THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **SRE Group Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY THE CONTROLLING SHAREHOLDER AND APPLICATION FOR WHITEWASH WAIVER

FINANCIAL ADVISER

KBC

KBC Bank N.V. Hong Kong Branch

INDEPENDENT FINANCIAL ADVISER TO THE SUBSCRIPTION IBC, THE WHITEWASH IBC AND THE INDEPENDENT SHAREHOLDERS

OSK Capital Hong Kong Limited

A letter from the Board is set out on pages 5 to 19 of this circular, a letter from the Subscription IBC containing its recommendation on the Subscription is set out on page 20 of this circular and a letter from the Whitewash IBC containing its recommendation on the Subscription and the Whitewash Waiver is set out on page 21 of this circular. A letter from the Independent Financial Adviser containing its advice to the Subscription IBC, the Whitewash IBC and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver is set out on pages 22 to 55 of this circular.

A notice of the SGM of the Company to be convened and held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 27 January 2011 at 10:00 a.m., is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or at any adjournment thereof) should you so desire.

* *For identification purpose only*

10 January 2011

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In this circular, the following expressions have the following meanings, unless the context otherwise requires:

"Announcement"	the announcement dated 9 December 2010 issued by the Company in connection with the Subscription and the Whitewash Waiver
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"CNTD"	China New Town Development Company Limited, an approximately 61.54% owned subsidiary of the Company whose shares are listed on the main board of the Stock Exchange and the Singapore Exchange Securities Trading Limited
"CNTD Group"	CNTD and its subsidiaries
"Company"	SRE Group Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange
"Completion"	completion of the Subscription
"Completion Date"	the date when Completion shall take place, being the 60th calendar day after all the Conditions have been fulfilled, or such other date as may be agreed in writing between the Company and the Subscriber
"Conditions"	the conditions precedent to Completion, as more particularly set out under the section headed "Conditions of the Subscription" in the Letter from the Board of this circular
"connected person"	has the meaning ascribed to it under the Listing Rules
"Convertible Bonds"	the RMB denominated 6% convertible bonds in the principal amount of RMB446,900,000 maturing on 23 July 2014 issued by the Company on 24 July 2009, details of which were disclosed in the Company's announcement dated 29 June 2009
"Director(s)"	the director(s) of the Company
"DTZ Debenham Tie Leung"	DTZ Debenham Tie Leung Limited, the independent valuer appointed by the Company for the valuation of the property interests of the CNTD Group

"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong from time to time and any delegate of such Executive Director
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Financial Adviser" or "OSK Capital"	OSK Capital Hong Kong Limited, a corporation licensed under the Securities and Futures Ordinance to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Subscription IBC, the Whitewash IBC and Independent Shareholders regarding the Subscription and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than the Subscriber and persons acting in concert with it and any other Shareholders who are involved in, or interested in the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver
"Jones Lang LaSalle Sallmanns"	Jones Lang LaSalle Sallmanns Limited, the independent valuer appointed by the Company for the valuation of the property interests of the Group other than the CNTD Group
"Last Trading Day"	9 December 2010, being the last trading day of the Shares on the Stock Exchange prior to the publication of the Announcement
"Latest Practicable Date"	7 January 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Lent Shares"	150 million Shares lent by the Subscriber pursuant to two stock borrow agreements both dated 29 June 2009, of which 75 million Shares were lent to Credit Suisse Securities (Europe) Limited and 75 million Shares were lent to Deutsche Bank AG (acting through its London Branch)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	28 February 2011 or such later date as may be agreed in writing between the Company and the Subscriber
"persons acting in concert"	has the meaning ascribed to it under the Takeovers Code
"PRC"	People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	the special general meeting of the Company to be convened and held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 27 January 2011 at 10:00 a.m. for the purpose of considering, and if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	holder(s) of Share(s)
"Stock Borrowers"	Credit Suisse Securities (Europe) Limited and Deutsche Bank AG (acting through its London Branch), being borrowers of the Lent Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	SRE Investment Holding Limited, a company incorporated in the British Virgin Islands and the controlling Shareholder
"Subscription"	the subscription by the Subscriber of the Subscription Shares pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 9 December 2010 between the Subscriber and the Company relating to the Subscription
"Subscription IBC"	the independent board committee comprising all the independent non-executive Directors, namely Mr. Jiang Xie Fu, Mr. E. Hock Yap and Mr. Zhuo Fumin, which has been established by the Company to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder

"Subscription Price"	HK$0.81 per Subscription Share
"Subscription Share(s)"	new Share(s) to be subscribed by the Subscriber pursuant to the Subscription Agreement
"Takeovers Code"	The Code on Takeovers and Mergers
"Whitewash IBC"	the independent board committee comprising one non-executive Director, namely Mr. Jin Bing Rong, and all the independent non-executive Directors, namely Mr. Jiang Xie Fu, Mr. E. Hock Yap and Mr. Zhuo Fumin, which has been established by the Company to make a recommendation to the Independent Shareholders (i) as to whether the Subscription and the Whitewash Waiver is or is not, fair and reasonable and (ii) as to how to vote in respect of the resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver
"Whitewash Waiver"	the waiver under Note 1 on Dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber and persons acting in concert with it to make a general offer to the shareholders of the Company for all issued shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company not already owned or agreed to be acquired by the Subscriber and persons acting in concert with it as a result of the issue and allotment of the Subscription Shares to the Subscriber
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar(s), the lawful currency of the United States of America
"%"	per cent.

English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

Executive Directors:
Mr. Shi Jian *(Chairman)*
Mr. Yu Hai Sheng *(Co-Chairman & Chief Executive Officer)*
Mr. Li Yao Min *(Vice-Chairman)*
Mr. Jiang Xu Dong *(Chief Operation Officer)*
Mr. Shi Pin Ren
Mr. Yue Wai Leung Stan *(Co-Chief Executive Officer)*

Non-executive Directors:
Mr. Cheung Wing Yui
Mr. Jin Bing Rong

Independent non-executive Directors:
Mr. Jiang Xie Fu
Mr. E. Hock Yap
Mr. Zhuo Fumin

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Room 2501, 25th Floor,
Office Tower, Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

10 January 2011

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY THE CONTROLLING SHAREHOLDER AND APPLICATION FOR WHITEWASH WAIVER

1. INTRODUCTION

The Company announced on 9 December 2010 that the Subscriber entered into the Subscription Agreement with the Company pursuant to which the Subscriber has conditionally agreed to subscribe for a total of 700,000,000 Subscription Shares at the price of HK$0.81 per Subscription Share. The Subscription Shares represent approximately 19.42% of the issued share capital of the Company as at the Latest Practicable Date and, assuming that there is no change in the issued share capital of the Company other than the

* *For identification purpose only*

issue of the Subscription Shares between the Latest Practicable Date and Completion, approximately 16.26% of the issued share capital of the Company as enlarged by the Subscription.

Since the Subscriber is a controlling shareholder of the Company, the Subscriber is a connected person of the Company and, accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Subscription exceed 5%, the Subscription is subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to the Listing Rules.

As at the Latest Practicable Date, the Subscriber and persons acting in concert with it are interested in a total of 1,269,600,472 Shares (or 1,119,600,472 Shares if excluding the Lent Shares), representing approximately 35.23% (or 31.07% if excluding the Lent Shares) of the issued share capital of the Company as at the Latest Practicable Date. Upon Completion, 700,000,000 Subscription Shares will be issued to the Subscriber, and the interests of the Subscriber and persons acting in concert with it in the voting rights of the Company will be increased by more than 2% from approximately 35.23% (or 31.07% if excluding the Lent Shares) to approximately 45.76% (or 42.28% if excluding the Lent Shares) within the 12-month period immediately preceding the Completion Date (assuming that no additional Shares other than the Subscription Shares will be issued between the Latest Practicable Date and Completion). Accordingly, the Subscriber and persons acting in concert with it, in the absence of the Whitewash Waiver, would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares and other relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) not already owned or agreed to be acquired by them. The Subscriber has made an application to the Executive for the Whitewash Waiver and the Executive has indicated that it will grant the Whitewash Waiver, subject to, among others, the approval of the Independent Shareholders by way of poll at the SGM.

The purpose of this circular is (a) to provide you with further information on, inter alia, the details of the Subscription and the Whitewash Waiver; (b) to set out the letter of recommendation from the Subscription IBC to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder; (c) to set out the letter of recommendation from the Whitewash IBC to the Independent Shareholders in respect of the Subscription and the Whitewash Waiver; (d) to set out the letter of advice from the Independent Financial Adviser to the Subscription IBC, the Whitewash IBC and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (e) to give you notice of the SGM; and (f) to provide other information as required under the Listing Rules and the Takeovers Code.

2. THE SUBSCRIPTION AGREEMENT

Date

9 December 2010

Parties

(a) the Subscriber, a company incorporated in the British Virgin Islands. As at the Latest Practicable Date, the Subscriber holds 1,098,400,938 Shares, and together with the Lent Shares, is interested in 1,248,400,938 Shares, representing approximately 30.48% and 34.64% respectively of the issued share capital of the Company; and

(b) the Company.

The Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue to the Subscriber a total of 700,000,000 Subscription Shares. As at the Latest Practicable Date, there were 3,603,881,194 Shares in issue and the Subscription Shares represented approximately 19.42% of the issued share capital of the Company as at the Latest Practicable Date and, assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares between the Latest Practicable Date and Completion, approximately 16.26% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

Subscription Price

The Subscription Price for the Subscription Shares is HK$0.81 per Subscription Share. The Subscription Price represents:

(i) a premium of approximately 6.58% over the closing price of HK$0.760 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 4.92% over the average closing price of HK$0.772 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;

(iii) a premium of approximately 4.65% over the average closing price of HK$0.774 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

(iv) a premium of approximately 1.89% over the average closing price of HK$0.795 per Share as quoted on the Stock Exchange for the last 50 trading days up to and including the Last Trading Day;

(v) a discount of approximately 64.36% to the Group's audited consolidated net asset per Share (excluding minority interest) as at 31 December 2009 of approximately HK$2.273 (based on a total of 3,603,881,194 Shares as at the Latest Practicable Date and the Group's audited consolidated net asset value attributable to owners of the parent of approximately HK$8,191,741,000 as at 31 December 2009);

(vi) a discount of approximately 64.75% to the Group's unaudited consolidated net asset per Share (excluding minority interest) as at 30 June 2010 of approximately HK$2.2976 (based on a total of 3,603,881,194 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net asset value attributable to owners of the parent of approximately HK$8,280,133,000 as at 30 June 2010); and

(vii) a discount of approximately 1.22% to the closing price of HK$0.82 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber with reference to the recent trading prices of the Shares on the Stock Exchange.

The total consideration for the Subscription Shares in the sum of HK$567,000,000 will be financed by internal resources available to the Subscriber.

Ranking

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Conditions of the Subscription

Completion of the Subscription is conditional upon:

(a) the Listing Committee of the Stock Exchange having granted or agreeing to grant the listing of, and permission to deal in, the Subscription Shares;

(b) the Executive having granted the Whitewash Waiver;

(c) the passing of a resolution by the Independent Shareholders at the SGM approving the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares to the Subscriber pursuant to the Subscription Agreement; and

(d) the passing of a resolution by the Independent Shareholders at the SGM approving the Whitewash Waiver.

In the event that not all the Conditions have been fulfilled by 4:00 p.m. on the Long Stop Date, the Subscription Agreement shall terminate, lapse and be of no further effect, and the Company and the Subscriber shall be released from all obligations thereunder and neither party shall have any claim against the other for any costs or losses save in respect of any antecedent breaches of the Subscription Agreement. None of the conditions to the Subscription mentioned above can be waived by either party to the Subscription Agreement. If the Whitewash Waiver has not been granted or the resolutions approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver have not been passed by the Independent

Shareholders at the SGM, the Subscription Agreement will terminate, lapse and be of no further effect, and the parties shall be released from all obligations under the Subscription Agreement and neither party shall have any claim against the other for any costs or losses save in respect of any antecedent breaches of the Subscription Agreement.

An ordinary resolution will be proposed at the SGM to seek, among other things, a specific mandate for the issue of the Subscription Shares pursuant to the Subscription Agreement.

An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription

Subject to fulfilment of all the Conditions, Completion of the Subscription shall take place on the Completion Date.

It is the intention of the Subscriber to continue the business of the Company and to continue the employment of the management and employees of the Group. The Subscriber has no intention to redeploy the fixed assets of the Group. The Subscriber does not intend to introduce any changes to the current business of the Group.

Lock-up undertaking

The Subscriber has undertaken to the Company that during the period commencing from the Completion Date and ending on the date which is twelve months from the Completion Date, it shall not, and shall procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it shall not, without the prior written consent of the Company:

(i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Subscription Shares;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Subscription Shares, whether any of the foregoing transactions is to be settled by delivery of the Subscription Shares or such other securities, in cash or otherwise;

(iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or

(iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Force majeure

If and to the extent that either the Company or the Subscriber is prevented or delayed from performing any of its obligations under the Subscription Agreement by any event or circumstances not foreseeable at the date of the Subscription Agreement and beyond the reasonable control of the party in question, including (without prejudice to the generality of the foregoing) serious market downturn, material adverse change in the financial or market conditions of Hong Kong or the PRC, or the occurrence of any event having a material adverse effect on the financial position, assets, business operations or prospects of the relevant party (the "**Force Majeure Event**"), the party affected by Force Majeure Event shall promptly notify the other party and provide details of the Force Majeure Event, then the party so affected shall be relieved of its liability to the other party for the failure to perform or the delay in performing such obligations (as the case may be), but shall nevertheless use its best endeavours to resume full performance thereof as soon as practicable.

If the Force Majeure Event continues or is likely to continue for a period of 3 months or more following notification, either party may terminate the Subscription Agreement forthwith by giving written notice to the other party and Subscription Agreement shall terminate, lapse and be of no further effect, and the parties shall be released from all obligations under the Subscription Agreement and neither party shall have any claim against the other for any costs or losses save in respect of any antecedent breaches of the Subscription Agreement.

3. EFFECT OF THE SUBSCRIPTION

The shareholdings in the Company as at the Latest Practicable Date and immediately after the Subscription (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares between the Latest Practicable Date and Completion) are summarised as follows:

	As at the Latest Practicable Date		**Immediately after completion of the Subscription**	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*
The Subscriber *(Note 1)*	1,248,400,938 *(Note 2)*	34.64	1,948,400,938 *(Note 3)*	45.27
The Directors: *(Note 4)*				
– Mr. Shi Jian *(Note 8)*	7,246,887	0.20	7,246,887	0.17
– Mr. Li Yao Min *(Note 8)*	5,172,220	0.14	5,172,220	0.12
– Mr. Yu Hai Sheng	6,235,987	0.17	6,235,987	0.14
Md. Si Xiao Dong *(Note 8)*	2,220	0.00006	2,220	0.00005
Mr. Shi Jian Dong *(Note 8)*	2,402,220	0.07	2,402,220	0.06
Md. He Pei Pei *(Note 5)*	140,000	0.004	140,000	0.003
Sub-total of the Subscriber and persons acting in concert with it *(Note 6)*	1,269,600,472	35.23	1,969,600,472	45.76
Other shareholders	2,334,280,722 *(Note 7)*	64.77	2,334,280,722 *(Note 7)*	54.24
Total	3,603,881,194	100.00	4,303,881,194	100.00

Notes:

1. The shareholders of the Subscriber consist of Mr. Shi Jian (holding 33% interest), Md. Si Xiao Dong (the spouse of Mr. Shi Jian, holding 30% interest), Mr. Li Yao Min (holding 5% interest), Mr. Yu Hai Sheng (holding 5% interest), Mr. Shi Jian Dong (holding 5% interest), Mr. Jiang Xu Dong (holding 2% interest), Mr. Shi Pin Ren (holding 1% interest), Mr. Yue Wai Leung Stan (holding 2% interest), Ms. Gu Biya (holding 1% interest), Ms. Song Yiqing (holding 1% interest), Mr. Mao Yiping (holding 1% interest), Mr. Yang Yonggang (holding 1% interest), and other relatives of Mr. Shi Jian and/or Md. Si Xiao Dong (holding in aggregate 8% interest), and unrelated parties comprising 4 long term employees of the Group, namely Mr. Wang Zi Xiong (holding 2% interest), Mr. Huang Wei Lun (holding 1% interest), Ms. Li Hua (holding 1% interest) and Ms. Yin Lan (holding 1% interest). Each of Mr. Shi Jian, Mr. Li Yao Min and Mr. Yue Wai Leung Stan is both a Director and a director of CNTD. Each of Mr. Yu Hai Sheng, Mr. Jiang Xu Dong and Mr. Shi Pin Ren is a Director. Each of Ms. Gu Biya, Ms. Song Yiqing, Mr. Mao Yiping and Mr. Yang Yonggang is a director of CNTD. Save as set out in the table above, no other shareholder of the Subscriber holds any Shares as at the Latest Practicable Date.

2. These Shares comprise 1,098,400,938 Shares held by the Subscriber and the Lent Shares (being 150,000,000 Shares, representing approximately 4.16% of the issued share capital of the Company as at the Latest Practicable Date). The Lent Shares are being included for purposes of illustrating the maximum number of Shares held by the Subscriber before and after the Subscription. For the reasons set out in the section headed "Information Required under the Takeovers Code" in this letter, the Stock Borrowers are not considered persons acting in concert with the Subscriber for the purposes of the Subscription and the Whitewash Waiver and the Lent Shares can be voted by the holders thereof at the SGM. The Subscriber has no control over the voting rights of the Lent Shares and has no means of ascertaining whether and how these Lent Shares will be voted at the SGM.

3. These 1,948,400,938 Shares include the Lent Shares (being 150,000,000 Shares, representing approximately 3.49% of the issued share capital of the Company immediately after Completion).

4. Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min and Mr. Shi Jian Dong are both shareholders and directors of the Subscriber and Mr. Yu Hai Sheng is a shareholder of the Subscriber.

5. Md. He Pei Pei is the spouse of Mr. Zhuo Fumin, an independent non-executive Director, and is presumed to be acting in concert with companies controlled by Mr. Shi Jian (in this case the Subscriber) under the Takeovers Code.

6. The persons acting in concert with the Subscriber who are Shareholders comprise Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Jian Dong and Md. He Pei Pei.

7. These 2,334,280,722 Shares have not taken into account of the 150,000,000 Lent Shares, the voting rights of which rest with the holders thereof and may be voted by such holders at the SGM. Pursuant to the stock borrow agreements in relation to the Lent Shares, the Subscriber is entitled, following any conversion of the Convertible Bonds, to call for the redelivery by the Stock Borrowers of such number of Lent Shares as is derived by multiplying the number of Shares resulting from such conversion by a certain percentage. In addition, the Subscriber is entitled to call for the redelivery by the Stock Borrowers of the Lent Shares at any time after the earlier of (i) the third anniversary of the issue date of the Convertible Bonds and (ii) the date on which the Convertible Bonds have been redeemed in full. Since none of the events referred to above has occurred yet, the Subscriber has no right to call for the redelivery of any of the Lent Shares from the Stock Borrowers as at the Latest Practicable Date. Taking into account the Lent Shares, the total number of Shares which may be voted at the SGM is 2,484,280,722 Shares, representing approximately 68.93% of the issued share capital of the Company as at the Latest Practicable Date and approximately 57.72% of the issued share capital of the Company immediately after Completion.

8. A director of the Subscriber.

9. As at the Latest Practicable Date, there were outstanding Convertible Bonds which were convertible into 511,074,068 Shares. If any of the outstanding Convertible Bonds were converted as at the Latest Practicable Date, the shareholding interests of all the Shareholders in the Company existing as at the Latest Practicable Date (including the Subscriber and persons acting in concert with it) will be diluted together.

4. REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is an integrated property developer and is principally engaged in the development and sale of residential and commercial properties in Shanghai City, Shenyang City, Liaoning Province and Haikou City, Hainan Province, the PRC, with a focus on the development of middle- to high-end residential properties. In addition, the Group is also engaged in the planning, managing and operating of new towns in the PRC.

It is the intention of the Company to apply all of the net proceeds from the Subscription to the continuous development of the Group's development project at Huangpu District, Shanghai (the "**Qinhai Yuan Development Project**"), which will be developed into a complex comprising grade-A office buildings and a number of commercial and high-end residential blocks. The Group shall bear the costs for the relocation of the existing resident and the subsequent demolition of the buildings for the land parcel underlying the Qinhai Yuan Development Project (the "**Relocation**") and the Group may commence the construction work only after completion of the Relocation. Based on the estimation made by the management of the Company on (i) the number of existing residents and (ii) the average compensation for relocating the different types of residents (such as individual household and other commercial units) resided on the land parcel underlying the Qinhai Yuan Development Project, it is expected that the outstanding cost relating to the initial stage of the Relocation will amount to no less than HK$1.3 billion.

The Group's property and new town development projects are normally developed in several phases over a number of years and are primarily financed by the cash generated from the presale/sale of the Group's properties and land development as well as bank borrowings and other loans (such as loan notes and convertible debts). There is no fixed payment schedule for the Group's property and new town development projects and the Group is not subject to any regulatory, governmental or contractual requirements to abide by any fixed payment schedule. The progress of the development of each phase of a project is dependent on the funds then available to the Group. Based on the amount of funds available at the time, the Group will then determine the timetable for the development of the project, and set the payment schedule for such project, with reference to such timetable. As such, if there are new funds available to the Group, the Group may accelerate the timetable for the development of a project and accordingly accelerate the payment of funds in connection with such development. The management of the Group has been monitoring its cashflow position on a regular basis such that the development progress of its property development projects (hence the capital expenditure to be incurred) will match with its working capital available. After having taken into account (i) the Group's future capital commitment amounted to approximately HK$18.4 billion as at 31 October 2010 as disclosed under the section headed "Statement of Indebtedness" in appendix I to this circular; (ii) the current development progress and the corresponding presale/sale plans of the Group's property and new town development projects; and (iii) the past experience of the Company's management that the relocation of the existing residents underlying a land parcel will normally last for a long period of time and the relevant relocation cost will increase as the property market grows, the Directors are of the view that the Group's current cash and bank balances (which amounted to HK$3,060,058,000 as at 30 June 2010 as shown in the Company's interim report for the six months ended 30 June 2010) may not be sufficient for the Group to carry out the Relocation at a meaningful pace and at the same time, accommodate the future capital commitments of the Group's other property and new town development projects. As such, the additional working capital received upon Completion, will not only enhance the Group's ability in meeting its financial needs in respect of the Relocation, but will also accelerate the Group's overall progress of the Relocation by speeding up the payment of the Relocation costs, which will in turn mitigate the risks of the potential increase in the Relocation costs resulted from the continuous growth of the PRC's property market and shorten the investment period of the Qinhai Yuan Development Project. With the funding from the Subscription, the Company targets to complete the Relocation by the end of 2012 and obtain the land use rights of the relevant land parcel underlying the Qinhai Yuan Development Project in the first half of 2013.

