases were entered for a total area of approximately 87,291 m², accounting for 77% of rentable area, and a total area of 41,628 m² has opened for business.

Central-Ring Centre

During the first half of 2010, Central-Ring Centre redoubled efforts for lease promotion. As of the end of June 2010, the total rented area of No. 10 (office building) was 15,575 m², representing an occupancy rate of 68% (22% above the rate as of December 2009). For the first six months of 2010, rental income totaled RMB7.48 million.

Land Bank

In January 2010, Shanghai Shangzhi Real Estate Development Co., Ltd. (Shangzhi Real Estate), a subsidiary of the Group, acquired 100% equity interest in Shanghai Haibo Real Estate Integrated Development Company Limited (“Haibo Real Estate”). Haibo Real Estate owns Lot 47/19, Block 1, Qunaizhenwei, Pudong New Area, with an area of 38,589 m².

In January 2010, Shanghai Shangzhi Real Estate Development Co., Ltd. (Shangzhi Real Estate), a subsidiary of the Group, acquired 100% equity interest in Shanghai Haibo Enterprise Development Company Limited (Xiapo Industrial). Xiapo Industrial owns Lot 47/8, Block 1, Qunaizhenwei, Pudong New Area, with land area of 19,589 m².

In January 2010, Shanghai Zhufu Property Development Co., Ltd., a subsidiary of the Group, acquired 100% equity interest in Shanghai Bairun Real Estate Company Limited (“Bairun Real Estate”). Bairun Real Estate owns the development rights to Lot 1/4, Block 798, Bansongyuan Street, Huangpu District, with land area of approximately 11,000 m² available for development. Through this acquisition, the Group added more downtown land lots to its land bank.

In April 2010, Shanghai Shangzhi Real Estate Development Co., Ltd. (Shangzhi Real Estate), a subsidiary of the Group, acquired 100% equity interest in Wuxi Zhongqing Real Estate Development Company Limited (“Wuxi Zhongqing”). Wuxi Zhongqing owns development rights to Lot 6-010-035-002 on the western side of Xinhong Road and the northern side of Xiyi Road, Xinchengzhen, Hongshan, Wuxi, with land area of 48,620 m². Through this acquisition, the Group strengthened the interaction between land development business of China New Town Development Company Limited (CNTD) and property development of the Group.

Financing Activities and Acquisitions

In February 2010, the listed company indirectly acquired 9% equity interest in Shenyang Huarui Shiji Asset Management Co., Ltd. (Huarui Asset Management) for a consideration of HK\$305 million. Huarui Asset Management holds 100% interest in Shenyang Rich Gate Shopping Mall. Upon completion of the acquisition, the listed company will own 60% shareholding in Huarui Asset Management, and its share of interest in Shenyang Rich Gate Shopping Mall will increase accordingly.

In March 2010, Shanghai Skyway Hotel Co., Ltd. entered into a loan agreement for a syndicated facility of RMB1.3 billion with Industrial and Commercial Bank of China Limited, Huangpu Sub-branch, Shanghai and Agricultural Bank of China Limited, Jingan Sub-branch, Shanghai.

In April 2010, the listed company acquired 97,939,859 shares of China New Town Development Company Limited (CNTD) at a price of HK\$66.38 million on the SGX-ST. On the same day, Sinopower, a wholly owned subsidiary of SRE, served a notice to CNTD relating to the exercise of conversion rights attached to the underlying bonds. Upon completion of bond conversion, shareholding of the listed company in CNTD increased from 53.18% to 62.36%.

Business Outlook

The momentum of rapid growth in China's real estate market in the second half of 2009 extended into the first quarter of 2010. However, since April 2010, China's central government has implemented restrictive measures to curb the rise in housing prices driven by investment and speculative demand. Consequently, the growth in the area and amount of commodity properties sold has moderated.