The Directors have also considered a number of financing options such as bank borrowing. However, under the arrangement between the Group and the relevant land administration of Shanghai in respect of the Qinhai Yuan Development Project, the relevant land use rights (and other title certificates) will only be granted to the Group upon completion of the relevant Relocation and in the absence of which, it will not be plausible for the Group to apply/arrange for any bank loans from the PRC local banks with terms and amount which are meaningful to the Group or terms which match the pay-back period of the Qinhai Yuan Development Project, not to mention the fact that it is presently difficult for property developers in the PRC to obtain bank financing due to the PRC government's policies in curbing monetary supply in the PRC, especially the recent tightening credit policies for property development loans. In addition, even if the additional bank loans were made available, the gearing ratio of the Group (which amounted to approximately 55% as at 30 June 2010 according to the Company's interim report for the six months ended 30 June 2010) would be adversely increased and additional finance charges would be incurred, particularly under the situation of increase in the interest rates during the tenure of the bank loans.

In the event that the Subscription were not approved by the Independent Shareholders, and the Group were not able to seek any other acceptable financing methods, the Group might have to slow down the progress of the Relocation (hence the Qinhai Yuan Development Project) in the near term. The construction of the Qinhai Yuan Development Project can only commence after obtaining the land use rights of the underlying land. The PRC legal adviser of the Company has opined that there is no legal impediment for the Group to obtain the land use right of the relevant land parcel underlying the Qinhai Yuan Development Project if the Group completes the Relocation lawfully meeting the relocation requirements of the State-owned land use rights grant contract dated 23 August 2004 between the Company's wholly-owned subsidiary 上海琴海置業有限公司 (Shanghai Qinhai Real Estate Co., Ltd.) (now known as 上海金心置業有限公司 (Shanghai Jin Xin Real Estate Co., Ltd.)) and 上海黃浦區房屋土地管理局 (Shanghai Huangpu District House and Land Administration Bureau). As such, the Company does not foresee any risks of not obtaining such land use right provided that the Relocation has been completed.

Based on the above and, more importantly, the fact that the Subscription Price represents a premium to the prevailing market price of the Shares, the Directors consider that the Subscription represents a straightforward and cost-effective means of financing for the Group and is fair and reasonable and on normal commercial terms and the entering into of the Subscription Agreement is in the interests of the Group and the Shareholders as a whole.

The net proceeds from the Subscription are estimated to be approximately HK$562,000,000 and based on such estimated net proceeds, the net subscription price per Subscription Share would be approximately HK$0.80.

5. LISTING RULES IMPLICATIONS

Since the Subscriber is a controlling shareholder of the Company, the Subscriber is a connected person of the Company and, accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Subscription exceed 5%, the Subscription is subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to the Listing Rules. Mr. Shi Jian and Mr. Li Yao Min are shareholders and directors of the Subscriber and the Company, Mr. Yu Hai Sheng is a shareholder of the Subscriber, Mr. Shi Jian Dong is a shareholder and director of the Subscriber, and Md. Si Xiao Dong is the spouse of Mr. Shi Jian and both a shareholder and director of the Subscriber. Accordingly, the Subscriber, Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Shi Jian Dong and their respective associates (in aggregate holding 1,269,460,472 Shares) will abstain from voting at the SGM in respect of the resolution approving the Subscription and the issue of the Subscription Shares. The Directors have confirmed that so far as they are aware, save for the above, no other Shareholder is interested in the Subscription.

Mr. Shi Jian, Mr. Li Yao Min and Mr. Yu Hai Sheng, being materially interested in the Subscription and the Whitewash Waiver, abstained from voting in the meeting of the Board on the resolutions approving the Subscription and the Whitewash Waiver.

6. TAKEOVERS CODE IMPLICATIONS

As at the Latest Practicable Date, the Subscriber holds 1,098,400,938 Shares, and together with the Lent Shares, the Subscriber is interested in a total of 1,248,400,938 Shares, representing approximately 34.64% of the issued share capital of the Company. Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng and Mr. Shi Jian Dong, being persons acting in concert with the Subscriber, hold 7,246,887 Shares, 2,220 Shares, 5,172,220 Shares, 6,235,987 Shares and 2,402,220 Shares respectively, representing approximately 0.20%, 0.00006%, 0.14%, 0.17% and 0.07% of the issued share capital of the Company respectively. Md. He Pei Pei, the spouse of Mr. Zhuo Fumin who is an independent non-executive Director, being a person presumed to be acting in concert with the Subscriber under the Takeovers Code, holds 140,000 Shares. Therefore, the Subscriber and persons acting in concert with it are interested in a total of 1,269,600,472 Shares (or 1,119,600,472 Shares if excluding the Lent Shares), representing approximately 35.23% (or 31.07% if excluding the Lent Shares) of the issued share capital of the Company as at the

Latest Practicable Date. Upon Completion, 700,000,000 Subscription Shares will be issued to the Subscriber, and the interests of the Subscriber and persons acting in concert with it in the voting rights of the Company will be increased by more than 2% from approximately 35.23% (or 31.07% if excluding the Lent Shares) to approximately 45.76% (or 42.28% if excluding the Lent Shares) within the 12-month period immediately preceding the Completion Date (assuming that no additional Shares other than the Subscription Shares will be issued between the Latest Practicable Date and Completion). Accordingly, the Subscriber and persons acting in concert with it, in the absence of the Whitewash Waiver, would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company not already owned or agreed to be acquired by them.

The Subscriber has made an application to the Executive for the Whitewash Waiver and the Executive has indicated that it will grant the Whitewash Waiver, subject to, among others, the approval of the Independent Shareholders by way of poll at the SGM. The Subscriber and persons acting in concert with it (including Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Md. Si Xiao Dong, Mr. Shi Jian Dong and Md. He Pei Pei, in aggregate holding 1,269,600,472 Shares), their respective associates and those involved or interested in the Subscription and the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolutions approving the Subscription and the Whitewash Waiver. As at the Latest Practicable Date, the Subscriber and persons acting in concert with it had not received any irrevocable commitment from any Independent Shareholder that they will vote in favour of or against the resolutions approving the Subscription and the Whitewash Waiver at the SGM.

The Subscriber and each director and shareholder of the Subscriber has undertaken to the Company that apart from the Subscription Agreement, neither it/he/she nor any persons acting in concert with it/him/her will:

(a) from the date of the Subscription Agreement until the Completion Date acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of any voting rights in the Company; and

(b) within six months after the SGM, acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of any voting rights in the Company from or to a person who is a Director or substantial Shareholder.

7. INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, save for the outstanding Convertible Bonds which were convertible into 511,074,068 Shares, the Company did not have any options, warrants or convertible securities in issue.

The Subscriber and each of its directors and shareholders have confirmed that neither it/he/she nor any persons acting in concert with it/him/her:

(a) has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of the Subscription Agreement and up to the Latest Practicable Date;

(b) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;

(c) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or shares of the Subscriber and which might be material to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver with any other persons; and

(d) has any agreements or arrangements to which it/he/she is a party which relate to the circumstances in which it/he/she may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver, nor any such agreements or arrangements the consequences of its/his/her so invoking or seeking to invoke a pre-condition or a condition to such transactions would result in any break fees being payable.

For purposes of facilitating the dealing in the Convertible Bonds by the placees of the Convertible Bonds (the "**CB Investors**"), Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch, being the joint bookrunners of the Convertible Bonds, had demanded stock borrowing arrangements with the Subscriber, being the controlling Shareholder, for subsequent lending of the Shares to the CB Investors such that the CB Investors will be able to set up short positions to formulate arbitrage strategies to hedge against price changes in the Shares. Accordingly, the Subscriber entered into a stock borrow agreement with each of the Stock Borrowers to lend the Lent Shares to the Stock Borrowers. Since (i) neither of the Stock Borrowers are involved or interested in, or have participated in any negotiations relating to, the Subscription Agreement or the transactions contemplated thereunder or the Whitewash Waiver, (ii) according to the relevant stock borrow agreements relating to the Lent Shares, the Stock Borrowers have no obligations to exercise the voting rights attached to the Lent Shares in accordance with the instructions of the Subscriber, (iii) neither of the Stock Borrowers have advised the Subscriber in respect of the stock borrowing arrangements nor the Subscription nor the Whitewash Waiver, and (iv) neither of the Stock Borrowers had met or contacted the Subscriber, its representatives and/or persons acting in concert with the Subscriber in respect of the Subscription and the transactions contemplated thereunder and the Whitewash Waiver, they are not considered persons acting in concert with the Subscriber for the purpose of the Subscription and the Whitewash Waiver.

As at the Latest Practicable Date, (i) no holder of the Lent Shares is a person acting in concert with the Subscriber or is otherwise involved or interested in, or have participated in any negotiations relating to, the Subscription and the transactions contemplated under the Subscription Agreement or the Whitewash Waiver, and (ii) save for the lending of the Lent Shares, there are not any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Subscriber or any person acting in concert with it has borrowed or lent.

8. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not conduct any fund raising activities during the past twelve months immediately preceding the Latest Practicable Date.

9. GENERAL

Pursuant to the Listing Rules, the Subscription IBC comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder. Pursuant to the Takeovers Code, the Whitewash IBC comprising one of the non-executive Directors, namely Mr. Jin Bing Rong, and all the independent non-executive Directors has been established by the Company to make a recommendation to the Independent Shareholders (i) as to whether the Subscription and the Whitewash Waiver is or is not, fair and reasonable and (ii) as to how to vote in respect of the resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver. Since Mr. Cheung Wing Yui, the other non-executive Director, is a consultant of Messrs. Woo, Kwan, Lee & Lo, which is the Hong Kong legal advisers to the Company in relation to the Subscription and the Whitewash Waiver, Mr. Cheung Wing Yui has not been appointed as a member of the Whitewash IBC. No member of the Subscription IBC nor the Whitewash IBC has any interest or involvement in the transactions contemplated under the Subscription Agreement or the Whitewash Waiver. The Independent Financial Adviser has been appointed to advise the Subscription IBC, the Whitewash IBC and the Independent Shareholders in this regard, which appointment has been approved by the Subscription IBC and the Whitewash IBC respectively.

10. PRINCIPAL ACTIVITIES OF THE SUBSCRIBER AND THE GROUP

The principal activity of the Subscriber is investment holding.

The Group is an integrated property developer and is primarily engaged in the development and sale of residential and commercial properties in Shanghai City, Shenyang City and Haikou City, the PRC, with a specific focus on the middle to high-end residential properties. In addition, the Group is also engaged in the planning, managing and operating of new towns in the PRC.

11. THE SPECIAL GENERAL MEETING

Set out on pages SGM-1 to SGM-2 of this circular is a notice of the SGM to be convened and held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 27 January 2011 at 10:00 a.m. at which ordinary resolutions will be proposed for the Independent Shareholders to consider, and if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. In compliance in the Listing Rules, the votes to be taken at the SGM in respect of the resolutions to be proposed at the SGM will be taken by poll, the results of which will be published after the SGM.

To the best of Director's knowledge, information and belief, after making all reasonable enquiries, as at the Latest Practicable Date, save for the Lent Shares:

(a) (i) there were no voting trust or other agreements or arrangements or understandings (other than outright sale) entered into by or binding upon the Subscriber, Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Md. Si Xiao Dong and Mr. Shi Jian Dong and their respective associates; and

(ii) there were no obligations or entitlement of the Subscriber, Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Md. Si Xiao Dong and Mr. Shi Jian Dong and their respective associates,

whereby such persons had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to third parties, either generally or on a case-by-case basis; and

(b) there were no discrepancy between the beneficial shareholding interests of the Subscriber, Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Md. Si Xiao Dong and Mr. Shi Jian Dong and their respective associates and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the SGM.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch registrar, Tricor Tengis Limited, situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournments thereof. Completion and return of the proxy form will not preclude you from attending and voting at the SGM or any adjournments thereof should you so desire.

12. RECOMMENDATIONS

The Directors (including all the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the Subscription and the Subscription Agreement are fair and reasonable and on normal commercial terms, the Whitewash Waiver is fair and reasonable and the Subscription and the Whitewash Waiver are in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Your attention is drawn to:

(a) the letter from the Subscription IBC, the text of which is set out in page 20 of this circular;

(b) the letter from the Whitewash IBC, the text of which is set out in page 21 of this circular;

(c) the letter from the Independent Financial Adviser, the text of which is set out in pages 22 to 55 of this circular; and

(d) the letters and valuation certificates from Jones Lang LaSalle Sallmanns and DTZ Debenham Tie Leung, the texts of which are set out in Appendices II to III of this circular.

13. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
SRE Group Limited
Shi Jian
Chairman

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

10 January 2011

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY THE CONTROLLING SHAREHOLDER AND APPLICATION FOR WHITEWASH WAIVER

This independent board committee has been appointed to advise you on the terms of the Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 10 January 2011 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Subscription and the advice of the Independent Financial Adviser in relation thereto as set out on pages 22 to 55 of the Circular, we are of the opinion that the Subscription and the Subscription Agreement are fair and reasonable and on normal commercial terms and the entering into of the Subscription Agreement is in the interests of the Group and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
Subscription IBC

Jiang Xie Fu	**E. Hock Yap**	**Zhuo Fumin**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

* *For identification purpose only*

SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

10 January 2011

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY THE CONTROLLING SHAREHOLDER AND APPLICATION FOR WHITEWASH WAIVER

This independent board committee has been appointed to make a recommendation to you (i) as to whether the Subscription and the Whitewash Waiver is or is not, fair and reasonable and (ii) as to how to vote in respect of the resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 10 January 2011 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Subscription and the Whitewash Waiver and the advice of the Independent Financial Adviser in relation thereto as set out on pages 22 to 55 of the Circular, we are of the opinion that the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

Yours faithfully,
Whitewash IBC

Jin Bing Rong
Non-executive Director

Jiang Xie Fu
Independent non-executive Director

E. Hock Yap
Independent non-executive Director

Zhuo Fumin
Independent non-executive Director

* *For identification purpose only*

The following is the text of the letter of advice from OSK Capital Hong Kong Limited, the independent financial adviser to the Subscription IBC, the Whitewash IBC and the Independent Shareholders for the purpose of incorporation into the circular.

OSK Capital Hong Kong Limited
僑豐融資有限公司
Subsidiary of OSK Investment Bank Berhad, Malaysia

11/F., Hip Shing Hong Centre,
55 Des Voeux Road Central, Hong Kong

10 January 2011

The Subscription IBC, the Whitewash IBC and
the Independent Shareholders
SRE Group Limited

Dear Sirs,

CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Subscription IBC, the Whitewash IBC and the Independent Shareholders in connection with the Subscription and the Whitewash Waiver, details of which are set out in the circular of the Company dated 10 January 2011 (the "Circular") of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

On 9 December 2010, the Company entered into the Subscription Agreement with the Subscriber, whereby the Subscriber agreed to subscribe for 700,000,000 new Shares. The Subscriber, when the Subscription Agreement was entered into, was interested in approximately 34.64% of the issued share capital of the Company (including the Lent Shares) and was a controlling shareholder and thus a connected person of the Company under the Listing Rules. The Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A.

Following the allotment and issue of the 700,000,000 Subscription Shares, the aggregate shareholding interest of the Subscriber and the persons acting in concert with it will increase from approximately 35.23% of the existing issued share capital of the Company (including the Lent Shares) to approximately 45.76% of the issued share capital of the Company (including the Lent Shares) as enlarged by the Subscription Shares. As such, the Subscriber will be obliged to make a mandatory general offer for the Shares and other relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of the Company not held by the Subscriber and the persons acting in concert with it under Rule 26 of the Takeovers Code unless the Whitewash Wavier is obtained from the Executive. The Subscriber has made an application to the Executive for the Whitewash Waiver from an obligation to make such a general offer under Rule 26 of the Takeovers Code. The Executive has indicated that it will grant to the Subscriber the Whitewash Waiver subject to the approval of the Independent Shareholders at the SGM.

The Subscriber, the persons acting in concert with it and its associates, including Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Jian Dong and Md. He Pei Pei, and those Shareholders who are involved or interested in the Subscription and the Whitewash Wavier will abstain from voting at the SGM in respect of the resolutions approving the Subscription, the issue of the Subscription Shares and the Whitewash Waiver.

Under the Listing Rules, the Subscription IBC comprising all the independent non-executive Directors, namely Mr. Jiang Xie Fu, Mr. E Hock Yap and Mr. Zhuo Fumin, has been established to give advice and recommendation to the Independent Shareholders in respect of the Subscription. Under the Takeovers Code, the Whitewash IBC comprising a non-executive Directors, namely Mr. Jin Bing Rong, and all the independent non-executive Directors has been established to give advice and recommendation to the Independent Shareholders in respect of the Subscription and the Whitewash Waiver.

OSK Capital Hong Kong Limited has been appointed as the independent financial adviser to advise the Subscription IBC, the Whitewash IBC and the Independent Shareholders as to whether the terms of the Subscription, including the issue and allotment of the Subscription Shares and the other transactions contemplated thereunder, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and whether the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In formulating our opinion, we have relied upon the information, facts and representations contained in the Announcement, the Circular and those supplied or made available by the management of the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the management of the Company that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 13.80 of the Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor have we carried out any in-depth research on the Group, the Subscriber and their respective associates.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the Subscription and the Whitewash Waiver, we have taken into consideration the following principal factors:

Information on the Group

Business of the Group

The Group is principally engaged in the real estate development, property leasing and hotel operations in the PRC. The Group also principally engages in large-scale new towns planning and development through its listed subsidiary, China New Town Development Company Limited ("CNTD"). The Group is a property developer in China, focusing primarily on developing residential and commercial properties in Shanghai and adjacent cities, as well as Liaoning province (such as Shenyang city), Hainan province (such as Haikou city) and Zhejiang province (such as Jiaxing city). We understand from the Company that it has been focusing on the development of middle to high-end residential and commercial properties in, among others places, Shanghai, Shenyang, the capital city of Liaoning province, and Haikou, the capital city of Hainan province and Jiaxing, one of the cities in Zhejiang province. As mentioned in the annual report for the year ended 31 December 2009, the Group has been gradually building more commercial properties such as office buildings, hotels and shopping malls, aiming at becoming a fully integrated trans-regional real estate developer.

Property development is the core business of the Group. As set out in the annual report for the year ended 31 December 2009, the Group's major projects for sale in (i) Shanghai included Albany Oasis Garden Phase II, Cedar Island Oasis Garden, Lake Malaren Garden, Rich Gate Sea View, Central-Ring Centre; (ii) Haikou, Haikou Bund Center; and (iii) Shenyang, Shenyang Yosemite Oasis Community which the Group sold gross floor area of 303,921 square metres, generating sales proceeds of HK$5.93 billion during the year. As set out in the interim report for the six months ended 30 June 2010, the Group owned 14 property development projects as at 30 June 2010, which are located at Shanghai, Wuxi, Shenyang and Haikou.

The Group's residential projects are typically large-scale developments in prime locations within cities, and these projects typically incorporate a variety of comprehensive amenities and public facilities. The Group usually operates and manages such amenities and public facilities. Due to the scale of the projects, the projects would be developed in several phases over a number of years. Set out below is a table summarising the Group's property development projects as at 30 June 2010:

Project	Type	Location	Site Area	Gross Floor Area	Year of commencement	Expected year of completion of the whole project	% Holding
			(m^2)	*(m^2)*			
Long Island Oasis Garden/Cedar Island Oasis Garden	Residential	Songjiang District/ Southwest, Shanghai	471,000	579,531	2000	2010	98.75%
Oasis Central Ring Center	Mixed	Putou District/ Downtown, Shanghai	75,875	305,146	2002	2012	96.79%
Albany Oasis Garden	Mixed	Zhabei District/ Downtown, Shanghai	165,428	608,307	2005	2016	100%
Rich Gate Sea View	Mixed	Shangyang Town, Jinshan District/ Southwest, Shanghai	35,832	109,756	2008	2010	98.75%
Lake Malaren Golf Villa (Lake Malaren Garden)	Residential	Baoshan District/ Northeast, Shanghai	120,595	132,600	2008	2011	99%
Shenyang Yosemite Oasis Community	Residential	Dongling District/ Southeast Shenyang	425,732	497,086	2008	2013	100%
The Bund Center Haikou	Mixed	Longhua District/ Downtown, Haikou	227,273	921,918	2008	2015	79%
Cedar Villa Original	Residential	Baoshan District/ Northeast, Shanghai	96,786	116,210	2009	2011	98.75%
Shenyang Albany	Mixed	Heping District/ Downtown, Shenyang	158,536	955,668	2009	2017	70%
Rich Gate Mansion	Residential	Minhang District/ Southwest, Shanghai	103,164	18,054	2010	2011	27.70%

Project	Type	Location	Site Area (m^2)	Gross Floor Area (m^2)	Year of commencement	Expected year of completion of the whole project	% Holding
Wuxi Project	Residential	Wuxi New Area	48,620	71,405	2010	2011	98.75%
Shanghai Huangpu Bairun Project	Commercial, Residential	Huangpu District/ Downtown, Shanghai	23,040	40,645	2011	2013	50.36%
Qinhai Yuan	Residential, Commercial	Huangpu District/ Downtown, Shanghai	37,129	211,813	2011	2015	100%
Shanghai Pudong Project	Residential	Pudong District, Shanghai	58,178	48,288	Not started	–	98.75%

We understand from the Company that the Group finances its projects primarily through bank and other loans (such as loan notes and convertible debts) and internally generated cash flow, including proceeds from pre-sales of its properties.

As part of the Group's real estate development related activities in land infrastructure development and construction of ancillary public facilities are undertaken by its subsidiary, CNTD, which is listed on the Singapore Stock Exchange and the Stock Exchange. As at 31 December 2008, CNTD was a 32.03%-owned associate of the Company. With effect from 9 September 2009, CNTD was deemed as a subsidiary of the Company as a result of further acquisitions of CNTD shares by the Group and share repurchases by CNTD. The Company's shareholding interest in CNTD increased to 50.07% as at 31 December 2009. Accordingly, revenue from land infrastructure development generated by CNTD was consolidated and recorded as turnover in the Group's income statement since the year ended 31 December 2009.