Figures from the China Statistical Bureau relating to China's real estate sector and conditions of the real estate market indicated that the main areas where the Group operates are distinctive from the general market in China. Among these areas, the investment in real estate development of Hainan increased at a pace 200% above the national average, and the price index of new residential properties rose 60% year-on-year. There was a significant decrease in area and amount of commodity properties sold in Shanghai. The price index of new residential properties in Shenyang rose gently year-on-year, and it continued to record a sequential rise in June 2010.

Although China maintains an appropriately loose monetary policy, the degree of relaxation has been reduced. The People's Bank of China raised the deposit reserve requirement ratio of financial institutions three times, in increments of 0.5%, and the money supply is decreasing gradually. The People's Bank of China has decided to proceed further with reform of the RMB exchange rate regime and to enhance the RMB exchange rate flexibility. This means China will tolerate, to a certain extent, a slow appreciation of the RMB and that total domestic demand will be constrained, which will in turn reduce the possibility of a rate hike.

Looking into the second half of 2010, considering development of the real estate sector and trend of China's monetary policy, the sector will remain relatively stable with some decreases, returning to a more rational market status. After adjusting from the excessive surge in prices during the second half of 2009 and the first quarter of 2010, the market should resume a more stable and upward path in 2011.

Directors' and Chief Executives' Interests in Equity or Debt Securities

As at 30 June 2010, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code") were as follows:

Long positions in Shares

Name of Director	Personal Interests	Family Interests	Corporate Interests	Total	Approximate Percentage of Shareholding
Shi Jian	7,246,887	2,220 (Note 1)	1,248,400,938 (Note 2)	1,255,650,045	34.84%
Li Yao Min	5,172,220	–	–	5,172,220	0.14%
Yu Hai Sheng	6,235,987	–	–	6,235,987	0.17%

Notes:

- These Shares were held by Md. Si Xiao Dong, the spouse of Mr. Shi Jian.
- These Shares comprise 1,098,400,938 Shares (representing approximately 30.48% of the total issued share capital as at the Latest Practicable Date) held by SRE Investment and 150,000,000 Shares (representing approximately 4.16% of the total issued share capital as at the Latest Practicable Date) lent by SRE Investment pursuant to two stock borrow agreements both dated 29 June 2009, of which 75,000,000 Shares were lent to Credit Suisse Securities (Europe) Limited and 75,000,000 Shares were lent to Deutsche Bank AG, London branch. Mr. Shi Jian and his spouse, Md. Si Xiao Dong together beneficially own 63% of the issued share capital of SRE Investment. The remaining 37% interest in SRE Investment were held by other management staff of the Company including but not limited to Mr. Yu Hai Sheng, Mr. Li Yao Min, Mr. Yue Wai Leung, Stan and Mr. Jiang Xu Dong, other relatives of Mr. Shi Jian and/or Md. Si Xiao Dong and unrelated parties.

Save as disclosed above, as at 30 June 2010, none of the Directors or chief executives of the Company had any interests or short positions in any Shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares

As at 30 June 2010, all Directors had not been granted any options nor exercised any options of the Company. Save as disclosed above, during the period neither the Company nor its subsidiaries has made any arrangement through which directors of the Company could acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Substantial Shareholders' Interests

As at 30 June 2010, so far as is known to any Director or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under the Section 336 of Part XV of the SFO:

Long positions in Shares

Name of Shareholder	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of total issued share capital
Si Xiao Dong	Beneficial owner, spouse and corporate interest	1,255,650,045 (L) (Note 2)	34.84%
SRE Investment	Beneficial owner	1,248,400,938 (L)	34.64%
Deutsche Bank Aktiengesellschaft	Beneficial owner and person having a security interest in shares	243,615,986 (L) 87,238,000 (S)	6.76% 2.42%

Note 1 – “L” represents long positions in Shares and “S” represents short positions in Shares.

Note 2 – These Shares comprise 2,220 Shares held by Md. Si Xiao Dong, 7,246,887 Shares held by her spouse Mr. Shi Jian and 1,248,400,938 Shares which SRE Investment is interested in. Such 1,248,400,938 Shares comprise 1,098,400,938 Shares held by the SRE Investment and 150,000,000 Shares lent by SRE Investment pursuant to two stock borrow agreements both dated 29 June 2009, of which 75,000,000 Shares were lent to Credit Suisse Securities (Europe) Limited and 75,000,000 Shares were lent to Deutsche Bank AG, London branch.

Save as disclosed above, none of the Directors nor the chief executives of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

Employees

As at 30 June 2010, the Group had retained 3,024 employees in Hong Kong and the PRC. Total staff costs of the Group excluding directors’ remuneration, for the period under review amounted to approximately HK\$70.2 million. Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employee.

Share Option Scheme

No share options have been granted, exercised, cancelled or lapsed during the six months ended 30 June 2010.

CNTD's Management Stock Option Plan ("Msop") – Movement in the Period

One of the Entitled Persons who has 3,000 thousand CNTD's shares left CNTD during the period ended 30 June 2010, so the Entitled Person's rights under the MSOP were forfeited according to the terms of MSOP.

On 7 April 2010, the Company transferred 4,128,750 treasury shares to entitled persons who exercised the 2nd tranche share options under the Management Grant implemented on 5 July 2007.

The following table illustrates the number of and movements in options under MSOP during the period:

	2010 Number of CNTD's share	2009 Number of CNTD's shares (after the share split)
Outstanding at the beginning of the year	24,772,500	27,750,000
Forfeited during the year	(2,250,000)	(225,000)
Exercised during the year	(4,128,750)	(2,752,500)
Outstanding at the end of the year	18,393,750	24,772,500
Exercisable at the end of the year	4,905,000	4,128,750

Purchase, Sale of Redemption of the Company's Listed Shares

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2010.

Directors' Compliance with the Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made of all Directors, who have confirmed that they complied with required standard set out in the Model Code.

Audit Committee

The Company established an audit committee on 12th November 2001 with terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee has five members comprising the two non-executive Directors and the three independent non-executive Directors. The unaudited interim financial statements for the period ended 30 June 2010 has been reviewed by the Audit Committee.

Corporate Governance

In April 2005 the Company adopted its own code on corporate governance practices which incorporates all the code provisions in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. Throughout the period, the Company complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 except for Code provisions E.1.2, which stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board of Directors did not attend the annual general meeting for the year 2010 due to other business commitments.

On behalf of the Board
SRE Group Limited
Shi Jian
Chairman

Hong Kong, China, 20th August 2010

Details of the Group's development projects are as follows:

Company:	Shanghai Oasis Garden Real Estate Co., Ltd
Project/Type:	Long Island Oasis Garden/Cedar Island Oasis Garden/Residential
Location:	Songjiang District/Southwest, Shanghai
Site Area:	706 MU (471,000 M ²)
GFA:	579,531 M ²
Address:	Lane 1288, Xinsong Road, Jiuting Town, Songjiang District, Shanghai

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Date of Completion	Percentage of ownership
Residential Phase I	96,587	96,587	2000	2001	98.75%
Residential Phase II	45,730	45,730	2002	2003	98.75%
Residential Phase III (A1)	18,645	18,645	2003	2005	98.75%
Residential Phase III (A2)	29,304	29,304	2003	2005	98.75%
Residential Phase III (A3)	51,533	51,533	2004	2006	98.75%
Residential Phase III (B1-2)	117,454	117,454	2005	2007	98.75%
Residential Phase III (B3)	61,017	61,017	2007	2009	98.75%
Residential Phase III (C1-2)	125,552	125,519	2008	2010	98.75%
Car Park	33,709	33,709	2008	2010	98.75%