Land infrastructure development involves planning and development of large-scale new town projects located in the suburban areas at major cities in the PRC. The development typically includes the design of the master plan of the new town, relocation and resettlement of incumbent residents and businesses, the clearing and preparation of the land and the installation of infrastructure. CNTD clears and prepares a majority of residential development plots so that they are suitable for sale by the relevant PRC land authorities to third-party residential property developers. As at 30 June 2010, CNTD had three land infrastructure projects namely (i) Shanghai Luodian New Town; (ii) Wuxi Hongshan New Town; and (iii) Shenyang Lixiang New Town, with total site areas of 35.48 square kilometres.

The Group also generated revenue from (i) the leasing of offices and commercial properties owned by the Group; and (ii) hotels operations.

Relocation projects

The Group has four property development projects in Shanghai and Shenyang which require relocation of existing residents – relocation projects. Under the applicable laws and local regulations, the property developer of a relocation project is subject to resettlement requirements and is required to compensate the owners or residents of those existing buildings on the land to be developed for relocation and resettlement.

We understand from the Company that it intends to apply the net proceeds from the Subscription for the Qinhai Yuan Development Project (located at Huangpu District/ Downtown, Shanghai) which is undertaken by a wholly-owned subsidiary of the Group, Shanghai Jinxin Real Estate Company Limited. The Group plans to develop a complex comprising high-end residential and commercial blocks. The Group entered into a State-owned land use rights grant contract on 23 August 2004 in respect of this project. Pursuant to the contract, the Group shall be granted the land use right of the relevant land subject to the Group completing the relocation of the existing residents and the subsequent demolition of the buildings (the "Relocation") on the land at its own cost. The Group has been extending with the approval of the relevant authority in the PRC the time allowed to complete the Relocation when necessary. The PRC legal adviser of the Company has opined that there is no legal impediment for the Group to obtain the land use right if the Group completes the Relocation lawfully meeting the relocation requirements of the relevant land use rights grant contract.

As set out in the interim report for the six months ended 30 June 2010, the Group's plan in respect of the Qinhai Yuan Development Project is as follows:

	Gross floor area *(sq.m.)*	**Saleable area** *(sq.m.)*	**Year of commencement**	**Expected year of completion of the whole project**
Residential Phase I	70,693	70,693	2011	2014
Residential Phase II	30,297	30,297	2012	2015
Commercial Phase I	41,939	41,939	2011	2014
Commercial Phase II	10,800	10,800	2012	2015
Facilities	58,084	–	2011	2015
	211,813	153,729		

Financial performance of the Group

As set out in the annual reports for the three years ended 31 December 2007, 2008 and 2009 and the interim reports for the six months ended 30 June 2009 and 2010, the Group's operations are categorised into the following segments:

(i) the property development segment develops and sells residential and commercial properties;

(ii) the land infrastructure development segment engages in land infrastructure development and construction of ancillary public facilities;

(iii) the property leasing segment engages in the leasing of offices and commercial properties owned by the Group which are classified as investment properties;

(iv) the hotel operations segment provides hotel accommodation, hotel catering and conference hall services; and

(v) the corporate and other operations.

The following are extracts from the annual reports for the years ended 31 December 2007, 2008 and 2009 and the interim reports for the six months ended 30 June 2009 and 2010.

	For the six months ended 30 June 2010	For the six months ended 30 June 2009	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Segment revenue					
Property development	1,579,548	237,376	1,552,399	3,515,811	3,209,511
Land infrastructure development	147,420	–	910,900	–	–
Property leasing	68,210	46,444	113,320	67,663	40,846
Hotels operations	125,485	62,293	159,196	96,886	39,030
Corporate and other operations	63,555	41,497	94,781	59,505	61,059
Total revenue	1,984,218	387,610	2,830,596	3,739,865	3,350,446
Gross profit	745,807	111,425	1,236,665	894,878	636,517
Profit attributable to shareholders	160,771	177,264	785,081	247,936	1,019,040
Dividends					
– total amount	–	–	158,571	–	96,000
– per share	–	–	HK$0.044	–	HK$0.035
Segment profit/(loss)					
Property development	530,399	14,001	253,150	852,599	555,733
Land infrastructure development	(48,258)	–	532,297	–	–
Property leasing	29,033	(5,507)	628,570	1,369,402	968,581
Hotel operations	(41,030)	(73,472)	(121,281)	(107,322)	(76,503)
Corporate and other operations	(61,274)	274,262	487,865	(135,619)	206,322
Total	408,870	209,284	1,780,601	1,979,060	1,654,133

For the three years ended 31 December 2007, 2008 and 2009, the Group recorded revenue of HK$3.35 billion, HK$3.74 billion and HK$2.83 billion respectively, representing an increase of 12% for the year ended 31 December 2008 and a decrease of 24% for the year ended 31 December 2009. We understand from the Company that the amount of properties pre-sold in the year ended 31 December 2008 decreased as a result of the global economic downturn in the second half of 2008. For the six months ended 30 June 2010, the Group recorded revenue of HK$1.98 billion, representing an increase of 412% when it is compared with the revenue of HK$387.6 million for the six months ended 30 June 2009. The increase in revenue for the period was mainly due to an increase in property sales. We understand from the Company that a substantial portion of the advances from properties pre-sold as at 31 December 2009 and 2008 were recognised as revenue during the year ended 31 December 2010 and 2009 respectively. The increase in revenue for the six months ended 30 June 2010 was mainly due to the increase in pre-sales of properties during the year ended 31 December 2009 when comparing with that during the year ended 31 December 2008. In addition, the increase in revenue for the six months ended 30 June 2010 was also attributable to the consolidation of CNTD into the Group's financial statements with effect from 9 September 2009, i.e. the Group's revenue for the six months ended 30 June 2009 did not include CNTD's revenue.

The property development segment accounted for 96%, 94%, 55% and 80% of the Group's total turnover for the three years ended 31 December 2007, 2008, 2009 and for the six months ended 30 June 2010 respectively.

For the year ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, the Group's gross profit margin was 19%, 24%, 44% and 38% respectively. The increase in the Group's profit margin in 2009 was mainly due to the consolidation of CNTD's results (CNTD's gross profit margin was 60% for 2009). Other factors led to the increase in gross profit margin in 2008 and 2009 included (i) an increase in average property selling price; and (ii) the relatively low land cost of those properties sold.

For the year ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, profit attributable to the shareholders amounted to HK$1,019 million, HK$247.9 million, HK$785.1 million and HK$160.8 million respectively. The fluctuation of the net profit level was mainly a result of, among other things, progress of the Group's projects and the sales of completed properties.

Financial position of the Group

Set out below is a summary of the consolidated balance sheet of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 as extracted from the respective annual reports and interim report.

	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Audited)	As at 31 December 2008 HK$'000 (Audited)	As at 31 December 2007 HK$'000 (Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	2,601,229	2,684,121	1,668,269	1,429,956
Completed investment properties	6,388,167	6,329,400	5,248,073	1,842,375
Investment properties under construction	330,124	193,879	–	–
Properties under development for long-term investment	–	–	–	880,124
Prepaid land lease payments	566,574	565,492	885,914	1,108,527
Goodwill	640,406	453,788	447,495	422,627
Interests in associates	66,979	87,807	530,402	972,668
Financial asset at fair value through profit and loss	82,210	–	–	–
Deferred tax assets	202,337	177,588	19,811	–
Non-current accounts receivable	98,822	106,365	–	–
Other non-current assets	338,858	362,935	279,042	63,159
	11,315,706	10,961,375	9,079,006	6,719,436
Current assets				
Prepaid land lease payments	9,424,874	7,954,454	6,654,264	5,554,483
Properties held or under development for sale	6,113,290	4,705,378	3,096,513	4,109,523
Land infrastructure under development for sale	4,534,050	4,353,169	–	–
Inventories	37,833	19,852	30,885	24,673
Amounts due from associates	1,839	1,825	138,968	11,048
Prepayments and other current assets	110,686	261,014	66,404	78,891
Other receivables	1,384,756	1,329,071	642,145	1,106,464
Accounts receivable	305,905	401,322	18,165	54,817
Prepaid income tax	–	83,820	5,303	23,837
Cash and bank balances	3,060,058	4,602,822	1,575,476	1,939,359
	24,973,291	23,712,727	12,228,123	12,903,095
Total assets	36,288,997	34,674,102	21,307,129	19,622,531

	As at 30 June 2010	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Audited)	(Audited)
LIABILITIES				
Non-current liabilities				
Interest-bearing bank and other borrowings	8,951,020	5,942,549	3,045,114	2,629,211
Guaranteed senior notes	554,927	552,463	1,537,947	1,540,928
Deferred income from sale of golf club membership	628,890	639,041	–	–
Deferred tax liabilities	1,921,787	1,638,787	1,430,596	755,355
	12,056,624	8,772,840	6,013,657	4,925,494
Current liabilities				
Interest-bearing bank and other borrowings	649,884	1,589,958	1,495,640	1,164,570
Convertible bonds-host debts	316,284	312,219	62,008	35,363
Derivative financial liabilities	–	–	88,470	19,604
Advances received from the pre-sale of properties under development	4,952,860	4,943,649	1,171,996	2,392,775
Accounts payable	2,796,870	3,176,373	1,357,377	1,596,202
Other payables and accruals	2,332,343	2,339,360	2,241,817	2,072,911
Current income tax liabilities	1,352,257	1,428,561	983,491	831,880
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	19,312	377
	13,270,933	14,593,582	7,420,111	8,113,682
Total liabilities	25,327,557	23,366,422	13,433,768	13,039,176
EQUITY				
Equity attributable to shareholders	8,280,133	8,191,741	6,472,585	5,799,886
Non-controlling interest	2,681,307	3,115,939	1,400,776	783,469
Total equity	10,961,440	11,307,680	7,873,361	6,583,355
Total equity and liabilities	36,288,997	34,674,102	21,307,129	19,622,531

The total assets amounted to HK$19.6 billion, HK$21.3 billion, HK$34.7 billion and HK$36.3 billion respectively as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, representing an increase of 85% from 31 December 2007 to 30 June 2010.

As at 30 June 2010, the non-current assets comprised mainly properties, plants and equipment, and investment properties totaling HK$11.32 billion. The current assets, which comprised mainly prepaid land lease payments, properties held or under development for sale, land infrastructure under development for sale and cash and bank balances, totaling HK$25.0 billion as at 30 June 2010. The amount of cash and bank balances decreased from HK$4.6 billion as at 31 December 2009 to HK$3.1 billion as at 30 June 2010, representing a decrease of 33.5%. We understand from the Company that the cash outflow was mainly used to fund the development of different projects.

The total liabilities as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 amounted to HK$13.0 billion, HK$13.4 billion, HK$23.4 billion and HK$25.3 billion respectively, representing an increase of 95% from 31 December 2007 to 30 June 2010. As at 30 June 2010, the major liabilities comprised interest-bearing bank and other borrowings of HK$9.6 billion (including both non-current and current portions), advances received from the pre-sale of properties under development of HK$4.95 billion and accounts payable of HK$2.8 billion. The amount of interest-bearing bank and other borrowings increased substantially from HK$3.8 billion to HK$9.6 billion from 31 December 2007 to 30 June 2010, representing an increase of 153%. The increase in borrowings related to an increase in the Group's real estate developments; and the consolidation of CNTD in 2009 (CNTD had bank borrowings of HK$2.3 billion as at 30 June 2010).

Set out below is the Group's unaudited debt and capital capitalisation as at 30 June 2010.

	As at 30 June 2010 *HK$'000* (Unaudited)
Short-term bank and other borrowings	649,884
Guaranteed notes – current	98,817
Convertible bonds	316,284
Long-term bank and other borrowings	8,951,020
Guaranteed notes – non-current	554,927
Total debts	**10,570,932**
Capital and reserves	
Issue capital and share premium	4,736,489
Other reserves	1,307,194
Retained earnings	2,236,450
Total capital and reserves	**8,280,133**
Total capitalisation	**18,851,065**

As at 31 December 2009, the gearing ratio of the Group amounted to 45% (2008: 51%), calculated on the basis of the net payables and borrowings (after deducting cash and bank balance of HK$4,603 million) over total capital (total equity plus net payables and borrowings). As at 30 June 2010, the gearing ratio of the Group further increased to 55%.

Based on the Company's indebtedness statement set out in Appendix I to the Circular, the total indebtedness of the Group increased to HK$11,410 million as at 31 October 2010. The increase as compared with the total indebtedness as at 30 June 2010 was mainly a result of an increase in long-term bank and other borrowings from HK$8,951 million as at 30 June 2010 to HK$9,905 million as at 31 October 2010. As at 31 October 2010, the Group also had total capital commitment of HK$18,447 million in respect of various business developments of the Group.

On 24 April 2006, the Company issued guaranteed senior notes maturing on 24 April 2013, with an aggregate principal amount of US$200 million and a fixed interest rate of 8.625% per annum (the "2013 Guaranteed Notes"), which are quoted on the Stock Exchange. As at the Latest Practicable Date, the yield to maturity of the 2013 Guaranteed Notes was 12.214%.

On 12 September 2008, CNTD issued senior secured guaranteed notes maturing on 12 September 2011, with an aggregate principal amount of RMB593.3 million and a fixed interest rate of 17.75% per annum (the "CNTD Guaranteed Notes").

As at 30 June 2010, the total outstanding balances of the guaranteed senior notes (including the 2013 Guaranteed Notes and the CNTD Guaranteed Notes) issued by the Group amounted to HK$653.7 million (including both non-current and current portions).

On 19 November 2010, CNTD repurchased all the outstanding CNTD Guaranteed Notes.

The convertible bonds-host debts on the Group's balance sheet represent the Convertible Bonds issued by the Company on 23 July 2009. The Convertible Bonds have an aggregate principal amount of RMB446.9 million with coupon interest rate of 6% per annum and are quoted on the Stock Exchange. The conversion price is HK$1.056 per Share, representing a conversion rate of 107,390.5304 Shares per each RMB100,000 of the Convertible Bonds. As at the Latest Practicable Date, the closing price per Share as quoted on the Stock Exchange was HK$0.82 and the yield to maturity of the Convertible Bonds was 5.586%. As compared to the 2013 Guaranteed Notes, the Convertible Bonds have a much lower yield as the Convertible Bonds are embedded with options to convert into new Shares. The Convertible Bonds are out of the money. As at 30 June 2010, the carrying value of the Convertible Bonds amounted to HK$316.3 million (not including the equity component of HK$179.4 million) and the fair value was HK$388.6 million.

We note that the Group's total indebtedness increased substantially from HK$6.1 billion to HK$10.6 billion from 31 December 2008 to 30 June 2010 to support the Group's business expansion. The interest expenses charged to the Group's income statement for the year ended 31 December 2008 and 2009 amounted to HK$11.1 million and HK$179.1 million respectively, representing a substantial increase of 1514%. The Group's interest expenses charged to the income statement for the six months ended 30 June 2009 and 2010 amounted to HK$12.8 million and HK$121.2 million respectively, representing a substantial increase of approximately 847%. The increase in the interest expenses was principally due to the increase in total interest-bearing borrowings as set out above.

The Group is a property developer in the PRC. In order to better understand the gearing position of the Group, based on the information from the Stock Exchange's website, we have identified 46 companies ("Comparable Companies") listed on the Main Board of the Stock Exchange as set out in the table below which are principally engaged in property development in the PRC (with turnover derived from property development in the PRC accounted for over 50% of the total turnover of the relevant Comparable Companies in their respective latest completed financial year) and examined the gearing ratios and the interest coverage ratios of the Comparable Companies. For the purpose of the comparison, the gearing ratios of the Comparable Companies are calculated on the same basis as that of the Group, i.e. net payables and borrowings (after deducting cash and bank balance) over total capital (total equity plus net payables and borrowings) based on information disclosed in their latest published financial information; and the interest coverage ratios of the Group and the Comparable Companies are calculated on the basis of earnings before interest and taxes over total interest expenses (including capitalised interests) based on information disclosed in their latest published annual results.

Table 1:

Stock code	Company	Gearing ratio	Interest coverage ratio	PER as at the Latest Practicable Date *(Note 1)*	PBR as at the Latest Practicable Date *(Note 2)*
		%	*times*	*times*	*times*
169	Hengli Properties Development (Group) Limited	90.18%	1.77	46.34	4.35
1918	Sunac China Holdings Limited	78.53%	6.85	N/A	N/A
3900	Greentown China Holdings Limited	74.28%	1.20	13.88	1.77
1383	Hong Long Holdings Limited	65.41%	1.29	30.72	0.75
1124	Coastal Greenland Limited	62.41%	1.70	6.79	0.43
2337	Shanghai Forte Land Co., Ltd.	63.94%	1.78	12.87	1.00
2777	Guangzhou R&F Properties Co., Ltd.	59.73%	3.79	12.14	2.42
3333	Evergrande Real Estate Group Limited	56.97%	1.20	53.70	4.43
2868	Beijing Capital Land Ltd.	46.88%	4.00	9.47	1.24
337	SPG Land (Holdings) Limited	74.23%	4.77	5.86	1.14
1777	Fantasia Holdings Group Co., Limited	38.56%	4.39	12.74	1.71
119	Poly (Hong Kong) Investments Limited	49.56%	1.50	27.67	1.55
3377	Sino-Ocean Land Holdings Limited	45.85%	2.91	14.31	1.27
2118	Tian Shan Development (Holding) Limited	77.67%	1.64	N/A	N/A
813	Shimao Property Holdings Limited	49.70%	5.29	11.57	1.92
123	Yuexiu Property Company Limited	48.09%	3.30	N/A	1.28
960	Longfor Properties Co. Ltd.	67.15%	2.61	20.35	4.53
3383	Agile Property Holdings Limited	59.91%	5.70	22.79	2.88
817	Franshion Properties (China) Limited	36.02%	4.22	17.80	1.29
1638	Kaisa Group Holdings Ltd.	42.84%	2.10	17.89	2.09
1813	KWG Property Holding Limited	57.14%	2.80	23.35	1.86
845	Glorious Property Holdings Limited	38.77%	3.11	6.71	1.98
2007	Country Garden Holdings Company Limited	40.95%	3.54	21.34	2.30
588	Beijing North Star Company Limited	51.14%	4.09	4.31	0.60
1109	China Resources Land Limited	37.86%	10.21	17.03	1.89
846	Mingfa Group (International) Company Limited	58.18%	14.98	12.22	3.38
604	Shenzhen Investment Limited	37.01%	3.67	9.63	0.77
688	China Overseas Land & Investment Ltd.	41.94%	14.81	16.92	2.73
1966	China SCE Property Holdings Limited	30.94%	5.22	11.08	0.17
95	New Heritage Holdings Ltd.	18.37%	1.65	20.36	0.41
3883	China Aoyuan Property Group Limited	35.43%	3.10	10.64	0.73
755	Shanghai Zendai Property Limited	58.12%	5.06	7.32	0.81
535	Frasers Property (China) Limited	25.91%	8.23	7.36	0.71
1628	Yuzhou Properties Company Limited	38.95%	14.66	3.75	1.59
754	Hopson Development Holdings Limited	40.25%	7.95	2.50	0.51
272	Shui On Land Limited	37.45%	5.23	6.55	0.90

Stock code	Company		Gearing ratio	Interest coverage ratio	PER as at the Latest Practicable Date *(Note 1)*	PBR as at the Latest Practicable Date *(Note 2)*
			%	*times*	*times*	*times*
410	SOHO China Limited		29.16%	16.68	8.86	1.85
917	New World China Land Limited		25.96%	4.88	6.13	0.48
672	Zhong An Real Estate Limited		29.89%	15.30	9.61	1.03
230	Minmetals Land Limited		(4.49%)	3.18	21.79	1.09
1238	Powerlong Real Estate Holdings Limited		14.50%	27.40	2.46	1.21
1224	C C Land Holdings Limited		25.09%	0.22	N/A	0.69
28	Tian An China Investments Company Limited		11.81%	12.02	8.40	0.79
1838	China Properties Group Limited		10.53%	46.49	0.51	0.14
258	Tomson Group Limited		(88.79%)	124.94	3.28	0.50
164	China Gamma Group Limited		48.33%	N/A	N/A	5.63
		Maximum	90.18%	124.94	53.70	5.63
		Minimum	(88.79%)	0.22	0.51	0.14
		Median	42.39%	4.09	11.57	1.25
		Average	42.14%	9.37	14.12	1.61
		Maximum(1)	90.18%	46.49		
		Minimum(1)	10.53%	0.22		
		Median(1)	44.35%	4.05		
		Average(1)	46.17%	6.74		
	The Group		55.00%	3.38	3.35	0.36
	The Subscription		N/A	N/A	3.31	0.35

(1) Excluding Minmetals Land Limited and Tomson Group Limited, which had a net cash position, for gearing ratio analysis and excluding Tomson Group Limited for interest coverage ratio analysis, which is considered to be an outlier.

Notes:

1. Data regarding the PERs of the Comparable Companies are sourced from Infocast as at the Latest Practicable Date.

2. Data regarding the PBRs of the Comparable Companies are sourced from Bloomberg as at the Latest Practicable Date.

3. The PER in relation to the Subscription is a fraction of which the numerator (the price) is HK$0.81, being the Subscription Price and the denominator (the earnings) is HK$0.2447, being the basic earnings per share attributable to ordinary equity holders for the year ended 31 December 2009.

4. The PBR in relation to the Subscription is a fraction of which the numerator (the price) is HK$0.81, being the Subscription Price and the denominator (the book value) is HK$2.2976, being the consolidated net assets value per share as at 30 June 2010.

As shown in the above table, the average gearing ratio of the Comparable Companies (excluding Minmetals Land Limited and Tomson Group Limited) is 46.17%. The Group's gearing ratio was 55% based on its interim report as at 30 June 2010 which falls in the upper range among the Comparable Companies. After the Subscription, the adjusted gearing ratio of the Group would decrease to 52.42%.

The interest coverage ratios of the Comparable Companies (excluding Tomson Group Limited) ranged from 0.22 times to 46.49 times with an average interest coverage ratio of 6.74 times. Although the Group has a relatively high gearing, it maintains a healthy interest coverage ratio. The Group's interest coverage ratio was 3.38 times based on its results for the year ended 31 December 2009. If the Group were to borrow further money at an interest equivalent to the prevailing yield of the 2013 Guaranteed Notes instead of the Subscription, the adjusted interest coverage ratio of the Group would decrease to 2.97 times.

Cash flow position

Set out below is a summary of the condensed consolidated cash flow statement of the Group for the year ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010 as extracted from the respective annual reports and interim reports.

	For the six months ended 30 June 2010	**For the six months ended 30 June 2009**	**For the year ended 31 December 2009**	**For the year ended 31 December 2008**	**For the year ended 31 December 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Net cash (outflow)/inflow from operating activities	(3,119,920)	62,384	2,351,737	(1,055,775)	435,162
Net cash (outflow)/inflow from investing activities	(368,794)	(185,080)	(542,292)	(625,872)	(110,445)
Net cash inflow/(outflow) from financing activities	1,912,607	182,264	1,447,458	598,544	426,125
Net (decrease)/increase in cash and cash equivalents	(1,576,107)	59,568	3,256,903	(1,083,103)	750,842

For the year ended 31 December 2009, the Group had net cash inflow from operating activities of HK$2.4 billion. For the six months ended 30 June 2010, the Group had a net cash outflow of HK$3.1 billion in relation to its operating activities. We understand from the Company that it was mainly due to cash requirements to fund property development projects and a decrease in cash inflows from pre-sales of properties when comparing with the year ended 31 December 2009.

Prospects

As set out in the annual report for the year ended 31 December 2009, the PRC real estate market rebounded in 2009. At the beginning of 2009 after the global financial crisis, the PRC government continued its preferential policies for stimulating the market. In mid-2009, it increased land supply with a view to rectifying market order. Since the last quarter of 2009, the PRC government started to impose different requirements and measures, including among other things, requirements under the Notice on Adjusting the Business Tax Policy on Transfers of Residential Properties by Individuals issued by the Ministry of Finance, the Ministry of Land and Resources, the People's Bank of China, the Ministry of Supervision and the National Audit Office of the PRC on 18 November 2009 and the Notice on Further Strengthening the Income and Expenditures Management Relating to Land Grants issued by the Ministry of Finance on 22 December 2009, with a view to regulating the management of income and expenditure on land grants, curbing excessive increases in land prices and discouraging speculative activities in the secondary market and controlling soaring housing prices. As set out in the Group's interim report for the six months ended 30 June 2010, the rapid growth momentum in the PRC real estate market in the second half of 2009 extended into the first quarter of 2010. In 2010, the PRC government implemented further restrictive measures to curb the rising housing prices. Consequently, the amount of commodity properties sold in the PRC was moderated.

For the second half of 2010, the Company expects the market to slow down and become relatively stable.

Major risk factors about the Group's businesses

The Group is a regional property developer in the PRC as it is mainly focusing on three areas, namely Shanghai, Shenyang and Haikou. As a regional property developer with a high geographic land bank concentration, the Group's earnings and net asset value will be impacted negatively if the property market slows down and/or the performance of any one of these individual real estate markets declines. The prospect of the Qinhai Yuan Development Project is very much dependent on the performance of the property market in Shanghai at the time when the project is launched to the market.

Other major risk considerations in respect of the Group include:

(i) measures promulgated by the PRC government from time to time to rein in speculation which may affect investment sentiment towards the property market, particularly the high-end market;

(ii) volatility in property prices and sales volume which may adversely affect the Group's financial performance and earnings prospects;

(iii) execution risks relating to the Group's expansion plan as it seeks to expand beyond Shanghai and other major cities into property markets of new cities;

(iv) increases in interest rate which will increase the finance cost of the Group;

(v) increases in demolition and resettlement costs associated with redevelopment projects, including the Qinhai Yuan Development Project, which may adversely affect the prospect of the project; and

(vi) change in tax regime in the PRC which may increase the taxation expenses and adversely affect the cash flow position of the Group.

The prospect of the Qinhai Yuan Development Project may be adversely affected by the restrictive measures adopted from time to time by the PRC government to curtail the overheating of the real estate market. Continuing volatility in the Shanghai property market may also adversely affect the outcome of the Qinhai Yuan Development Project. We consider that the above are intrinsic risks that the Group has to face after it has decided to carry on the project. With additional funding from the Subscription, the Group will be able to progress with the timely development of the Qinhai Yuan Development Project and will be in a better position to manage the relevant risks, which shall be in the interests of the Company and its Shareholders as a whole.

Shanghai property market

Shanghai is a major city in the PRC. Real estate market of the city has been growing in tandem with the rapid development of the city's population and economy.

Based on the information published by the Shanghai municipal government, sales of commodity properties, including residential properties, office and commercial properties and others, increased from RMB55.5 billion in 2000 to RMB433.0 billion in 2009, representing a compound annual growth rate of 86.6%. The table below also sets out the changes in price level of Shanghai real estates from 2000 to 2009 as published by the Shanghai municipal government in its website.

REAL ESTATE LEASING AND LAND EXCHANGE PRICE INDEX
(based on price level at 2000 as 100)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Price Index of Real Estate Leasing	**104.9**	**103.9**	**106.0**	**111.9**	**115.9**	**120.6**	**126.7**	**132.6**	**133.4**
Residential	107.4	107.4	108.7	110.1	113.7	116.4	123.9	129.2	129.6
Offices	98.6	97.9	103.0	110.1	117.2	121.6	127.1	134.2	135.5
Commercial and business housing	107.2	104.0	102.8	110.4	111.4	118.2	125.1	131.3	132.2
Other	–	–	–	–	133.7	135.1	137.2	137.2	137.2

According to an article published by the Shanghai government, during the first five months of 2010, properties in Shanghai in terms of area decreased by 26% as compared with the corresponding period in 2009. Although there was some reduction in selling prices with a view to promoting sales, the decrease was not significant. Investments in the property market in Shanghai continued to increase. During the first five months of 2010, investments in Shanghai residential properties increased by 46.8%, investments in Shanghai office buildings increased by 33%, investments in Shanghai commercial properties increased by 60% and investments in other properties increased by 8%.

The outlook for Shanghai's residential market will continue to depend on the timing and strength of future government policies. According to the new property controlling measures promulgated in October 2010, among others, residents and non-residents in Shanghai are only allowed to buy one residential property within a period of time. As a result, the overall transaction volume in the residential market is expected to decline while prices may also ease. Nevertheless, some investors can be expected to buy one higher-end residential property, as opposed to multiple cheaper lower end properties, in order to maximize their capital exposure to the residential market while complying with the "one-home" purchase restriction. This may result in support for the high end market.

Background of the Subscriber

The Subscriber is an investment holding company and has been the Group's controlling shareholder since 1999.

The shareholders of the Subscriber consist of Mr. Shi Jian (holding a 33% interest), Md. Si Xiao Dong (the spouse of Mr. Shi Jian, holding a 30% interest), Mr. Li Yao Min (holding a 5% interest), Mr. Yu Hai Sheng (holding a 5% interest), Mr. Shi Jian Dong (holding a 5% interest), Mr. Jiang Xu Dong (holding a 2% interest), Mr. Shi Pin Ren (holding a 1% interest), Mr. Yue Wai Leung Stan (holding a 2% interest), Ms. Gu Biya (holding a 1% interest), Ms. Song Yiqing (holding a 1% interest), Mr. Mao Yiping (holding a 1% interest), Mr. Yang Yonggang (holding a 1% interest), and other relatives of Mr. Shi Jian and/or Md. Si Xiao Dong (holding in an aggregate 8% interest), and unrelated parties comprising 4 long term employees of the Group, namely Mr. Wang Zi Xiong (holding a 2% interest), Mr. Huang Wei Lun (holding a 1% interest), Ms. Li Hua (holding a 1% interest) and Ms. Yin Lan (holding a 1% interest). Each of Mr. Shi Jian, Mr. Li Yao Min and Mr. Yue Wai Leung Stan is both a Director and a director of CNTD. Each of Mr. Yu Hai Sheng, Mr. Jiang Xu Dong and Mr. Shi Pin Ren is a Director. Each of Ms. Gu Biya, Ms. Song Yiqing, Mr. Mao Yiping and Mr. Yang Yonggang is a director of CNTD.

The Subscription reflects the long-term commitment and support of the Subscriber to the Company.

Reasons for and benefits of the Subscription

As set out in the letter from the Board to the Circular (the "Letter from the Board"), the Company intends to apply all the net proceeds of HK$562 million from the Subscription to the Qinhai Yuan Development Project. As stated above in the paragraph headed "Information on the Group – relocation projects", the Group shall bear the costs for the Relocation. The Group may only obtain the land use rights and commence construction work after completion of the Relocation. The PRC legal adviser of the Company has opined that there is no legal impediment for the Group to obtain the land use right of the relevant land if the Group completes the Relocation lawfully in accordance with the land use rights grant contract. With the funding from the Subscription, the Company targets to complete the Relocation by the end of 2012 and obtain the land use rights of the relevant land in the first half of 2013.

The Company has stated that the Directors have also considered a number of other financing options such as bank borrowings. As stated in the Letter from the Board, under the arrangement between the Group and the relevant land administration of Shanghai in respect of the Qinhai Yuan Development Project, the relevant land use rights (and other title certificates) will only be granted to the Group after completion of the Relocation and in the absence of which, it will not be plausible for the Group to apply/arrange for bank loans from local banks in the PRC with terms and amount which are meaningful to Group or terms which match the pay-back period of the Qinhai Yuan Development Project, not to mention the fact that it is presently difficult for property developers in the PRC to obtain bank financing due to the PRC government's policies in curbing monetary supply in the PRC, especially the recent tightening credit policies for property development loans. The Company is also of the view that, even if additional bank loans were made available, the gearing of the Group would be increased and additional finance charges would be incurred.

Based on the estimation made by the management of the Company (after consultation with the relevant authority in the PRC responsible for relocation compensations to the residents) on (i) the number of existing residents and (ii) the average compensation for relocating the different types of residents resided on the land parcel underlying the Qinhai Yuan Development Project, it is expected that the outstanding cost relating to the initial stage of the Relocation will amount to no less than HK$1.3 billion. According to the Company, subject to the requirements of the land use rights grant contract (which the Group has been getting extensions from the relevant authority in respect of the completion of the Relocation) there is no fixed payment schedule or any regulatory, governmental or contractual requirements by which the Group has to abide in respect of the timing of making compensation payments in connection with the Relocation. The progress of the development of the Relocation is dependent on the funds available to the Group. As such if there is new funding available to the Group, the Group would be able to accelerate the timetable for the Relocation.

The Group has informed us that its current cash and bank balances may not be sufficient to accommodate the outstanding amount payable for the Relocation, the capital commitment of the Group's other property and new town development projects and other loan repayment plans and obligations, in order for the Group to carry out the Relocation as planned. The Company is of the view that the additional working capital from the Subscription, will not only enhance the Group's ability in meeting its financial needs in respect of the Relocation, but will also accelerate the Group's overall progress of the Relocation, which will in turn mitigate the risks of the potential increase in the Relocation costs resulted from the growth of the PRC's property market and shorten the investment period of the Qinhai Yuan Development Project. The Subscription will help ensure the Group being able to finance the Relocation and thus the development of the Qinhai Yuan Development Project and the overall earnings prospect of the Group.

The Group engages in property development business which requires intensive capital inputs. We have reviewed and discussed with the Company the cash flow requirements and projections of the Group (excluding CNTD, which is a separately listed company on the Main Board of the Stock Exchange and the Singapore Stock Exchange, and its subsidiaries) for the year ending 31 December 2011 and the expected costs of development of the Relocation and the cash inflow and outflow requirements and estimates of the other projects as assessed internally by the Group, other loan repayment plans and obligations and capital commitment. Based on the projections we understand that it is necessary for the Group to raise additional funding for the Relocation and other various projects based on the Group's development plans. Without the Subscription, the Relocation and thus the Qinhai Yuan Development Project may not be able to progress as planned.

Having considered the information from the Company and our review and analysis mentioned above, we agree with the Directors' view that the Subscription helps the Group raise funds for the Relocation in its ordinary and usual course of business whilst the Group will still require additional funding to complete the whole Relocation work which is in the interests of the Company and its Shareholders.

Principal terms of the Subscription

Under the Subscription Agreement, the Subscriber agreed to subscribe for 700,000,000 new Shares, representing approximately 19.42% of the existing issued share capital of the Company and approximately 16.26% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares as at the Latest Practicable Date, at HK$0.81 per Subscription Share. Upon completion of the Subscription, the Subscriber will be interested in approximately 45.27% of the issued share capital of the Company including the Shares that it currently holds and the Subscription Shares.

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Subscription Price

We note that the Subscription Price was arrived at after arm's length negotiation between the Company and the Subscriber with reference to, among others, the recent trading prices of the Shares on the Stock Exchange. The Subscription Price of HK$0.81 per Subscription Share represents:

(i) a premium of 6.58% over the closing price of HK$0.76 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of 4.92% over the average closing price of HK$0.772 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

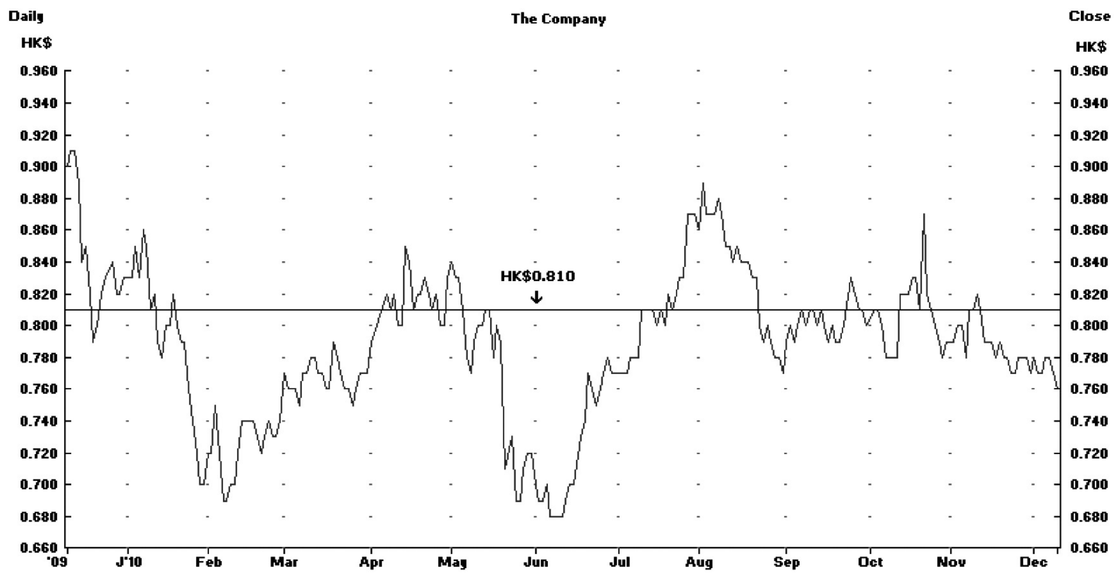
(iii) a premium of 4.65% over the average closing price of HK$0.774 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and

(iv) a discount of 1.22% to the closing price of HK$0.82 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The premium of the Subscription Price over the prevailing price of the Shares before the issue of the Announcement demonstrates the support of the Subscriber to the Company.

On 10 December 2010, the trading day immediately after the date of the Announcement, the closing price per Share increased to HK$0.79, representing an increase of 3.95%, whilst the Hang Seng Index dropped by 9 points on the same date.

The chart below illustrates the daily closing prices of the Shares during the 12-month period prior to the date of the Subscription Agreement (the "Past 12-Month Period"):



Source: Infocast

During the Past 12-Month Period, the closing price of the Shares ranged from HK$0.68 per Share to HK$0.91 per Share with an average closing price of HK$0.79 per Share. The Subscription Price falls in the upper part of the price range during the Past 12-month Period.

We consider that recent trading prices prior to the entering into of the Subscription Agreement should be a primary factor of price determination. Taking into account that the Subscription Price of HK$0.81 represents a premium over the recent closing prices of the Shares, we consider that the Subscription Price is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

For the purpose of providing further references to the Subscription IBC, the Whitewash IBC and the Independent Shareholders, we also set out below information on the pricing of other share placement and subscription transactions.

Based on the information available from the Stock Exchange's website, we set out below information on the pricing of all those transactions involving subscription of shares (excluding transactions involving asset acquisitions and/or disposals and companies under debt restructuring) and whitewash waiver applications as announced by companies listed on the Main Board or GEM of the Stock Exchange in the last two years prior to the date of the Subscription Agreement ("Comparable Transactions") as set out in the table below.

According to the announcements of the Comparable Transactions, issue prices of new shares were determined with reference to, among other things, trading price of the relevant shares prior to the agreements.

Table 2:

Announcement date	Stock code	Company		Issue price	Premium/ (discount) to closing price immediately prior to announcement	Premium/ (discount) to 5 days average closing price	Premium/ (discount) to 10 days average closing price
				(HK$)			
16-Apr-09	193	Capital Estate Limited		0.025	(28.57%)	(20.38%)	(16.67%)
30-Apr-09	925	Peaktop International Holdings Limited		0.15	(50.00%)	(35.34%)	(31.19%)
7-Aug-09	717	Emperor Capital Group Limited		0.42	(4.55%)	(6.87%)	(6.46%)
22-Jun-10	94	Omnicorp Limited		1.82	1.68%	1.11%	(0.55%)
24-Aug-10	2362	Macau Investment Holdings Limited		0.28	(63.20%)	(62.20%)	(57.60%)
			Maximum		1.68%	1.11%	(0.55%)
			Minimum		(63.20%)	(62.20%)	(57.60%)
			Average		(28.93%)	(24.74%)	(22.49%)
		The Subscription		0.81	6.58%	4.92%	4.65%

The premium/discount of which the issue prices of the Comparable Transactions represented over/to (i) the closing price immediately prior to announcement ranged from a premium of 1.68% to a discount of 63.2% with an average of a discount of 28.93%; (ii) the 5 days average closing price ranged from a premium of 1.11% to a discount of 62.2% with an average of 24.74%; and (iii) the 10 days average closing price ranged from a discount of 0.55% to a discount of 57.6% with an average of a discount of 22.49%. As compared with the Comparable Transactions, the Subscription Price represents a relatively significant premium over the recent trading prices of Shares.

Based on the information available from the Stock Exchange's website, we also set out below information on the pricing of all the share placements as announced by companies listed on the Main Board or GEM of the Stock Exchange in the 30 days prior to the date of the Subscription Agreement as set out in the table below.

Table 3:

Announcement Date	Stock code	Company	Issue price (HK$)	% holding of existing public shareholder before share placement	% holding of existing public shareholder after share placement	Dilution effect	Premium/ (discount) to closing price	Premium/ (discount) to 5 days average closing price	Premium/ (discount) to 10 days average closing price	Commission
10-Nov-10	1141	Beijing Yu Sheng Tang Pharmaceutical Group Limited	0.32	85.31%	64.56%	24.32%	(5.88%)	7.74%	14.70%	2.50%
12-Nov-10	802	RCG Holdings Limited	4	52.56%	50.73%	3.48%	(5.88%)	(6.54%)	(5.88%)	N/A
15-Nov-10	8150	Seamless Green China (Holdings) Limited	0.62	53.88%	47.43%	11.97%	(19.48%)	(19.90%)	(17.11%)[1]	2.50%
15-Nov-10	1062	New Capital International Investment Limited	0.4	79.28%	28.32%	64.28%	(71.22%)	(69.70%)	(67.37%)[1]	N/A
16-Nov-10	721	China Financial International Investments Limited	0.15	60.88%	50.74%	16.66%	(16.67%)	(12.18%)	(8.65%)[1]	N/A
18-Nov-10	8228	National Arts Holdings Limited	1.1	76.33%	40.88%	46.44%	(15.40%)	(11.30%)	(5.20%)	2.50%
19-Nov-10	8019	Hao Wen Holdings Limited	0.126	84.81%	70.70%	16.64%	(19.75%)	0.00%	1.61%	2.75%
19-Nov-10	438	IRICO Group Electronics Company Limited	1.26	25.00%	23.91%	4.36%	(7.35%)	(8.70%)	(16.64%)[1]	2.50%
22-Nov-10	398	Oriental Watch Holdings Limited	4.38	66.22%	59.17%	10.65%	(12.00%)	(7.80%)	(4.47%)[1]	2.75%
23-Nov-10	471	CMMB Vision Holdings Limited	0.11	76.34%	75.39%	1.24%	3.77%	0.00%	(2.65%)	N/A
23-Nov-10	197	Heng Tai Consumables Group Limited	1.15	81.64%	71.82%	12.03%	(14.81%)	(14.81%)	(16.67%)[1]	1.50%
23-Nov-10	73	Asian Citrus Holdings Limited	8.88	49.92%	41.54%	16.79%	(17.78%)	(11.20%)	(12.94%)	2.25%
23-Nov-10	8083	SYSCAN Technology Holdings Limited	0.32	66.35%	53.23%	19.77%	(11.11%)	(12.09%)[1]	(11.06%)[1]	4.00%
24-Nov-10	1227	National Investments Fund Limited	0.386	84.81%	65.46%	22.82%	(17.00%)	(19.40%)	(18.70%)	3.50%
24-Nov-10	953	Meike International Holdings Limited	1.89	35.61%	30.92%	13.17%	(9.13%)	(4.26%)	(1.92%)[1]	2.50%
24-Nov-10	188	SW Kingway Capital Holdings Limited	0.238	25.41%	23.10%	9.09%	(10.20%)	(7.50%)	(3.84%)[1]	2.50%
26-Nov-10	2312	China Financial Leasing Group Limited	0.095	98.91%	86.02%	13.03%	(15.18%)	(19.22%)	(19.90%)[1]	2.50%
29-Nov-10	395	Sino Dragon New Energy Holdings Limited	0.498	69.56%	65.55%	5.76%	(19.68%)	(12.32%)	(7.61%)[1]	1.50%
29-Nov-10	8176	China AU Group Holdings Limited	0.375	60.89%	54.32%	10.79%	0.00%	(0.80%)	(3.40%)	N/A
30-Nov-10	767	Pacific Plywood Holdings Limited	0.105	81.52%	67.94%	16.66%	(0.94%)	5.00%	2.94%[1]	2.50%
1-Dec-10	8128	China Ground Source Energy Limited	0.3184	76.93%	68.18%	11.37%	(16.20%)	(20.00%)[1]	(18.15%)	N/A
1-Dec-10	2324	Capital VC Limited	0.35	82.36%	68.63%	16.67%	(11.39%)	(11.84%)	(12.50%)[1]	N/A
1-Dec-10	590	Luk Fook Holdings (International) Limited	23.15	46.28%	42.02%	9.20%	(11.98%)	(12.61%)	(10.20%)	N/A

Announcement Date	Stock code	Company	Issue price (HK$)	% holding of existing public shareholder before share placement	% holding of existing public shareholder after share placement	Dilution effect	Premium/ (discount) to closing price	Premium/ (discount) to 5 days average closing price	Premium/ (discount) to 10 days average closing price	Commission
1-Dec-10	1198	Royal Furniture Holdings Limited	3.03	55.16%	48.64%	11.82%	(8.73%)	(6.19%)	(4.42%)	N/A
2-Dec-10	223	Sino Resources Group Limited	0.35	48.77%	40.64%	16.67%	(19.54%)	(15.66%)	(13.79%)	1.50%
2-Dec-10	3989	New Environmental Energy Holdings Limited	0.50	77.37%	64.47%	16.67%	(36.70%)	(40.33%)	(32.80%)	2.50%
3-Dec-10	3318	China Flavors and Fragrances Company Limited	1.92	40.38%	40.33%	0.12%	0.00%	(0.41%)[1]	(0.16%)[1]	N/A
3-Dec-10	8250	China Natural Investment Company Limited	0.165	100.00%	45.31%	54.69%	(3.51%)	(10.03%)	(16.96%)[1]	3.50%
7-Dec-10	646	Yardway Group Limited	0.4335	46.27%	43.53%	5.92%	(18.21%)	(15.99%)	(24.08%)[1]	N/A
7-Dec-10	309	Lo's Enviro-Pro Holdings Limited	0.70	90.07%	82.69%	8.19%	(7.89%)	(11.84%)	(10.37%)	2.50%
7-Dec-10	290	China Fortune Group Limited	0.20	47.16%	36.30%	23.03%	(50.62%)	(49.87%)	(49.56%)[1]	N/A
8-Dec-10	290	China Fortune Group Limited	0.328	47.16%	40.37%	14.40%	(19.01%)	(18.00%)	(17.38%)[1]	1.50%
8-Dec-10	39	Bio-Dynamic Group Limited	1.15	63.91%	62.24%	2.61%	(17.27%)	(15.57%)	(89.50%)[1]	1.50%
8-Dec-10	8065	Sino Haijing Holdings Limited	0.87	26.67%	22.39%	16.05%	(13.00%)	(10.68%)	(3.01%)	2.00%
8-Dec-10	8079	B.A.L. Holdings Limited	0.257	99.81%	83.25%	16.59%	(19.69%)	(9.51%)	(9.19%)[1]	2.00%
8-Dec-10	8071	China Metal Resources Holdings Limited	0.20	72.05%	60.04%	16.67%	(9.09%)	(8.26%)	(4.63%)	N/A
8-Dec-10	491	See Corporation Limited	0.18	77.27%	64.43%	16.62%	(17.43%)	(10.98%)	(11.59%)[1]	2.50%
				Maximum		64.28%	3.77%	7.74%	14.70%	4.00%
				Minimum		0.12%	(71.22%)	(69.70%)	(89.50%)	1.50%
				Average		16.14%	(15.30%)	(13.32%)	(14.41%)	2.41%

Note:

1. No such information was disclosed in the relevant announcements. We have calculated such information based on the historical share prices of the relevant companies.