Company:	Shanghai Cedar Real Estate Co., Ltd
Project/Type:	Cedar Villa Original/Residential
Location:	Baoshan District/Northeast, Shanghai
Site Area:	145 MU (96,786 M ²)
GFA:	116,210 M ²
Address:	Lot D2-2, Luodian New Town, Baoshan District, Shanghai

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Expected date of Completion	Percentage of ownership
Residential	116,210	113,221	2009	2011	98.75%

Company:	Shanghai Lvshan Real Estate Co., Ltd
Project/Type:	Rich Gate Mansion (Tentative Name)/Residential
Location:	Minhang District/Southwest, Shanghai
Site Area:	103,164 M ²
GFA:	18,054 M ²
Address:	Lot1/1, Block 355, Maqiao Town, Minhang District, Shanghai

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Expected date of Completion	Percentage of ownership
Residential	18,054	18,054	2010	2011	27.7%

Company:	Shanghai Bairun Real Estate Co., Ltd
Project/Type:	Shanghai Huangpu Bairun Project/Commercial, Residential
Location:	Huangpu District/Downtown, Shanghai
Site Area:	23,040 M ²
GFA:	40,645 M ²
Address:	Lane 99, Baotun Road, Huangpu District, Shanghai

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Expected date of Completion	Percentage of ownership
Residential	28,645	28,645	2011	2013	50.36%
Commercial	5,000	5,000	2011	2013	50.36%
Car park	7,000	7,000	2011	2013	50.36%

Company:	Shanghai Shangzhi Real Estate Development Co., Ltd.
Project/Type:	Rich Gate Sea View/Mixed
Location:	Shangyang Town, Jinshan District/Southwest, Shanghai
Site Area:	54MU (35,832 M ²)
GFA:	109,756 M ²
Address:	Lot151/2,Haihuang Village, Shanyang Town, Jinshan District, Shanghai

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Expected date of Completion	Percentage of ownership
Residential	51,420	51,420	2008	2010	98.75%
Retail	11,731	11,731	2008	2010	98.75%
Office	26,429	26,429	2008	2010	98.75%
Facilities	20,176	0	2008	2010	98.75%

Company:	Shanghai Xiabo Enterprise Development Company Limited Shanghai Haibo Real Estate Integrated Development Company Limited
Project/Type:	Shanghai Pudong Project/Residential
Location:	Pudong District/Shanghai
Site Area:	58,178 M ²
GFA:	48,288 M ²
Address:	Block1, Quneizhenwai, Pudong New Area, Shanghai

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Expected date of Completion	Percentage of ownership
Residential	48,288	48,288	Not Started	–	98.75%

Company:	Wuxi Zhongqing Real Estate Development Co., Ltd.
Project/Type:	Wuxi Project/Residential
Location:	Wuxi New Area
Site Area:	48,620 M ²
GFA:	71,405 M ²
Address:	805-1,Zhide Avenue, Hongshan Town, Wuxi New Area

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Expected date of Completion	Percentage of ownership
Residential	52,465	52,465	2010	2011	98.75%
Car Park	17,640	17,640	2010	2011	98.75%
Facilities	1,300	1,300	2010	2011	98.75%

Company:	Shanghai Andong Real Estate Development Ltd.
Project/Type:	Lake Malaren Golf Villa (Lake Malaren Garden)/Residential
Location:	Baoshan District/Northeast, Shanghai
Site Area:	180.89MU (120,594.8 M ²)
GFA:	132,600 M ²
Address:	Lot A3-2, Luodian New Town, Baoshan District, Shanghai

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Expected date of Completion	Percentage of ownership
Residential Phase I	52,420	33,950	2008	2010	99%
Residential Phase II	35,780	22,997	2009	2011	99%
Residential Phase III	42,536	29,162	2009	2011	99%
Retail	800	800	2008	2010	99%
Facilities	1,064	0	2009	2011	99%