Whilst the pricing of a share placement is affected by many different factors, such as the principal businesses of the issuer, the management of the issuer, the fund raising amount and purposes, the timing of the issue and the market environment, 34 out of the above 37 share placement transactions, the issue prices of which were priced at a discount to the closing prices on the date prior to their respective announcements, 2 out which were priced at the closing prices on the date prior to their respective announcements and only one of which was priced at a premium. We believe that this should give us a general indication as to the pricing consideration of the share placements. As compared with the pricing of the above share placement exercises, the Subscription Price also represents a relatively high premium over the recent trading share prices.

Among the above share placement transactions, the share placement of China Ground Source Energy Limited was a subscription of new shares in the company by a connected person. We believe that when determining the pricing of a share placement, whether the subscriber is a connected person (for the purpose of the Listing Rules) should not be a consideration. The issue price of a share placement on normal commercial terms should not be affected whether the subscriber is a connected person of the issuer or an independent third party.

The price earnings ratio ("PER") and price to book ratio ("PBR") of a company are affected by many company specific factors, as well as industry and market factors. As a general reference, we have also considered the reasonableness of the Subscription Price by reference to the PERs and the PBRs of the Comparable Companies as set out in Table 1. As shown in Table 1, the PERs of the Comparable Companies ranged from 0.51 times to 53.7 times with an average PER of 14.12 times; and the PBRs of the Comparable Companies ranged from 0.14 times to 5.63 times with an average PBR of 1.61 times.

Based on the Subscription Price, the consolidated profit attributable to the equity holders for the year ended 31 December 2009 and the consolidated net asset value as at 30 June 2010, the PER and the PBR based on the Subscription Price are 3.31 times and 0.35 times respectively; whilst the Group's trading PER and PBR are 3.35 times and 0.36 times respectively as at the Latest Practicable Date. The PERs and the PBRs of the Company based on the Subscription Price and the closing price as at the Latest Practicable Date fall within those of the Comparable Companies.

Lock-up undertaking

The Subscriber has undertaken to the Company that during the period commencing from the Completion Date and ending on the date which is twelve months from the Completion Date, it shall not, and shall procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it shall not, without the prior written consent of the Company:

(i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Subscription Shares;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Subscription Shares, whether any of the foregoing transactions is to be settled by delivery of the Subscription Shares or such other securities, in cash or otherwise;

(iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or

(iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

We consider that a lock-up arrangement demonstrates the support of the Subscriber to the Group and is favourable to the other Shareholders.

Other financing alternatives

We understand from the Company that it had considered various financing alternatives for raising additional fund, including new bank and other loans, a rights issue or an open offer, etc. for the Relocation. The Group can only obtain the land use rights certificate, construction land planning permit, construction work planning permit and construction work commencement permit (the "Four Certificates") for the Qinhai Yuan Development Project after completion of the Relocation. According to the "Notice of the People's Bank of China on Regulating Real Estate Financing Business" issued by People's Bank of China on 19 June 2001, housing development loans shall be offered to residential projects with the Four Certificates.

On 22 July 2006, the China Banking Regulatory Commission promulgated a Notice on Further Strengthening the Administration of Real Estate Credit. The notice, among other things, prohibits the provision of loans to real estate developers whose own capital is less than 35% of the total capital required for the projects (not including affordable housing), or who have not obtained the Four Certificates, etc. In view of the above regulations, we understand that these have made the Group difficult to seek bank financing for the Relocation at favourable terms.

Apart from bank borrowings, issue of loan notes could be another possible means of debt financing. However, debt financing will cause the gearing and interest coverage ratio to deteriorate. The yield to maturity of the Company's existing loan notes, the 2013 Guaranteed Notes, was 12.214% as at the Latest Practicable Date representing an expected cost of debt capital of 9.161% (after tax shielding) whilst the dividend yield of the Company is only 5.366% (source: Infocast). Based on the above regulatory limitations on bank borrowings and the expected borrowing costs of other debt financing with reference to cost of capital based on the Group's existing loan notes as well as the current dividend yield of the Company's Shares as described above, we consider that it is reasonable to expect that equity financing shall represent a more favourable source of financing as compared with debt financing.

Apart from debt financing, common means of equity financing include rights issues and open offers. However, rights issues or open offers often involve a higher discount to the market price, whilst the Subscription Price represents a premium over the three benchmark prices. Moreover, rights issues or open offers may incur higher costs to the Group including underwriting commissions, as a typical rights issue or open offer would have to be fully underwritten. The additional cost may not be favourable to the Group and the Independent Shareholders, whereas no fees are payable to the Subscriber connected with the Subscription. If the Company were to raise the funding by way of a rights issue or open offer underwritten by the Subscriber, in addition to the present procedures applicable to the Subscription that the Company has to go through, there will involve an extra offer period of at least 10 business days which will further delay the time when the funds could be made available to the Group.

For the purpose of assessing the costs of other financing alternatives to the Group, based on information available from the Stock Exchange's website, we have analysed all the rights issues and open offers of shares (excluding companies under debt restructuring and companies listed as investments companies under the Listing Rules) as announced by companies listed on the Main Board of the Stock Exchange in the 12 months prior to the date of the Subscription Agreement ("Comparable Rights Issues/Open Offers") as set out in the table below.

Table 4:

Announcement date	Stock code	Company	Subscription price *(HK$)*	Net asset/ (liability) value per share before completion *(HK$)*	Net asset/ (liability) value per share after completion *(HK$)*	Premium/ (discount) to closing price	Premium/ (discount) to the 5 days average closing price	Premium/ (discount) to the 10 average closing price	Underwriting commission *(Note 1)*
10-Dec-09	660	Wai Chun Mining Industry Group Company Limited[(2)]	0.03	(0.01)	(0.001)	(80.00%)	(80.70%)	(81.40%)	1.00%
21-Dec-09	240	Build King Holdings Limited	0.15	0.14	0.14	(40.00%)	(40.70%)	(42.30%)	0.00%
23-Dec-09	952	Quam Limited[(2)]	0.23	0.39	0.36	(38.70%)	(38.80%)	(41.80%)	2.00%
11-Jan-10	491	See Corporation Limited	0.2	0.03	0.18	(81.31%)	(82.67%)	(82.29%)	2.50%
14-Jan-10	629	Yue Da Mining Holdings Limited	1.2	1.92	1.55	(46.90%)	(46.43%)	(42.42%)	2.00%
14-Jan-10	1222	Wang On Group Limited	0.185	2.83	0.56	(81.22%)	(81.50%)	(80.15%)[3]	2.50%
28-Jan-10	40	Gold Peak Industries (Holdings) Limited	0.65	2.35	1.84	(50.00%)	(51.50%)	(50.80%)	2.75%
4-Feb-10	628	Dore Holdings Limited	0.2	0.33	0.29	(16.67%)	(4.76%)	(3.38%)[3]	N/A
2-Mar-10	3968	China Merchants Bank Co., Ltd.	10.06	5.00	5.58	(49.19%)	(47.15%)	(46.94%)	N/A
4-Mar-10	899	Asia Resources Holdings Limited	0.13	0.20	0.17	(44.44%)	(45.92%)	(44.72%)	2.50%
19-Mar-10	399	United Gene High-Tech Group Limited	0.052	0.02	0.03	(89.17%)	(89.34%)	(89.33%)	5.00%
24-Mar-10	145	The Hong Kong Building and Loan Agency Limited	0.1	0.10	0.10	(64.28%)	(62.12%)	(61.68%)	2.50%
12-Apr-10	2312	China Financial Leasing Group Limited	0.057	0.02	0.03	(52.10%)	(52.74%)	(52.22%)	2.50%
20-Apr-10	329	Dragonite International Limited	0.1	0.31	0.24	(53.27%)	(52.15%)	(54.75%)[3]	5.00%

Announcement date	Stock code	Company	Subscription price (HK$)	Net asset/ (liability) value per share before completion (HK$)	Net asset/ (liability) value per share after completion (HK$)	Premium/ (discount) to closing price	Premium/ (discount) to the 5 days average closing price	Premium/ (discount) to the 10 average closing price	Underwriting commission (Note 1)
10-May-10	485	Starlight International Holdings Limited	0.12	0.83	0.51	(60.00%)	(61.29%)	(61.54%)	1.50%
11-May-10	686	Time Infrastructure Holdings Limited	0.5	0.14	0.21	(19.35%)	(18.83%)	(19.87%)	1.50%
12-May-10	455	Yunnan Enterprises Holdings Limited	0.21	0.43	0.32	(72.00%)	(73.40%)	(73.80%)	0.00%
17-May-10	1136	TCC International Holdings Limited	2.1	2.88	2.61	(27.08%)	(25.27%)	(25.80%)	2.25%
6-Jun-10	3328	Bank of Communications Co., Ltd.	5.14	3.79	3.95	(37.20%)	(37.10%)	(36.10%)	N/A
11-Jun-10	869	Playmates Toys Limited(2)	0.3	0.01	0.11	(38.14%)	(38.27%)3	(33.48%)	2.50%
11-Jun-10	2389	Genvon Group Limited(2)	0.15	0.06	0.11	(35.60%)	(37.00%)	(38.00%)	1.50%
14-Jun-10	809	Global Bio-chem Technology Group Company Limited	0.75	3.23	2.51	(50.00%)	(51.00%)	(50.00%)	3.00%
15-Jun-10	651	China Ocean Shipbuilding Industry Group Limited	0.5	0.56	0.32	(12.28%)	(4.03%)	1.63%	1.50%
8-Jul-10	326	China Star Entertainment Limited	0.1	0.80	0.57	(12.28%)	(11.50%)	(13.79%)3	1.00%
9-Jul-10	9	China Mandarin Holdings Limited(2)	0.0109	0.09	0.02	(94.55%)	(94.67%)	(94.64%)	2.50%
28-Jul-10	764	Eternity Investment Limited	0.4	4.98	1.54	(29.82%)	(35.48%)	(35.59%)3	1.00%
28-Jul-10	1398	Industrial and Commercial Bank of China Limited	3.49	2.40	2.40	(47.40%)	(48.30%)	(46.80%)	N/A
9-Aug-10	897	Wai Yuen Tong Medicine Holdings Limited	0.207	3.78	0.68	(83.10%)	(83.10%)	(83.21%)3	2.50%
8-Sep-10	295	Kong Sun Holdings Limited	0.25	0.42	0.36	(46.81%)	(44.69%)	(43.50%)	2.50%
14-Sep-10	123	Yuexiu Property Company Limited	1.61	1.98	1.89	(15.26%)	(15.26%)	(13.90%)	0.00%
20-Sep-10	91	New Smart Energy Group Limited	0.112	0.67	0.29	(26.32%)	(26.70%)	(26.32%)3	2.50%
22-Sep-10	1003	21 Holdings Limited	0.19	2.63	0.41	(87.66%)	(87.20%)	(87.04%)3	2.25%
4-Oct-10	169	Hengli Properties Development (Group) Limited(2)	0.1	0.09	0.10	(71.43%)	(68.05%)	(67.11%)	2.50%
7-Oct-10	355	Century City International Holdings Limited(2)	0.48	1.52	1.43	(30.40%)	(31.40%)	(27.80%)	2.50%
12-Oct-10	397	China Gogreen Assets Investment Limited	0.15	1.20	0.25	(67.67%)	(67.50%)	(68.29%)3	2.50%
13-Oct-10	2888	Standard Chartered PLC	156.82	105.24	110.72	(32.93%)	(31.76%)3	(31.66%)3	2.15%
20-Oct-10	692	Ching Hing (Holdings) Limited	0.05	1.60	0.22	(81.82%)	(81.48%)	(82.70%)3	2.50%
28-Oct-10	3988	Bank of China Limited	2.74	2.40	2.43	(41.20%)	(40.04%)	(39.91%)	N/A
2-Nov-10	939	China Construction Bank Corporation	4.38	2.80	2.90	(42.70%)	(41.00%)	(41.00%)	N/A
5-Nov-10	3868	Qunxing Paper Holdings Company Limited	0.66	2.73	2.04	(80.30%)	(80.12%)	(80.24%)	2.50%
16-Nov-10	440	Dah Sing Financial Holdings Limited	36.89	46.13	45.04	(39.97%)	(39.39%)	(38.18%)	2.25%
16-Nov-10	2356	Dah Sing Banking Group Limited	9	10.35	10.22	(40.94%)	(41.06%)	(39.76%)	2.25%
19-Nov-10	542	Morning Star Resources Limited	0.2	0.93	0.24	(89.53%)	(89.58%)	(89.85%)3	2.50%

Announcement date	Stock code	Company	Subscription price (HK$)	Net asset/ (liability) value per share before completion (HK$)	Net asset/ (liability) value per share after completion (HK$)	Premium/ (discount) to closing price	Premium/ (discount) to the 5 days average closing price	Premium/ (discount) to the 10 average closing price	Underwriting commission (Note 1)
23-Nov-10	512	China Grand Pharmaceutical and Healthcare Holdings Limited	0.58	0.14	0.25	(21.62%)	(21.62%)	(22.97%)	3.50%
25-Nov-10	885	Forefront Group Limited	0.125	2.24	0.36	(86.56%)	(87.24%)	(88.00%)[3]	3.00%
29-Nov-10	263	China Yunnan Tin Minerals Group Company Limited	0.1	2.27	0.34	(87.80%)	(88.56%)	(89.18%)[3]	3.00%
1-Dec-10	92	Champion Technology Holdings Limited[(2)]	0.15	1.74	1.22	(37.80%)	(38.30%)	(39.00%)	2.50%
			Maximum			(12.28%)	(4.03%)	1.63%	5.00%
			Minimum			(94.55%)	(94.67%)	(94.64%)	0.00%
			Average			(51.80%)	(51.42%)	(51.10%)	2.24%

N/A: No such information disclosed in the relevant announcements

Notes:

1. The underwriters with no underwriting commission were the relevant companies' substantial shareholders/ connected persons.

2. The underwriters of these fund raising transactions include the relevant companies' substantial shareholders/ connected persons.

3. No such information was disclosed in the relevant announcements. We have calculated such information based on the historical share prices of the relevant companies.

As shown in the above table, the premium/discount of which the issue price of the Comparable Rights Issues/Open Offers represented over/to (i) the closing price immediately prior to announcement ranged from a discount of 12.28% to a discount of 94.55% with an average of a discount of 51.8%; (ii) the 5 days average closing price ranged from a discount of 4.03% to a discount of 94.67% with an average of a discount of 51.42%; and (iii) the 10 days average closing price ranged from a premium of 1.63% to a discount of 94.64% with an average of a discount of 51.1%.

It is a general market expectation that rights issues and open offers should be carried out at a discount to trading prices. However, the Subscription Price represents a premium ranges from 4.65% to 6.58% over the three benchmark prices. It is not generally expected that any pre-emptive issue to all shareholders at a price representing a premium over trading prices would be attractive. Accordingly, a rights issue or open offer would not be considered favourable in view of the Subscription Price.

In addition, the underwriting commissions of the Comparable Rights Issues/Open Offers ranged from 0% to 5% with an average of 2.24%. No underwriting commission is payable by the Group in respect of the Subscription.

The Subscription is considered appropriate as it is interest-free and does not add further burden on gearing as compared to debt financing. Further debt financing will worsen the gearing and interest coverage ratio of the Group. If the Group were to borrow money via the issue of new loan notes, based on the current yield to maturity of the existing notes of the Company in issue, it is reasonable to believe that an even higher yield would have to be offered to investors. Based on some press reports in November 2010, there were PRC real estate developers which called off their debt issuing plans as a result of the relatively high interest requested by investors.

Apart from rights issues and open offers, the Company may also issue new Shares to independent investors through a share placement. However, discounts to the recent trading prices prior to the share placement will usually have to be offered to investors as shown in Table 2 above. In addition to the pricing, a placement of new Shares to investors will have the same dilution effect (or even bigger if the same amount was to be raised at a lower issue price) to the Independent Shareholders as compared with the Subscription. Moreover, the Company would have to pay a commission to a placing agent for identifying investors.

Having considered the possibility, expenses and other cost to the Company (such as issue share at a discount to the trading price) in respect of the other financing alternatives and other factors as mentioned above, we concur with the Company's view that the Subscription is a good financing alternative available to the Group to finance the Relocation.

Financial effects of the Subscription

Cashflow

According to the interim report for the year ended 30 June 2010, the Group had bank balances and cash, and net current assets of HK$3,060.1 million and HK$11,702.4 million respectively. Upon completion of the Subscription, the liquidity and cash position will be improved as the Subscription will raise net proceeds of HK$562 million. The Group's bank balances and cash and net current assets would increase subject to all other things remaining unchanged. Accordingly, we are of the view that the Group's cash position and net current assets are expected to be improved upon completion of the Subscription.

Earnings

Save for the expenses relating to the Subscription, we are of the view that the completion of the Subscription will not have any immediate material impact on the Group's earnings. However, as set out in the Letter from the Board, the net proceeds from the Subscription will be used to finance the Relocation in respect of the Qinhai Yuan Development Project which the Group can develop a project with residential saleable floor area of 100,990 square metres and commercial saleable floor area of 52,739 square metres. The Company is optimistic that this project will have a positive impact on the Group's business prospect.

Net Asset Value

According to the interim report for the six months ended 30 June 2010, the net asset value as at 30 June 2010 was HK$10,961.4 million. Upon completion of the Subscription, the net asset value will be improved as the Subscription would increase the total assets and share capital of the Company. Based on the estimated net proceeds of HK$562 million, the net asset value would increase to HK$11,523.4 million subject to all other things remaining unchanged.

Gearing

As mentioned in the section "Financial position of the Group" to this letter, the gearing ratio as at 30 June 2010 was 55%. Upon completion of the Subscription, the Group's net asset value would increase as a result of the Subscription whilst the total liabilities would remain the same, resulting in a drop of the Group's gearing ratio to 52.42% subject to all other things remaining unchanged. Thus, we are of the view that the Group's gearing level will be improved upon completion of the Subscription.

Based on the above, the Subscription would have an overall positive effect on the Group's financial position upon completion of the Subscription. On such basis, we are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

Effect on the shareholding structure of the Company

Reference is made to the shareholding structure of the Company as set out in the section headed "Effect of the Subscription" in the Letter from the Board. Upon completion of the Subscription, the shareholding of the existing public Shareholders will be diluted from approximately 64.77% to approximately 54.24%.

Having considered (i) the fairness and reasonableness of the Subscription Price of HK$0.81 in the section headed "Principal terms of the Subscription" above; (ii) the issuance of the Subscription Shares will strengthen the Company's capital base and enhance the Group's net asset position; (iii) the Group's difficulty in obtaining bank and other financing for the Qinhai Yuan Development Project given the regulatory limitations and the expected high interest costs based on the current yield-to-maturity and cost of capital of the existing loan notes of the Group and the knowledge of the management of the Company as described in the paragraph headed "other financing alternatives" in this letter above; (iv) the Subscription Price representing a premium over the recent trading price; and (v) the Subscription representing a good financing alternative available to the Company to finance the Relocation, we consider that the dilution effects on shareholdings of the Company upon completion of the Subscription is acceptable, and fair and reasonable.

Whitewash Waiver

The shareholding of the Subscriber and the persons acting in concert with it in the Company will increase from approximately 35.23% to approximately 45.76% immediately following completion of the Subscription. Under Rule 26.1 of the Takeovers Code, the

Subscriber is required to make a mandatory general offer for all the issued Shares and other relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of the Company not owned by it and the persons acting in concert with it immediately following completion of the Subscription unless the Whitewash Waiver is obtained. In this regard, the Subscriber has made an application to the Executive for the Whitewash Waiver which is subject to the approval of the Independent Shareholders on a vote by poll.

The Subscription is conditional on, among other things, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM. If the Whitewash Waiver is not approved, the Subscription will not proceed and no general offer obligation will be triggered. In the event that the Subscription does not proceed, the Group and the Shareholders will not be able to enjoy the benefits that would arise from the Subscription, as discussed earlier in this letter and the progress of the Relocation may be adversely affected. In view of the benefit of the Subscription and the Group's limitation on other financing options given the regulatory limitations and the expected high interest costs based on the current yield-to-maturity and cost of capital of the existing loan notes of the Group and the knowledge of the management of the Company as described in the paragraph headed "other financing alternatives" above in this letter above, we consider that the dilution to the Shareholders, other than the Subscriber and the persons acting in concert with it, as a result of the Subscription acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the Subscription Agreement and the Subscription are fair and reasonable and the Subscription is on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. On the basis that the grant of the Whitewash Waiver is an unwaivable condition of the Subscription Agreement, we also consider that the grant of the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Subscription IBC to recommend the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription. We also advise the Whitewash IBC to recommend the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
OSK Capital Hong Kong Limited
Allen Tze
Director

1. FINANCIAL SUMMARY

The following information is extracted from the audited consolidated financial statements of the Group for the three years ended 31 December 2007, 2008 and 2009 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2010:

	For the six months ended 30 June 2010 (Unaudited) *HK$'M*	For the year ended 31 December 2009 (Audited) *HK$'M*	2008 (Audited) *HK$'M*	2007 (Audited) *HK$'M*
Revenue	1,984	2,831	3,740	3,350
Cost of Sales	(1,238)	(1,594)	(2,845)	(2,713)
Gross Profit	746	1,237	895	637
Other gains/(losses) – net	(27)	1,088	1,411	1,302
Other income	–	–	–	1
Selling and marketing costs	(66)	(199)	(76)	(112)
Administrative expenses	(244)	(345)	(251)	(174)
Operating profit	409	1,781	1,979	1,654
Finance income	18	17	153	187
Finance costs	(121)	(179)	(11)	(140)
Share of profits and losses of associates	8	(94)	(443)	(31)
Profit before tax	314	1,525	1,678	1,670
Income tax expense	(279)	(507)	(894)	(642)
Profit for the period	35	1,018	784	1,028
Dividends	–	159	–	96
Attributable to:				
Equity holders of the company	161	785	248	1,019
Minority interests	(126)	233	536	9
	35	1,018	784	1,028
Earnings per Share				
– Basic	4.46 cents	24.47 cents	8.91 cents	42.95 cents
– Diluted	4.38 cents	23.70 cents	8.64 cents	41.81 cents
Dividends per Share	–	4.96 cents	–	4.13 cents
Total assets	36,289	34,674	21,307	19,622
Total liabilities	25,328	23,366	13,434	13,039
Net assets	10,961	11,308	7,873	6,583
Cash reserves	3,060	4,603	1,575	1,939
Shareholders' funds	8,280	8,192	6,473	5,800

Notes:

1. The audited consolidated financial statements of the Group for the three years ended 31 December 2007, 2008 and 2009 were audited by Ernst & Young, Certified Public Accountants. No qualified opinion had been issued by Ernst & Young in respect of the aforementioned audited consolidated financial statements of the Group.

2. There were no extraordinary or exceptional items.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2009

The following information is extracted from the audited consolidated financial statements of the Group as set out in the 2009 Annual Report of the Company:

Consolidated Statement of Comprehensive Income
Year ended 31 December 2009
(Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	**2009**	**2008**
Revenue	*5*	2,830,596	3,739,865
Cost of sales	*7*	(1,593,931)	(2,844,987)
Gross profit		1,236,665	894,878
Other gains – net	*6*	1,087,899	1,411,217
Selling and marketing costs	*7*	(198,916)	(75,685)
Administrative expenses	*7*	(345,047)	(251,350)
Operating profit		1,780,601	1,979,060
Finance income	*8*	16,884	152,521
Finance costs	*9*	(179,114)	(11,063)
Finance (costs)/income – net		(162,230)	141,458
Share of profits and losses of associates		(93,927)	(443,186)
Profit before tax		1,524,444	1,677,332
Income tax expense	*12*	(506,662)	(893,471)
Profit for the year		1,017,782	783,861

	Notes	**2009**	**2008**
Other comprehensive income			
Exchange differences on translation of financial statements into presentation currency		15,786	412,968
Other comprehensive income for the year, net of tax		15,786	412,968
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,033,568	1,196,829
Profit attributable to:			
Owners of the parent		785,081	247,936
Non-controlling interests		232,701	535,925
		1,017,782	783,861
Total comprehensive income attributable to:			
Owners of the parent	*13*	797,350	645,810
Non-controlling interests		236,218	551,019
		1,033,568	1,196,829
Earnings per share attributable to ordinary equity holders of the parent	*15*		
– Basic		24.47 cents	8.91 cents
– Diluted		23.70 cents	8.64 cents

Details of the dividends payable and proposed for the year are disclosed in Note 14 to the financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

Statements of Financial Position
31 December 2009
(Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

		Group		Company	
	Notes	**2009**	**2008**	**2009**	**2008**
ASSETS					
Non-current assets					
Property, plant and equipment	*16*	2,684,121	1,668,269	3,229	282
Completed investment properties	*17*	6,329,400	5,248,073	–	–
Investment properties under construction	*17*	193,879	–	–	–
Prepaid land lease payments	*18*	565,492	885,914	–	–
Goodwill	*19*	453,788	447,495	–	–
Investments in subsidiaries	*20(a)*	–	–	4,433,839	4,565,875
Advances to subsidiaries	*20(b)*	–	–	1,346,117	1,073,459
Interests in associates	*21(a)*	87,807	530,402	–	–
Deferred tax assets	*34*	177,588	19,811	–	–
Non-current accounts receivable	*27*	106,365	–	–	–
Other non-current assets	*22*	362,935	279,042	279,485	279,042
		10,961,375	9,079,006	6,062,670	5,918,658
Current assets					
Prepaid land lease payments	*18*	7,954,454	6,654,264	–	–
Properties held or under development for sale	*23*	4,705,378	3,096,513	–	–
Land infrastructure under development for sale	*24*	4,353,169	–	–	–
Inventories		19,852	30,885	–	–
Dividends receivable from subsidiaries		–	–	727,651	390,573
Amounts due from associates	*21(b)*	1,825	138,968	–	132,438
Prepayments and other current assets	*25*	261,014	66,404	51,506	555
Other receivables	*26*	1,329,071	642,145	86	–
Accounts receivable	*27*	401,322	18,165	–	–
Prepaid income tax		83,820	5,303	–	–
Cash and bank balances	*28*	4,602,822	1,575,476	84,821	170,687
		23,712,727	12,228,123	864,064	694,253
Total assets		34,674,102	21,307,129	6,926,734	6,612,911

	Notes	Group 2009	Group 2008	Company 2009	Company 2008
EQUITY AND LIABILITIES					
EQUITY					
Issued capital and premium	29	4,736,489	4,003,101	4,736,489	4,003,101
Other reserves	30	1,221,202	1,019,625	714,834	527,086
Retained profits	30	2,234,050	1,449,859	246,098	5,817
Equity attributable to owners of the parent		8,191,741	6,472,585	5,697,421	4,536,004
Non-controlling interests		3,115,939	1,400,776	–	–
Total equity		11,307,680	7,873,361	5,697,421	4,536,004
LIABILITIES					
Non-current liabilities					
Interest-bearing bank and other borrowings	31	5,942,549	3,045,114	293,366	216,865
Guaranteed senior notes	32	552,463	1,537,947	552,463	1,537,947
Deferred income from sale of golf club membership	33	639,041	–	–	–
Deferred tax liabilities	34	1,638,787	1,430,596	–	–
		8,772,840	6,013,657	845,829	1,754,812
Current liabilities					
Interest-bearing bank and other borrowings	31	1,589,958	1,495,640	45,950	142,620
Convertible bonds-host debts	35	312,219	62,008	312,219	62,008
Derivative financial liabilities	36	–	88,470	–	88,470
Advances received from the pre-sale of properties under development	37	4,943,649	1,171,996	–	–
Accounts payable	38	3,176,373	1,357,377	–	–
Other payables and accruals	39	2,339,360	2,241,817	25,315	21,024
Current income tax liabilities		1,428,561	983,491	–	–
Guaranteed senior notes, current portion	32	95,813	–	–	–

		Group		Company	
	Notes	**2009**	**2008**	**2009**	**2008**
Deferred income arising from construction of ancillary public facilities	*33*	696,291	–	–	–
Amounts due to related companies	*40*	11,358	19,312	–	7,973
		14,593,582	7,420,111	383,484	322,095
Total liabilities		23,366,422	13,433,768	1,229,313	2,076,907
Total equity and liabilities		34,674,102	21,307,129	6,926,734	6,612,911
Net current assets		9,119,145	4,808,012	480,580	372,158
Total assets less current liabilities		20,080,520	13,887,018	6,543,250	6,290,816

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

(Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Attributable to owners of the parent										
	Issued capital and premium *(Note 29)*	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Equity component of convertible bonds	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2009	4,003,101	7,238	248	214,076	722,123	75,940	–	1,449,859	6,472,585	1,400,776	7,873,361
Total comprehensive income for the year	–	–	–	–	12,269	–	–	785,081	797,350	236,218	1,033,568
Share of equity-settled share options of an associate	–	–	–	–	–	3,969	–	–	3,969	–	3,969
Revaluation reserve transfer to retained profits upon sale of properties	–	(740)	–	–	–	–	–	740	–	–	–
Appropriation from retained profits	–	–	–	1,630	–	–	–	(1,630)	–	–	–
Issuance of shares upon conversion of convertible bonds	247,212	–	–	–	–	–	–	–	247,212	–	247,212
Issuance of new shares	486,176	–	–	–	–	–	–	–	486,176	–	486,176
Equity component of issued convertible bonds during the year	–	–	–	–	–	–	179,361	–	179,361	–	179,361
Equity-settled share options to management of a subsidiary	–	–	–	–	–	2,198	–	–	2,198	2,272	4,470
Disposal of subsidiaries *(Note 46)*	–	–	–	–	–	–	–	–	–	(210,974)	(210,974)
Acquisition of subsidiaries *(Note 45)*	–	–	–	–	–	–	–	–	–	1,756,098	1,756,098
Changes due to increase in equity interests in a subsidiary	–	–	–	–	–	2,890	–	–	2,890	(45,043)	(42,153)
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(23,408)	(23,408)
At 31 December 2009	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

	Attributable to owners of the parent									
	Issued capital and premium *(Note 29)*	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2008	3,956,327	16,869	248	214,076	324,249	–	1,288,117	5,799,886	783,469	6,583,355
Total comprehensive income for the year	–	–	–	–	397,874	–	247,936	645,810	551,019	1,196,829
Share of equity movements of an associate	–	–	–	–	–	75,940	–	75,940	–	75,940
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	(427)	(427)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	100,397	100,397
Revaluation reserve transfer to retained profits upon sale of properties	–	(9,631)	–	–	–	–	9,631	–	–	–
Dividends relating to 2007										
– Cash dividends *(Note 14)*	–	–	–	–	–	–	(49,051)	(49,051)	–	(49,051)
– Scrip dividends *(Note 14)*	46,774	–	–	–	–	–	(46,774)	–	–	–
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(33,682)	(33,682)
At 31 December 2008	4,003,101	7,238*	248*	214,076*	722,123*	75,940*	1,449,859	6,472,585	1,400,776	7,873,361

* These reserve accounts are all booked under the consolidated reserves of HK$1,221,202 thousand (2008: HK$1,019,625 thousand) in the consolidated statement of financial position.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
Year ended 31 December 2009
(Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	**2009**	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	*41*	3,112,001	(504,384)
Interest paid		(471,367)	(433,183)
Income tax paid		(288,897)	(118,208)
Net cash flows from/(used in) operating activities		2,351,737	(1,055,775)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(84,428)	(288,913)
Proceeds from disposal of property, plant and equipment		1,952	5,738
Proceeds from disposal of an investment property		34,044	–
Construction of investment properties		(114,260)	(151,639)
Payments for land use rights		(105,175)	–
Acquisition of subsidiaries, net of cash acquired	*45*	(121,289)	(26,784)
Disposal of subsidiaries	*46*	(3,718)	–
Refund of earnest money for acquisition of an additional equity interest in a subsidiary		–	41,374
Earnest money paid to third party companies for acquisition of two companies		(25,906)	–
Increase in investments in associates		(145,631)	(14,023)
Disposal of an equity interest in a company		–	199,685
Earnest money paid for investment and properties		–	(403,040)
Increase in time deposits with original maturity over three months		(2,953)	(4,997)
Dividends received from associates		8,521	–
Interest received		16,551	16,727
Net cash flows used in investing activities		(542,292)	(625,872)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of convertible bonds		479,236	162,932
Net proceeds from issuance of new shares		486,176	–
Capital divestment of non-controlling shareholders of subsidiaries		(227)	–
Cash paid by a subsidiary to purchase its own shares		(42,153)	–
Decrease/(increase) in pledged bank deposits		55,134	(95,932)
Cash placed as restricted deposits in relation to interest payments for bank borrowings		(40,894)	–
Proceeds from short-term borrowings		–	737,045
Repayments of short-term borrowings		(453,566)	(1,299,467)
Proceeds from long-term borrowings		5,366,301	1,569,355

	Notes	2009	2008
Repayments of long-term borrowings		(3,563,036)	(446,647)
Redemption of convertible bonds		–	(46,406)
Cash received from the capital injection from non-controlling shareholders of subsidiaries		–	100,397
Net cash paid on redemption of guaranteed senior notes		(817,715)	–
Dividends paid to non-controlling shareholders of subsidiaries		(21,798)	(33,682)
Dividends paid to the Company's shareholders	*14*	–	(49,051)
Net cash flows from financing activities		1,447,458	598,544
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,256,903	(1,083,103)
Cash and cash equivalents at beginning of year		873,523	1,851,769
Effect of foreign exchange rate changes, net		3,686	104,857
CASH AND CASH EQUIVALENTS AT END OF YEAR	*28*	4,134,112	873,523

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Financial Statements

31 December 2009

(Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

1. CORPORATE INFORMATION

SRE Group Limited (the "Company") was incorporated in Bermuda with limited liability on 11 August 1999 as an exempted company under the Bermuda Companies Act 1981. Pursuant to a group reorganisation (the "Reorganisation") in connection with the listing of the Company's shares on the Stock Exchange of Hong Kong ("HKSE"), the Company became the ultimate holding company of the other companies comprising the Group on 12 November 1999. Further details of the Reorganisation are set out in the Company's prospectus dated 30 November 1999. The shares of the Company were listed on the HKSE on 10 December 1999. The principal place of business of the Company is located at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") were mainly engaged in real estate development, large-scale new towns planning and development, property leasing and hotel operations in Mainland China during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

In preparing the financial statements, the directors of the Company have considered the Group's sources of liquidity, its ability to maintain adequate cash inflow from operations and financing to meet its financial obligations as and when they fall due, and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

Basis of consolidation

Basis of consolidation from 1 January 2009

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2009.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest

- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Basis of consolidation prior to 1 January 2009

In comparison to the abovementioned requirements which were applied on a prospective basis, the following differences applied:

- Non-controlling interests represented the portion of profit or loss and net assets that were not held by the Group and were presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from the parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

Operating cycle

The operating cycle of the Group is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Due to the nature of the Group's business, the Group's normal operating cycle is longer than 12 months. The Group's current assets include assets (such as properties held or under development for sale and land infrastructure under development for sale, etc.) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the end of the reporting period.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and revised or amended HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 1 and HKAS 27	*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	*Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 3 (Revised) and HKAS 27 (Revised) and consequential amendments to HKAS 7, HKAS 12, HKAS 21, HKAS 28 and HKAS 31	*Business Combinations and Consolidated and Separate Financial Statements* (early adopted)
HKFRS 7 Amendments	*Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*

HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

The principal effects of adopting these new and revised or amended HKFRSs are as follows:

(a) Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in profit or loss in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively.

(b) Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation.

(c) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

The Group adopted HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements* for the year ended 31 December 2009. HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after the beginning of the annual reporting period when the revised standard is adopted. For subsidiaries acquired through step acquisition, the requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at the acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Non-controlling interests are measured either at their proportionate interest in the net identifiable assets or at fair value. Acquisition-related costs are generally recognised as expenses (rather than included in goodwill). Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value of contingent consideration are recognised in accordance with other HKFRSs, usually in profit or loss (rather than by adjusting goodwill).

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Upon adoption of HKFRS 3 (Revised) and HKAS 27 (Revised), the Group has also adopted the consequential amendments to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effect of Changes in Foreign Exchange Rates,* HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures.*

Consequential amendments above did not have significant impact on the accounting policies of the Group.

The change in accounting policy as a result of the adoption of the revised standards was applied prospectively, and hence has had no impact on the Group's consolidated financial statements for the year ended 31 December 2008. The revised standards affected the accounting for business combination (the step acquisition) of CNTD (as detailed in Note 45(1)) and accounting for subsequent increase in equity interest after date of acquisition in 2009. The accounting treatment under the revised standards resulted in an approximately HK$49 million increase in net profit attributable to owners of the parent (and hence increase the basic and diluted earnings per share by 1.53 Hong Kong cent, 1.44 Hong Kong cent respectively) for the year ended 31 December 2009, and a corresponding decrease in asset valuation reserve by approximately HK$52 million and an increase in other reserves by HK$3 million. The revised standards have no impact on the net assets reported in the consolidated financial statements as of 31 December 2009.

(d) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 49 to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 50 to the financial statements.

(e) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These disclosures, including the related comparative information, are shown in Note 4 to the financial statements.

(f) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

(g) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group.

(h) Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

(i) Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*

The amendment to HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

(j) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation has had no impact on the financial position or results of operations of the Group.

(k) HK(IFRIC)-Int 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces HK Interpretation 3 Revenue – Pre-completion Contracts for the Sale of Development Properties. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with HKAS 18 Revenue. The interpretation has had no impact on the accounting for the Group's construction activities.

(l) HK(IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation*

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the profit or loss as a reclassification adjustment.

(m) HK(IFRIC)-Int 18 *Transfers of Assets from Customers (adopted from 1 July 2009)*

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both.

(n) In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* which are effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures:* Removes the reference to "total interest income" as a component of finance costs.

- HKAS 1 Presentation of Financial Statements: Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the statement of financial position.

- HKAS 16 *Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use.

  In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventories when rental ceases and they are held for sale.

- HKAS 28 *Investments in Associates:* Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

- HKAS 36 *Impairment of Assets:* When discounted cash flows are used to estimate "fair value less costs to sell", additional disclosures (e.g., discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

- HKAS 38 *Intangible Assets:* Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

  The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than the straight-line method has been removed.

- HKAS 40 *Investment Property:* Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 January 2009. The Group's accounting policy for investment properties is to subsequently state them at fair value with changes in fair values recognised in profit or loss. As a result of the amendment, an investment property under construction is carried at fair value at the earlier of when the fair value first becomes reliably determinable and when the construction of the property is completed.

As a result of the adoption of this amendment, a loss on the valuation of investment property under construction of HK$592 thousand has been recognised for the year ended 31 December 2009 (Note 17).

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to *HKFRS 5 included in Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2010

[3] Effective for annual periods beginning on or after 1 February 2010

[4] Effective for annual periods beginning on or after 1 July 2010

[5] Effective for annual periods beginning on or after 1 January 2011

[6] Effective for annual periods beginning on or after 1 January 2013

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments are not expected to have impacts on the consolidated financial statements of the Group.

The HKFRS 1 Amendments provide relief from the full retrospective application of HKFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. The amendments are not expected to have impacts on the consolidated financial statements of the Group.

The HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in HK(IFRIC)-Int 8 *Scope of HKFRS 2* and HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions.* The Group expects to adopt the HKFRS 2 Amendments from 1 January 2010. The amendments are not expected to have impacts on the consolidated financial statements of the Group.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement.* This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety by the end of 2010. The Group has not decided to early adopt HKFRS 9. Currently, the Group does not expect the new standard to have material impacts on the consolidated financial statements.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and does not expect the amendment to have impacts on the the consolidated financial statements.

The HKAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the HKAS 32 Amendment from 1 January 2011. The amendment is not expected to have impacts on the consolidated financial statements of the Group.

The amendment to HKAS 39 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. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group expects to adopt the HKAS 39 Amendment from 1 January 2010. The amendment is not expected to have impacts on the consolidated financial statements of the Group.

The HK(IFRIC)-Int 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. The Group expects to adopt the amendments from 1 January 2011, and does not expect the amendments to have impacts on the consolidated financial statements.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Reporting Period* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is not expected to have material impacts on the consolidated financial statements of the Group.

HK(IFRIC)-Int 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with HKAS 39 Financial Instruments: Recognition and Measurement and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. The Group does not expect the interpretation to have material impacts on the consolidated financial statements.

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary. The Group does not expect the amendments to have impacts on the consolidated financial statements.

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments when they become effective. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have significant impacts on the consolidated financial statements of the Group.

HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40. The Group does not expect the amendment to have significant impacts on the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post acquisition results and reserves of associates is included in the consolidated statement of comprehensive income and/or consolidated reserves. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Business combination and goodwill

Business combinations from 1 January 2009

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill arising on the acquisition of subsidiaries and associates is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities and contingent liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

In the case of associates, goodwill is included in the carrying amount of investments in associates, rather than as a separately identified asset in the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 January 2009

In comparison to the abovementioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for by separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquire were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates, after reassessment, is recognised immediately in profit or loss.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties held or under development for sale, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Hotel buildings	Shorter of 40 years and the remaining terms of the leases, which range from 30 to 40 years
Other buildings	20 years
Golf operational assets	Golf course between 40 and 50 years, club buildings 30 years, club equipment 10 years, club fixtures and fittings 5 years
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Furniture, fitting, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. From 1 January 2009 onwards, an investment property under construction is carried at fair value at the earlier of when the fair value first becomes reliably determinable and when the construction of the property is completed. Prior to 31 December 2008, investment property under construction was carried at cost less accumulated impairment.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with HKAS 16. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. As a lessor, the Group recognises the aggregate cost of incentives as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in profit or loss. These net fair value changes gain do not include any dividends or interest earned on these financial assets, which are recognised in accordance with policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables or available-for-sale financial assets depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The loss arising from impairment is recognised in profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss as other gains, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in profit or loss and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in profit or loss in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial investments whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgment. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related companies, derivative financial instruments, interest-bearing bank loans and other borrowings, guaranteed senior notes, and convertible bonds.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Convertible bonds

For a convertible bonds which comprise both liability and equity components under HKAS 32, on issuance of convertible bonds, the fair value of the liability component (including host debt and, if any, embedded derivatives other than the equity component) is determined using a market rate for an equivalent non-convertible bond; and the host debt is carried as a liability at amortised cost, and the embedded derivatives that need to be separated from the host debt, if any, are carried as derivative financial liabilities at fair value, until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Where the convertible bonds contain only liability and derivative components, if the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its host debt component. On initial recognition, the derivative component (including all embedded derivatives that should be separated from the host debt) of the convertible bonds is measured at fair value and presented as part of derivative financial liabilities. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host debt component (also as a liability). Transaction costs are apportioned between the host debt and derivative components of the convertible bonds based on the allocation of proceeds to the host debt and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the host debt is recognised initially as part of the host debt liability. The portion relating to the derivative component is recognised immediately in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Properties held or under development for sale

Properties held or under development for sale are included in current assets at the lower of cost and net realisable value.

The costs of properties held or under development for sale comprise specifically identified cost, including acquisition costs, development expenditures and borrowing costs and other related expenditure directly attributable to the development of such properties. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

Land infrastructure under development

Land infrastructure under development is stated at the lower of cost and net realisable value.

Development cost of land infrastructure comprises the aggregate cost of development, materials and supplies, capitalised borrowing costs on related borrowing funds during the period of construction and other costs directly attributable to such land infrastructure.

Net realisable value takes into account the Group's share of proceeds derived from the sale of land infrastructure by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land infrastructure based on prevailing market conditions.

Inventories

Inventories mainly comprise food, beverages, operating supplies and low value consumables used in hotel and golf course operations, and are stated at the lower of cost or net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets with similar nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

Sale of development properties

Revenue from the sale of properties is recognised upon completion of a sale agreement, which refers to the time when properties are completed and delivered to the buyers. Deposits and instalments received on properties sold prior to completion of the respective sale agreements are included as advances received from the pre-sale of properties under development.

Development of land infrastructure

Certain subsidiaries of the Company has been given the right to carry out construction and preparation works in respect of the infrastructure of land plots and public facilities within the districts owned by the local government. The completed land plots are sold by the governments to land buyers through public auction, tender or listing procedures from time to time, upon which the Group is entitled receive a proportion of revenue proceeds.

The Group provides land buyers with certain construction works, including the infrastructure of land plots and surrounding public facilities. As public facilities are separately identifiable from the infrastructure of land plots, which are normally completed when the plots are sold to land buyers by the government, certain public facilities may not be completed at the time of the sale. Total revenue proceeds are allocated between the completed and the outstanding construction works based on their fair value.

In addition, no revenue from the development of the infrastructure (attributable to the parcels to be sold) would be recognised before the sales by the government of the parcels of land, as the amount of revenue (attributable to the parcels to be sold) cannot be measured reliably before such sales occur.

The revenue attributable to the completed infrastructure is recognised upon the transfer of risks and rewards in connection with land plots, which refers to the time when the land plots are sold to the buyers by the government through public land auction, tender or listing procedures. The deferred revenue of outstanding construction works is recognised when the related construction works are completed.

Golf course operations

Revenue from golf course operations represents the income from the usage of golf courses and ancillary equipment, the provision of golf services, and the provision of food and beverages, etc., which is recognised when the services are rendered or goods are sold.

Golf club membership revenue

Golf club membership entitles the members to golf operations related services provided during the membership period or to purchase goods or services at prices lower than those charged to non-members. Revenue from golf club membership is recognised on the straight-line basis which reflects the expected period when the benefits are provided.

Property leasing under operating lease

Operating lease income from investment properties is recognised on the straight-line basis over the lease term, which is the non-cancellable period for which the lessee has contracted to lease the properties together with any further terms for which the lessee has the option to continue to lease the properties, with or without further payments, when at the inception of the lease, it is reasonably certain that the lessee will exercise the option.

Sale of network equipment

Revenue from the sale of network equipment is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. The Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Construction of infrastructure for an intelligent network and installation of intelligent network

Revenue from the construction of infrastructure for an intelligent network and installation of intelligent network is recognised as follows:

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Property management

Property management income is recognised in the accounting period in which the services are rendered.

Hotel operations

Revenue from hotel operations represents the income from hotel rooms and the sale of related food and beverages, which is recognised when the services are rendered or goods are sold.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Dividend income

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

Share-based payment transactions

A subsidiary of the Company, China New Town Development Company Limited ("CNTD") operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the CNTD Group's operations. Employees (including senior executives) of CNTD receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by the Group with assistance from the valuer using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share, where appropriate.

Other employee benefits

Employee retirement scheme

The employees of the Group's entities which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute 19% to 22% of the standard salary announced by the government to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. In addition, the Group participates in a Mandatory Provident Fund Scheme, under which contributions of 5% of the Hong Kong employee's basic salaries are made by the employer and the Hong Kong employees, respectively. The provision and contributions have been included in profit or loss upon incurrence. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a weighted average capitalisation rate of 7.03% (excluding CNTD and its subsidiaries which manage their financing separately from the other entities of the Group) (2008: 8.02 %) has been applied to the expenditure on the individual assets. The weighted average interest capitalisation rate of CNTD during the year was 9.97%.

Government grants

Government grants (including non-monetary grants) are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the grant is deducted from the relevant asset before arriving at the carrying amount of the asset. The grant is recognised in profit or loss over the time of asset realisation by way of a reduced cost of assets' charge. Grants received in connection with the Group's role in planning and constructing the ancillary public facilities are deducted from the development cost of the ancillary public facilities and would be recognised indirectly in the form of an increased profit margin over the course of recognising revenue in connection with the ancillary public facilities services.

Dividends

When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

(a) Functional and presentation currencies

Items included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's and its subsidiaries' functional currencies are Renminbi ("RMB"), as the major revenues are derived from operation in Mainland China. Considering the Company is listed on the HKSE, Hong Kong dollars ("HK$") is chosen as the presentation currency to present these financial statements.

(b) Transactions and balances

Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(c) Group companies

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

(i) assets and liabilities of the Group are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period;

(ii) income and expenses of the Group are translated into the presentation currency at the average exchange rates for the period (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated into the presentation currency at the exchange rate ruling at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of which arise throughout the year are translated into the presentation currency at the weighted average exchange rates for the year.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, if any, and all monetary items that provide an effective hedge for such investments, if any, are recognised in other comprehensive income. When a foreign operation is disposed of, such exchange differences are recognised in profit and loss as part of the gain or loss on sale.

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

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities (except for contingent liability recognised in a business combination) and assets are not recognised on the statement of financial position of the Group and the Company.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2009 was HK$454 million (2008: HK$447 million). More details are given in Note 19.

Estimation of fair value of investment properties

Investment properties were revalued at the end of each reporting period during the years ended 31 December 2009 and 31 December 2008 using the discounted cash flow method or term and reversion method on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property interest by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Investment properties under construction are also carried at fair value as determined by independent professional qualified valuers, except if such values cannot be reliably determined. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost. The fair value of investment properties under construction is determined using either the Discounted Cash Flow Method or the Residual Method.

Carrying amount of land infrastructure under development

The Group's land infrastructure under development is stated at the lower of cost and net realisable value. If acquired in a business combination, the acquisition-date fair value (as cost to the Group) of such land infrastructure under development was determined by the Group and independent professionally qualified valuers using Discounted Cash Flow Method or other appropriate methods. Based on the Group's recent experience and the nature of the subject land infrastructure, the Group makes estimates of cost allocated to each parcel of land and attributable to ancillary public facilities and infrastructure, and its net realisable value, i.e., the revenue to be derived from the sale of land infrastructure by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land infrastructure under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision should be made to report land infrastructure under development at its net realisable value. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land infrastructure in the periods in which such estimate is changed will be adjusted accordingly.

Deferred tax assets and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entity's domicile.

Deferred tax assets are recognised for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed.

Estimation of fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and separated derivatives components of the convertible bonds) is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair values of the convertible bonds (including the values allocated the host debt, conversion options classified either as a financial liability or equity and other derivatives embedded in the convertible bonds that need to be separately accounted for) that need to be accounted for at fair value at initial recognition (or subsequently if there is any embedded derivative that needs to be separately accounted for), cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow method and option price models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as credit risk, market risk and volatility, etc. Changes in assumptions about these factors could affect the reported carrying values of such financial instruments.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets (other than goodwill) are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. 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.

An analysis by business segment is as follows:

	2009					
	Property development	Land infrastructure development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue						
Sales to external customers	1,552,399	910,900	113,320	159,196	94,781	2,830,596
Intersegment sales	–	–	–	–	9,686	9,686
	1,552,399	910,900	113,320	159,196	104,467	2,840,282
Reconciliation:						
Elimination of intersegment sales						(9,686)
Revenue						2,830,596
Segment profit/(loss)	253,150	532,297	628,570	(121,281)	487,865	1,780,601
Finance income						16,884
Finance costs						(179,114)
Finance costs – net						(162,230)
Share of profits and losses of associates						(93,927)
Profit before tax						1,524,444
Segment assets and liabilities						
Segment assets	16,771,222	6,036,235	6,753,736	2,212,531	2,812,571	34,586,295
Interests in associates						87,807
Total assets						34,674,102
Segment liabilities	13,316,164	2,525,710	1,842,959	68,476	5,613,113	23,366,422
Total liabilities	13,316,164	2,525,710	1,842,959	68,476	5,613,113	23,366,422
Other segment information:						
Depreciation and amortisation	89,306	2,815	1,087	15,687	31,169	140,064
Capital expenditure*	20,663	1,221	121,311	91,342	6,602	241,139
Fair value loss on derivative financial liabilities, net	–	–	–	–	89,055	89,055
Fair value gain on investment properties	–	–	(476,162)	–	–	(476,162)
(Reversal of)/Provision for impairment losses	2,739	–	–	–	(106,765)	(104,026)

* Capital expenditure consists of additions of properties, plant and equipment (HK$30,446 thousand), investment properties (HK$121,161 thousand) and prepaid land lease payments (non-current) (HK$89,532 thousand).

	2008				
	Property development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue					
Sales to external customers	3,515,811	67,663	96,886	59,505	3,739,865
Intersegment sales	–	–	–	46,424	46,424
	3,515,811	67,663	96,886	105,929	3,786,289
Reconciliation:					
Elimination of intersegment sales					(46,424)
Revenue					3,739,865
Segment profit/(loss)	852,599	1,369,402	(107,322)	(135,619)	1,979,060
Finance income					152,521
Finance costs					(11,063)
Finance income-net					141,458
Share of profits and losses of associates					(443,186)
Profit before tax					1,677,332
Segment assets and liabilities					
Segment assets	12,907,980	5,354,972	1,817,715	696,060	20,776,727
Interests in associates					530,402
Total assets					21,307,129
Segment liabilities	9,696,931	1,871,065	55,297	1,810,475	13,433,768
Total liabilities	9,696,931	1,871,065	55,297	1,810,475	13,433,768
Other segment information:					
Depreciation and amortisation	6,493	112	91,484	525	98,614
Capital expenditure*	6,583	184,339	256,256	1,512	448,690
Fair value gain on derivative financial liabilities, net	–	–	–	7,240	7,240
Fair value gain on investment properties	–	(1,394,587)	–	–	(1,394,587)
Provision for impairment losses	–	–	38,827	104,882	143,709

* Capital expenditure consists of additions of properties, plant and equipment (HK$288,135 thousand), investment properties (HK$102,377 thousand) and prepaid land lease payments (non-current) (HK$58,178 thousand).

Geographical information

(a) All the sales to external customers of the Group are generated from Mainland China.

(b) Non-current assets

	2009	2008
Hong Kong	3,229	282
Mainland China	10,223,451	8,249,469
	10,226,680	8,249,751

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about major customers

Land infrastructure development revenue from the Group's share of proceeds of land sale by local authorities in Shanghai accounted for approximately 29% (2008: None) of the Group's revenue in the year ended 31 December 2009.

The Group's other customers are widely dispersed. Other than mentioned in previous paragraph, no revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer or a group of customers under common control for the years ended 31 December 2009 and 2008.

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; room charges from hotel operations and gross rental income received and receivable from investment properties during the year.

An analysis of revenue is as follows:

	2009	2008
Sale of development properties	1,633,588	3,705,960
Development of land and construction of ancillary public facilities	958,725	–
Hotel operations	167,631	102,010
Revenue from property leasing *(Note 17)*	120,612	72,939
Property management income	60,673	53,443
Golf operation	34,504	–
Revenue from construction of infrastructure for an intelligent network	10,367	4,103
Sale of network hardware and installation of intelligent home equipment	4,786	6,340
Other revenue	1,870	–
	2,992,756	3,944,795
Less: Business tax and surcharges	(162,160)	(204,930)
Total revenue	2,830,596	3,739,865

(i) 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, comprising City Maintenance and Construction Tax, Education Surtax, Dike Maintenance, Selective Service Surcharge and River Way Management Fee, are calculated at certain percentages of business tax.

6. OTHER GAINS – NET

	2009	**2008**
Fair value gain on investment properties *(Note 17)*	476,162	1,394,587
Derivative instruments at fair value through profit or loss – fair value (loss)/gain, net *(Note 35)*	(89,055)	7,240
Gain on disposal of property, plant and equipment, net	81	542
Loss from dilution of an equity interest in an associate	–	(41,616)
Gain on disposal of subsidiaries *(Note 46)*	43,349	–
Gain on disposal of unquoted equity investment stated at cost	–	178,326
Gain on disposal of an investment property	26,397	–
Impairment of property, plant and equipment *(Note 16)*	–	(38,827)
Gain from redemption of CB2	–	12,783
Reversal/(impairment) of an interest in an associate	104,403	(104,320)
Gain on redemption of guaranteed senior notes	179,102	–
Excess of share of fair value of net assets acquired over consideration for the acquisition of additional interest in an associate	300,415	–
Loss on remeasurement (at acquisition-date fair value) of a previously held equity interest held in an acquiree (CNTD)	(184,398)	–
The Excess of acquisition-date amounts of the net assets acquired over the aggregate of consideration transferred, the amount of non-controlling interest and the acquisition-date fair value of the Group's previously held equity interest in the acquiree (CNTD)	236,350	–
Others	(4,907)	2,502
	1,087,899	1,411,217

7. EXPENSE BY NATURE

	2009	2008
Cost of inventories sold (excluding depreciation)	1,475,766	2,757,227
Depreciation of property, plant and equipment *(Note 16)*	135,860	98,614
Employee benefit expense (including directors' emoluments)		
– Wages and salaries	103,511	75,465
– Equity-settled share option expense	4,470	–
– Other social welfare	31,745	17,656
	139,726	93,121
Operating lease payment in respect of buildings	14,091	9,308
Auditors' remuneration	12,225	4,215
Impairment of accounts receivable *(Note 27)*	377	562
Commission for sale of properties	90,782	8,290
Advertising costs	46,317	51,169
Miscellaneous tax	43,180	31,538
Transportation fee	16,899	12,897
Office expense	7,472	3,546
Exhibition fees	11,137	5,324
Water and electricity	14,975	1,711
Financial advisory service expenses	21,030	9,506
Business entertainment expenses	8,702	7,331
Others	99,355	77,663
	2,137,894	3,172,022

8. FINANCE INCOME

	2009	2008
Interest income on bank deposits	15,766	16,727
Net foreign exchange gain	1,118	135,794
	16,884	152,521

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2009	**2008**
Interest expense:		
Interest on bank borrowings and other borrowings – wholly repayable within five years	301,490	298,908
Interest on bank borrowings and other borrowings – wholly repayable beyond five years	56,410	–
Interest on the guaranteed senior notes – wholly repayable within five years *(Note 32)*	111,494	140,915
Interest on CB2 – wholly repayable within five years *(Note 35)*	–	4,220
Interest on CB3 – wholly repayable within five years *(Note 35)*	8,708	100
Interest on CB4 – wholly repayable within five years *(Note 35)*	25,392	–
	503,494	444,143
Less: Amount capitalised in properties held or under development for sale, investment properties under construction and construction in progress	(324,380)	(433,080)
Finance costs	179,114	11,063

During the year ended 31 December 2009, the weighted average interest capitalisation rate was 7.03% (excluding CNTD and its subsidiaries which manage their financing separately from the other entities of the Group) (2008: 8.02%). The weighted average interest capitalisation rate of CNTD during the year ended 31 December 2009 was 9.97%.

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2009			
Name of director	Salaries	Fees	Share-based payments (MSOP)*	Total
Executive directors				
– Mr. Shi Jian	1,750	–	–	1,750
– Mr. Li Yao Min	2,125	–	962	3,087
– Mr. Yu Hai Sheng	2,000	–	–	2,000
– Mr. Jiang Xu Dong	2,000	–	–	2,000
– Mr. Yue Wai Leung (appointed in 2009)	1,434	–	962	2,396
– Mr. Lee Wai Man**	846	–	–	846
Non-executive directors				
– Mr. Cheung Wing Yui	–	330	–	330
– Mr. Jin Bing Rong	–	330	–	330
Independent non-executive directors				
– Mr. Yeung Kwok Wing (resigned in 2009)	–	69	–	69
– Mr. Pan Long Qing (appointed in 2009)	–	210	–	210
– Mr. E Hock Yap	–	220	–	220
– Mr. Jiang Xie Fu	–	272	–	272
Total	10,155	1,431	1,924	13,510

	2008		
Name of director	Salaries	Fees	Total
Executive directors			
– Mr. Shi Jian	2,000	–	2,000
– Mr. Li Yao Min	1,500	–	1,500
– Mr. Yu Hai Sheng	2,500	–	2,500
– Mr. Jiang Xu Dong	2,000	–	2,000
– Mr. Lee Wai Man	2,200	–	2,200
Non-executive directors			
– Mr. Cheung Wing Yui	–	330	330
– Mr. Jin Bing Rong	–	315	315
Independent non-executive directors			
– Mr. Yeung Kwok Wing	–	165	165
– Mr. Geng Yu Xiu (resigned in 2008)	–	60	60
– Mr. E Hock Yap	–	220	220
– Mr. Jiang Xie Fu (appointed in 2008)	–	112	112
Total	10,200	1,202	11,402

* On 5 July 2007, the Board of Directors of CNTD passed a resolution to award a total of 380 shares (equivalent to 28,500,000 shares after CNTD's share split) to certain CNTD's directors and employees ("Entitled Persons") as an incentive for their continued service to CNTD. Mr. Li Yao Min and Mr. Yue Wai Leung, who are also directors of CNTD, were each awarded 79 shares (equivalent to 5,925,000 shares after CNTD's share split), respectively. The terms of the CNTD's Management Stock Option Plan (the "MSOP") are detailed in Note 30(a).

The MSOP is provided on the basis that the relevant Entitled Persons remain in service within the CNTD Group on the vesting dates and he/she has not submitted a notice of resignation at those dates. The exercise price is RMB8 per share (before CNTD's share split). The MSOP is accounted for as a compensation for services to be provided by the Entitled Persons in the periods of service (the "vesting periods"). Since the shares granted do not vest until the Entitled Persons complete their services in the vesting periods, CNTD will recognise the expenses over the vesting periods.

Share-based payments in above table are expenses recognised during the period from 9 September 2009 to 31 December 2009, during which CNTD was deemed as a subsidiary of the Company.

** Mr. Lee Wai Man resigned as an executive director of the Company on 3 June 2009 and continued to act as Chief Financial Officer. His remuneration for the year was HK$2,200 thousand, (HK$846 thousand when he was a director and HK$1,354 thousand when he was Chief Financial Officer).

No discretionary bonuses, inducement fees, employer's contribution to pension schemes, or compensation for loss of office as directors were given to any of the directors during the years ended 31 December 2009 and 2008.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2009 and 2008.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five* (2008: four) directors, details of whose remuneration are set out in Note 10 above. Details of the remuneration of the remaining two non-director* (2008: one), highest paid employees for the year are as follows:

	2009	**2008**
Salaries, housing allowances, other allowances and benefits in kind	4,616	2,000

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2009	**2008**
Nil-HK$1,000,000	–	–
HK$1,000,001-HK$1,500,000	–	–
HK$1,500,001-HK$2,000,000	1	1
HK$2,000,001-HK$3,000,000	1	–

* Remuneration to Mr. Yu Hai Sheng, Mr. Jiang Xu Dong and a non-director employee who also ranked the fifth highest paid employees was the same in 2009.

12. INCOME TAX

	2009	2008
Current taxation		
– Mainland China income tax (a)	210,417	258,230
– Mainland China LAT (c)	54,947	31,827
	265,364	290,057
Deferred taxation *(Note 34)*		
– Mainland China income tax	139,967	329,456
– Mainland China LAT	–	91,161
– Mainland China withholding tax (d)	101,331	182,797
	241,298	603,414
Total tax charge for the year	506,662	893,471

(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, except for certain subsidiaries of the Group, in Mainland China, which are taxed at preferential rates of 20%.

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. The outstanding balance of prepaid income tax was approximately HK$57 million as of 31 December 2009 (2008: Nil).

(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. Prepaid LAT had been recorded in "prepaid income tax" with an amount of approximately HK$26.82 million as of 31 December 2009 (2008: approximately HK$5.3 million).

(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.

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rate of 25% for the jurisdiction in which the majority of the Company's subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

	2009	**2008**
Profit before tax	1,524,444	1,677,332
Tax at the applicable tax rate of 25%	381,111	419,333
Lower tax rates for certain subsidiaries	(1,605)	–
Tax effect of results attributable to associates	23,482	110,797
Impact of LAT (which is itself classified as part of income tax) as it is deductible for income tax purposes	(13,736)	(30,747)
Income not subject to tax	(140,399)	(9,007)
Tax losses not recognised and expenses not deductible for tax	83,622	97,310
Effect of withholding tax at 10% or 5% on the distributable profits of the Group's subsidiaries in Mainland China	101,331	182,797
Tax on gains on disposal of subsidiaries	17,909	–
Mainland China income tax	451,715	770,483
Mainland China LAT (including deferred LAT)	54,947	122,988
Total tax expense for the year at the Group's effective tax rate	506,662	893,471

The share of tax attributable to associates amounting to approximately HK$0.5 million (2008: HK$54.7 million) is included in "share of profits and losses of associates" on the face of the consolidated statement of comprehensive income.