Property Details

Company:	Shanghai Jinwu Real Estate Co., Ltd
Project/Type:	Oasis Central Ring Center/Mixed
Location:	Putuo District/Down Town, Shanghai
Site Area:	114 MU (75,875 M ²)
GFA:	305,146 M ²
Address:	Lane 1628, Jinshajiang Road, Putuo District, Shanghai

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Expected date of Completion	Percentage of ownership
Residential Phase I	48,445	48,445	2002	2005	96.79%
Residential Phase II	18,126	18,126	2002	2006	96.79%
Office (3#, 7#)	49,071	49,071	2006	2007	96.79%
Facilities*	69,549	0	2004	2007	96.79%
Retail*	34,348	34,348	2004	2007	96.79%
Office (1#, 2#)*	55,007	27,532	2006	2008	96.79%
Office	30,600	30,600	2010	2012	96.79%

* Retained as investment properties, please refer to the details of the completed investment properties

Company:	Shanghai ShuoCheng Real Estate Co., Ltd
Project/Type:	Albany Oasis Garden/Mixed
Location:	Zhabei District/Down Town, Shanghai
Site Area:	309 MU (165,428 M ²)
GFA:	608,307 M ²
Address:	No.699, Zhongxing Road, Shanghai

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Expected date of Completion	Percentage of ownership
Residential Phase I	70,059	70,059	2005	2007/8	100%
Residential Phase II	46,823	46,823	2008	2010	100%
Residential Phase III	141,000	141,000	2010	2012	100%
Residential Phase IV	50,300	50,300	2012	2014	100%
Facilities	127,994	0	2010	2012	100%
Commercial	59,631	59,631	2013	2016	100%
Office	106,500	106,500	2013	2016	100%
Club House	6,000	0	2013	2016	100%

Company:	Shanghai Jinxin Real Estate Co., Ltd
Project/Type:	Qinhai Yuan/Residential, Commercial
Location:	Huangpu District/Down Town, Shanghai
Site Area:	56 MU (37,129 M ²)
GFA:	211,813 M ²
Address:	Block 717-719, Huangpu District, Shanghai

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Expected date of Completion	Percentage of ownership
Residential Phase I	70,693	70,693	2011	2014	100%
Residential Phase II	30,297	30,297	2012	2015	100%
Commercial Phase I	41,939	41,939	2011	2014	100%
Commercial Phase II	10,800	10,800	2012	2015	100%
Facilities	58,084	0	2011	2015	100%

Company:	Liaoning High School Support Group Property Dev. Ltd.
Project/Type:	Shenyang Albany/Mixed
Location:	Heping District/Down Town, Shenyang, Liaoning Province
Site Area:	238 MU (158,536 M ²)
GFA:	955,668 M ²
Address:	Lot 2007-024, South Avenue, Heping District, Shenyang, Liaoning Province

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Expected date of Completion	Percentage of ownership
Residential Phase I	123,829	123,829	2009	2011	70%
Commercial Phase I	4,429	4,429	2009	2011	70%
Residential Phase II	140,000	140,000	2011	2013	70%
Residential Phase III	303,683	303,683	2012	2014	70%
Residential Phase IV	190,484	190,484	2013	2015	70%
Office	151,477	151,477	2014	2016	70%
Commercial Phase II	38,766	38,766	2015	2017	70%
Facilities	3,000	0	2011	2017	70%

Company:	Shenyang Lukang Real Estate Ltd.
Project/Type:	Shenyang Yosemite Oasis Community/Residential
Location:	Dongling District/Southeast Shenyang, Liaoning Province
Site Area:	638.6 MU (425,732 M ²)
GFA:	497,086 M ²
Address:	Lot 072109005, 072109007, 08-04, Lixiang New Town, Dongling District, Shenyang, Liaoning Province, P.R.C

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Expected date of Completion	Percentage of ownership
Town House Phase I	162,386	162,386	2008	2010	100%
Town House Phase II	69,985	69,985	2008	2010	100%
Low-Rise Phase I	35,618	35,618	2010	2011	100%
Low-Rise Phase II	17,407	17,407	2010	2011	100%
Facilities	7,730	0	2008	2010	100%
Residential Phase III	203,960	203,960	2011	2013	100%

Company:	Haikou Century Harbour City Co., Ltd.
Project/Type:	The Bund Center Haikou/Mixed
Location:	Longhua District/Down Town, Haikou, Hainan Province
Site Area:	341 MU (227,273 M ²)
GFA:	921,918M ²
Address:	New Port District, Binhai Road, Haikou, Hainan Province, P.R.C

Land Use	GFA (sqm)	Saleable area (sqm)	Date of Commencement	Expected date of Completion	Percentage of ownership
Residential Phase I	84,914	84,914	2008	2011	79%
Service Apartment Phase I	35,449	35,449	2010	2012	79%
Commercial Phase I	2,000	2,000	2008	2011	79%
Residential Phase II	234,900	234,900	2010	2012	79%
Commercial Phase II	21,880	21,880	2010	2012	79%
Residential Phase III	280,380	280,380	2011	2013	79%
Commercial Phase III	22,395	22,395	2011	2013	79%
Residential Phase IV	70,000	70,000	2013	2015	79%
Commercial Phase IV	50,000	50,000	2013	2015	79%
Office & Hotel Phase IV	120,000	120,000	2013	2015	79%

Details of the completed investments properties owned by the Group are as follows:

Project	Land Use	GFA (sqm)	Percentage of ownership
Shanghai Rich Gate	Retail	11,330	100%
Shenyang Rich Gate	Commercial	245,252	60%
Oasis Central Ring Center	Retail	33,681	96.79%
Oasis Central Ring Center Unit 2605, 2606, 26(3A), 2803, 2806 and 28(3A) of Universal Mansion	Office (2#) Office	27,475 732	96.79% 98%
Scandinavia Street, Shanghai, PRC	Retail	72,494	45.29%
Wu Culture Street, Wuxi, PRC	Retail	12,162	56.12%

Details of the hotels owned by the Group are as follows:

Project	Land Use	GFA (sqm)	Percentage of ownership
Shanghai Skyway Pullman Hotel	Hotel	101,047	58.34%
Crowne Plaza Lake Malaren Shanghai Hotel	Hotel Hotel	38,240	45.29%

Details of the Land infrastructure projects are as follows:

Project	Site area (sqkm)	Percentage of ownership
Shanghai Luodian New Town	6.8	45.29%
Wuxi Hongshan New Town	8.68	56.12%
Shenyang Lixiang New Town	20	56.12%

Board of Directors

Shi Jian (*Chairman*)

Li Yao Min (*Vice-Chairman*)

Yu Hai Sheng

(*Vice-Chairman & Chief Executive Officer*)

Jiang Xu Dong (*Chief Operation Officer*)

Shi Pin Ren

Yue Wai Leung, Stan

(*Co-Chief Executive Officer*)

Cheung Wing Yui*

Jing Bing Rong*

Jiang Xie Fu**

E. Hock Yap**

Pan Long Qing**

* Non-executive Directors

** Independent Non-executive Directors

Authorized Representatives

Shi Jian

Li Yao Min

Company Secretary

Lee Kwok Wah

Legal Advisers

Woo, Kwan, Lee & Lo

Auditors

Ernst & Young

Principal Bankers

Hong Kong: CITIC Ka Wah Bank Limited

PRC: The Agricultural Bank of China

The Industrial and Commercial

Bank of China

The Bank of China

Registered Office

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Hamilton HM11

Bermuda

Hong Kong Office

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Wanchai, Hong Kong

Principal Registrar and Transfer Office

Butterfield Corporate Service Ltd

Rose Bank Centre

11 Bermudiana Road

Pembroke, Bermuda

Hong Kong Branch Registrar and Transfer Office

Tricor Tengis Limited

Share Registration

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