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2009 includes a profit of HK$240,281 thousand (2008: HK$4,069 thousand) which has been dealt with in the financial statements of the Company (Note 30(b)).

14. DIVIDENDS PAID AND PROPOSED

	2009	**2008**
Proposed final dividend – HK$0.044 (2008:Nil) per ordinary share	158,571	–

A final dividend in respect of 2009 of HK$0.044 per share was proposed at the meeting of Board of Directors held on 16 April 2010. Based on the total number of outstanding ordinary shares of 3,603,881,194 shares, the proposed dividends amounting to approximately HK$158,571 thousand. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in these financial statements.

There was no dividend paid during the year (2008: HK$0.035 per share).

Pursuant to a resolution passed at the general meeting on 21 May 2008, the Company offered to its shareholders scrip dividends in respect of 2007 of equivalent to HK$0.035 per share with an alternative for its shareholders to elect to receive the dividends in cash in lieu of all or part of their scrip dividend entitlements. As of 16 June 2008 (the date that the shareholders were required to elect alternatives), shareholders holding a total of

1,401,453,570 shares elected for cash dividend and cash dividends of approximately HK$49,050,875 were paid, while shareholders holding a total of 1,336,390,551 shares elected for scrip dividends, resulting in 46,037,076 shares being allotted at the price of HK$1.016 per share (Note 29).

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, assuming conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: convertible bonds (Note 35). The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense and changes in fair value of separated derivatives embedded in the convertible bonds less any tax effect.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2009	**2008**
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	785,081	247,936
Fair value change on the derivative component of CB3, net of tax *(Note 35)*	–	(7,240)
Interest expenses recognised on the host debt component of convertible bonds, net of tax *(Note 9)*	25,392	100
Profit attributable to ordinary equity holders of the parent before the above impact arising from convertible bonds	810,473	240,796

	Number of shares	
	2009	**2008**
	(Thousand units)	*(Thousand units)*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	3,207,690	2,783,881
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	211,694	2,466
	3,419,384	2,786,347

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Golf operational assets	Leasehold improvements	2009 Furniture, fitting, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost							
Beginning of year	1,083,612	–	2,813	729,815	43,038	–	1,859,278
Acquisition of subsidiaries *(Note 45)*	917,578	707,989	–	66,516	44,398	197,102	1,933,583
Additions	3,491	269	–	8,580	25,617	(7,511)	30,446
Transfer	116	–	–	–	–	(27,601)	(27,485)
Disposal of subsidiaries *(Note 46)*	(227,165)	–	–	(160,624)	(6,167)	–	(393,956)
Other disposals	–	–	(1,113)	(1,708)	(4,397)	–	(7,218)
Exchange realignment	2,455	643	4	1,153	123	151	4,529
End of year	1,780,087	708,901	1,704	643,732	102,612	162,141	3,399,177
Accumulated depreciation and impairment							
Beginning of year	60,492	–	1,155	109,741	19,621	–	191,009
Acquisition of subsidiaries *(Note 45)*	319,413	81,454	–	38,196	25,365	–	464,428
Depreciation charge *(Note 7)*	52,177	6,501	90	66,221	10,871	–	135,860
Disposal of subsidiaries *(Note 46)*	(48,264)	–	–	(21,134)	(2,292)	–	(71,690)
Other disposals	–	–	(1,002)	(1,133)	(3,212)	–	(5,347)
Exchange realignment	404	79	1	252	60	–	796
End of year	384,222	88,034	244	192,143	50,413	–	715,056
Net carrying amount							
Balance, end of year	1,395,865	620,867	1,460	451,589	52,199	162,141	2,684,121
Balance, beginning of year	1,023,120	–	1,658	620,074	23,417	–	1,668,269

Group

	2008					
	Buildings	Leasehold improvements	Furniture, fitting, fixtures and office equipment	Motor vehicles	Construction in progress	Total
Cost						
Beginning of year	752,607	2,650	537,405	39,980	151,240	1,483,882
Additions	57,083	–	8,768	6,661	215,623	288,135
Transfer	224,918	–	149,883	–	(374,801)	–
Disposals	–	–	(3,646)	(6,508)	–	(10,154)
Exchange realignment	49,004	163	37,405	2,905	7,938	97,415
End of year	1,083,612	2,813	729,815	43,038	–	1,859,278
Accumulated depreciation and impairment						
Beginning of year	9,878	943	26,899	16,206	–	53,926
Depreciation charge *(Note 7)*	24,062	153	68,152	6,247	–	98,614
Impairment *(Note 6)*	25,730	–	13,097	–	–	38,827
Disposals	–	–	(1,203)	(3,755)	–	(4,958)
Exchange realignment	822	59	2,796	923	–	4,600
End of year	60,492	1,155	109,741	19,621	–	191,009
Net carrying amount						
Balance, end of year	1,023,120	1,658	620,074	23,417	–	1,668,269
Balance, beginning of year	742,729	1,707	510,506	23,774	151,240	1,429,956

Depreciation expenses of approximately HK$118,164 thousand (2008: approximately HK$87,760 thousand) had been expensed in cost of goods sold, approximately HK$2,520 thousand (2008: approximately HK$1,418 thousand) in selling and marketing costs and approximately HK$15,176 thousand (2008: approximately HK$9,436 thousand) in administrative expenses.

As of 31 December 2009, the buildings, including "Skyway Hotel" with a net carrying amount of HK$806,860 thousand (2008: HK$ 824,187 thousand) and the Crown Plaza Lake Meilan Shanghai Hotel and Lake Meilan Convention Center of CNTD with a net carrying amount of HK$589,005 thousand were pledged as collateral for the Group's bank loans and facilities (Note 31).

Impairment of property, plant and equipment

Due to the economic downturn and operating losses in hotel operations in 2008, the Group performed an impairment assessment on the property, plant and equipment used in the Shenyang Richgate Lexington hotel operations, and as a result, an impairment loss of HK$38,827 thousand was recognised. With the disposal of the subsidiary owning Shenyang Richgate Lexington Hotel, the impairment losses were disposed of.

Company

	2009			
	Leasehold improvements	**Furniture, fitting, fixtures and office equipment**	**Motor vehicles**	**Total**
Cost				
Beginning of year	1,102	649	–	1,751
Additions	–	80	3,281	3,361
Disposals	(1,113)	(132)	–	(1,245)
Exchange realignment	11	(9)	3	5
End of year	–	588	3,284	3,872
Accumulated depreciation				
Beginning of year	951	518	–	1,469
Depreciation charge	–	45	246	291
Disposals	(1,002)	(117)	–	(1,119)
Exchange realignment	51	(49)	–	2
End of year	–	397	246	643
Net carrying amount				
Balance, end of year	–	191	3,038	3,229
Balance, beginning of year	151	131	–	282

	2008		
	Leasehold improvements	Furniture, fitting, fixtures and office equipment	Total
Cost			
Beginning of year	1,047	646	1,693
Exchange realignment	55	3	58
End of year	1,102	649	1,751
Accumulated depreciation			
Beginning of year	943	478	1,421
Depreciation charge	–	36	36
Exchange realignment	8	4	12
End of year	951	518	1,469
Net carrying amount			
Balance, end of year	151	131	282
Balance, beginning of year	104	168	272

17. INVESTMENT PROPERTIES

Group

Completed investment properties

	2009	2008
At beginning of year	5,248,073	1,842,375
Transfer from investment properties under construction	–	1,028,699
Transfer from properties held or under development for sale	–	593,571
Transfer from prepaid land lease payments *(Note 18)*	–	246,126
Fair value gain *(Note 6)*	476,754	1,394,587
Addition in cost	53,772	–
Disposal	(7,647)	–
Acquisition of a subsidiary *(Note 45)*	549,189	–
Exchange realignment	9,259	142,715
At end of year	6,329,400	5,248,073

Investment properties under construction

	2009	2008
At beginning of year	–	880,124
Acquisition of a subsidiary *(Note 45)*	126,914	–
Additions	67,389	102,377
Transfers to completed investment properties	–	(1,028,699)
Fair value loss *(Note 6)*	(592)	–
Exchange realignment	168	46,198
At end of year	193,879	–

The completed investment properties as at 31 December 2009 mainly represent the properties as follows:

A 3-storey shopping mall at the town area of Shanghai City, with a fair value of approximately HK$1,180 million. The periods of operating leases entered into for the shopping mall range from 1 to 6 years.

Portions of 8 blocks of multi-storey shopping and office buildings at the town area of Shanghai City, with a total fair value of approximately HK$1,251 million. The periods of operating leases entered into range from 1 to 12 years.

A 7-storey shopping mall at the town area of Shenyang City, with a total fair value of approximately HK$3,305 million. The periods of operating leases entered into for the shopping mall range from 1 to 16 years.

A retail street in Shanghai with a fair value of approximately HK$477 million. The periods of operating leases are mainly one year.

A retail street in Wuxi with a fair value of approximately HK$78 million. The periods of operating leases are mainly one year.

As at 31 December 2009, the Group's completed investment properties were valued by Jones Lang Lasalle Sallmanns Limited ("JLL") and Debenham Tie Leung Limited ("DTZ"), independent professionally qualified valuers. As there is no active market for the said properties, and due to the absence of similar properties in the same location and condition, the valuations were performed based on the income approach (term and reversion method or discounted cash flow method). The following main inputs have been used.

	2009	2008
Yield		
Shanghai Oasis Middling Centre	6.5% – 6.8%	5.9% – 6.9%
Shanghai Richgate Shopping Mall	5% – 6%	5% – 6.5%
Shenyang Richgate Shopping Mall	5% – 6%	*
Scandinavia Street, Shanghai	9% – 10%	9% – 10.5%
Wu Culture Street, Wuxi	4% – 5%	4% – 5%

* The fair value of Shenyang Richgate Shopping Mall as of 31 December 2008 was estimated using discounted cash flow method. The discount rate used was 9.5%. As the occupancy rate of Shenyang Richgate Shopping Mall was improved in 2009, the term and reversion method was adopted to estimate the fair value as of 31 December 2009. The yield rates were estimated to be ranging from 5% to 6%.

In arriving at the fair value of the investment properties under construction, reference is made to the comparable sales evidence available in a relevant market, after taking into account the expended construction costs and the costs that will be expended to complete the development.

The Group's interests in completed investment properties and investment properties under construction at their net book values are analysed as follows:

	2009	2008
In Mainland China, held on:		
Leases of over 50 years	1,202,109	1,151,103
Leases of between 10 and 50 years	5,321,170	4,096,970
	6,523,279	5,248,073

The investment properties pledged for bank borrowings are disclosed in Note 31.

The following amounts relating to the investment properties have been recognised in profit or loss:

	2009	2008
Rental income *(Note 5)*	120,612	72,939
Direct operating expenses arising from investment properties that generate rental income	(50,245)	(24,873)
Rental income on investment properties less direct operating expenses	70,367	48,066

18. PREPAID LAND LEASE PAYMENTS

Group

	2009	2008
In Mainland China, held on:		
– Leases of over 50 years	4,368,784	3,505,965
– Leases of between 10 and 50 years	4,151,162	4,034,213
	8,519,946	7,540,178

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	2009	2008
At beginning of year	7,540,178	6,663,010
Additions	1,395,832	1,032,067
Acquisition of subsidiaries *(Note 45)*	690,137	199,439
Disposals with the sale of completed properties	(92,222)	(324,232)
Amortisation capitalised as properties under development for sale	(178,738)	(199,426)
Transfer to investment properties *(Note 17)*	–	(246,126)
Disposal of subsidiaries *(Note 46)*	(843,871)	–
Amortisation	(4,204)	(3,141)
Exchange realignment	12,834	418,587
At end of year	8,519,946	7,540,178
Analysed as:		
Non-current: In relation to properties classified under property, plant and equipment	565,492	885,914
Current: In relation to properties held or under development for sale	7,954,454	6,654,264
	8,519,946	7,540,178

As of 31 December 2009, the Group's leasehold land of approximately HK$2,404 million (2008: HK$2,263 million) had been pledged as collateral for the Group's bank loans and facilities (Note 31).

19. GOODWILL

Group

	2009	2008
Cost		
At beginning of year	447,495	422,627
Acquisition of a subsidiary *(Note 45)*	5,582	–
Exchange realignment	711	24,868
At end of year	453,788	447,495
Accumulated impairment		
At beginning and end of year	–	–
Net carrying amount		
Balance, end of year	453,788	447,495
Balance, beginning of year	447,495	422,627

Impairment testing of goodwill

Goodwill acquired through certain business combinations has been mainly allocated to two major cash-generating-units, the Albany Oasis Garden and the Richgate II (formerly known as Qinhai Oasis Garden) property development projects, for impairment testing:

The two cash-generating units are parcels of lands with properties currently under development and located in the cities of Shenyang and Shanghai, respectively, and will be available for sale in the forthcoming one to eight years.

The recoverable amounts for both the Albany Oasis Garden and Richgate II property development projects cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on forecasts covering a eight-year and five-year, respectively, approved by management. The pre-tax discount rates applied to the cash flow projections are 19.13% and 13.2%, respectively, and the cash flow for period beyond the five-year period is consistent with the real estate industry market indices. Professional valuers were engaged to assist the Group in determining the estimated value in use.

The carrying amount of goodwill allocated to each of the two major cash-generating units is as follows:

	2009	**2008**
Albany Oasis Garden property development project	359,628	359,058
Richgate II property development project	86,162	86,026

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

– Selling prices – The market prices of comparable properties nearby

– Construction costs – The estimated costs including infrastructure costs to complete the property development projects

– Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant cash-generating units.

– Price inflation – The basis used to determine the value assigned to selling price inflation is the forecast price indices of 3%-4%, which is consistent with industry trends.

The values assigned to key assumptions are based on historical experiences, current market condition, approved budgets and forecasts and consistent with external information sources.

20. INVESTMENTS IN SUBSIDIARIES AND ADVANCES TO SUBSIDIARIES

(a) Investments in subsidiaries

Company

	2009	**2008**
Unlisted equity interests, at cost	4,433,839	4,565,875

The following is a list of the principal subsidiaries as at 31 December 2009:

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2009	2008	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Xin Dong Industry Co., Ltd. ("Xin Dong")	PRC 28 May 1993	98%	98%	US$3,457,729	US$3,457,729	Property leasing and real estate agency
Shanghai Real Estate Property Management Co., Ltd. ("Shangzhi Property Management")	PRC 1 September 1995	98.57%	98.57%	RMB5,000,000	RMB5,000,000	Property management
Shanghai Oasis Garden Real Estate Co., Ltd. ("Oasis Garden")	PRC 29 September 1998	98.75%	98.75%	US$19,600,000	US$19,600,000	Property development
Shanghai Wingo Infrastructure Co., Ltd. ("Wingo Infrastructure")	PRC 4 August 1999	98.96%	98.96%	US$20,000,000	US$20,000,000	Development of technology for housing and provision of construction services
Shanghai Zhufu Property Development Co., Ltd. ("Zhufu")	PRC 11 August 2000	50.36%	50.36%	RMB10,000,000	RMB10,000,000	Property development
Anderson Land (Shanghai) Ltd. ("Anderson Shanghai")	British Virgin Islands ("BVI") 29 September 2001	52%	52%	US$100	US$100	Investment holding
Shanghai Anderson Fuxing Land Co., Ltd. ("Anderson Fuxing")	PRC 16 April 2002	51.48%	51.48%	US$20,000,000	US$20,000,000	Property development
Shanghai Hangtou Govern Real Estate Co., Ltd. ("Hangtou Govern")	PRC 14 June 2002	98%	98%	US$10,000,000	US$10,000,000	Property development
Shanghai Jinwu Real Estate Co., Ltd. ("Shanghai Jinwu")	PRC 12 August 2002	96.80%	96.80%	US$54,962,000	US$54,962,000	Property development
Shanghai Jinxin Real Estate Co., Ltd. ("Jinxin")	PRC 28 October 2002	100%	100%	RMB700,000,000	RMB700,000,000	Property development
Shanghai Skyway Hotel Co., Ltd. ("Skyway")	PRC 9 December 2002	56%	56%	RMB200,000,000	RMB200,000,000	Hotel operations
Shenyang Huarui Shiji Investment Development Limited ("Huarui Shiji Investment") (i)	PRC 22 December 2004	–	51%	US$30,123,800	US$30,123,800	Property development
Shenyang Huarui Shiji Asset Management Co., Ltd. ("Huarui Asset Management") (ii)	PRC 30 October 2007	51%	51%	US$31,936,200	US$31,936,200	Property development
Shenyang Huajian Real Estate Co., Ltd. ("Shenyang Huajian")	PRC 3 November 2006	100%	100%	US$45,000,000	US$45,000,000	Property development
Shanghai Shuo Cheng Real Estate Co., Ltd. ("Shuo Cheng")	PRC 29 January 2003	100%	100%	RMB450,000,000	RMB450,000,000	Property development

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2009	2008	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Liangshi Enterprises Ltd.("Liangshi")	PRC 24 May 2006	50.36%	50.36%	RMB1,000,000	RMB1,000,000	Property development
Shanghai Shangzhi Real Estate Development Co.,Ltd. ("Shangzhi Real Estate")	PRC 16 October 2008	49.86%	49.86%	RMB10,000,000	RMB10,000,000	Property development
Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("Liaoning Gao Xiao") (iii)	PRC 4 December 2000	70%	70%	RMB639,500,000	RMB750,000,000	Property development
Haikou Century Harbour City Co., Ltd. ("Haikou Century")	PRC 25 June 2008	79%	79%	RMB296,000,000	RMB320,000,000	Property development
Shenyang Lukang Real Estate Ltd.("Lukang")	PRC 13 July 2007	98.95%	100%	US$31,250,000	US$31,250,000	Property development
Shenyang Richgate Lexington Hotel Management Co., Ltd. ("Lexington Hotel")	PRC 25 December 2007	–	51%	US$120,000	US$120,000	Hotel operations
Haikou Century Richgate Business Administration Co., Ltd. ("Haikou Century Administration")	PRC 20 October 2008	100%	100%	US$300,000	US$300,000	Hotel administration
Shanghai Lushan Real Estate Ltd. ("Lushan") (iv)	PRC 4 August 2004	27.70%	–	RMB11,110,000	RMB11,110,000	Property development
Shanghai Xiangdao Real Estate Ltd. ("Xiangdao") (vi)	PRC 21 July 2009	98.75%	–	RMB200,000,000	RMB200,000,000	Property development
China New Town Development Company Limited ("CNTD") (v)	BVI 4 January 2006	50.07%	–*	RMB2,497,385,135	10 billion shares (No par)	Land infrastructure development
SGLD (v)	PRC 26 September 2002	36.37%	–*	RMB548,100,000	RMB548,100,000	Land infrastructure development
Shanghai Lake Malaren Golf Club Co., Ltd. (v)	PRC 6 July 2004	34.55%	–*	RMB5,000,000	RMB5,000,000	Golf management
Shanghai Lake Malaren Property Management Co., Ltd. (v)	PRC 23 June 2005	35.49%	–*	RMB5,000,000	RMB5,000,000	Property management
Shanghai Junyihui Entertainment Co., Ltd. (v)	PRC 28 July 2005	36.37%	–*	RMB1,680,000	RMB1,680,000	Entertainment services provider
Shanghai Jia Tong Enterprises Co., Ltd. (v)	PRC 12 April 2006	50.07%	–*	RMB1,000,000	RMB1,000,000	Provision of consultation services and property management

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2009	2008	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Lake Malaren Hotel Management Co., Ltd. (v)	PRC 25 April 2006	36.37%	–*	RMB5,000,000	RMB5,000,000	Hotel and club management
Shanghai Golden Luodian Infrastructure Development Co., Ltd. (v)	PRC 16 March 2009	36.32%	–*	RMB5,000,000	RMB5,000,000	Construction of transportation hub and real estate development
Shanghai Malaren Tourism Development Co., Ltd. (v)	PRC 29 December 2009	32.73%	–*	RMB3,000,000	RMB3,000,000	Provision of travelling information and wedding etiquette services
Wuxi Hongshan New Town Development Co., Ltd. (v)	PRC 6 March 2007	45.06%	–*	RMB192,689,000	RMB192,689,000	Real estate development and management
Shenyang Lixiang New Town Development Co., Ltd. (v)	PRC 6 March 2007	45.06%	–*	RMB747,677,000	RMB747,667,000	Real estate development and management
Shanghai CNTD Management Consulting Co., Ltd. (v)	PRC 21 June 2007	50.07%	–*	RMB1,513,000	RMB1,513,000	Enterprise investment consultation
Wuxi Hongshan New Town Virescence Environmental Protection Construction Co., Ltd. (v)	PRC 17 August 2007	45.06%	–*	RMB372,204,000	RMB372,204,000	Planting, maintenance and management of scenic spots in the Wuxi Project
Changchun New Town Automobile Industry Construct Co., Ltd. (v)	PRC 15 November 2007	40.06%	–*	RMB220,267,000	RMB220,267,000	Land infrastructure development
Shenyang Lake Malaren Country Club Co., Ltd. (v)	PRC 6 March 2008	50.07%	–*	RMB17,704,000	RMB17,704,000	Sports management
Shenyang Meteorite Park Tourism Development Co., Ltd. (v)	PRC 13 March 2008	50.07%	–*	RMB351,150,000	RMB351,150,000	Landscaping, and plant maintenance and management of scenic spots
Wuxi Hongshan New Town Commercial Operation and Management Co., Ltd. (v)	PRC 18 March 2008	45.06%	–*	RMB1,000,000	RMB1,000,000	Business management

* CNTD was deemed as a subsidiary of the Company since 9 September 2009.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Other than disclosed above, the Company has several investment holding subsidiaries incorporated in the BVI with nominal issued shares. All subsidiaries located in Mainland China are limited liability entities.

The major transactions relating to the interests in subsidiaries are as follows:

(i) On 23 November 2009, the Company, through an indirect subsidiary, entered into a share sale agreement with a third party, pursuant to which the Company agreed to sell its 51% equity interest in Huarui Shiji Investment for a total consideration of HK$150 million, whereby HK$10 million need to be paid within 20 days from the date of Agreement (which was received subsequent to 31 December 2009) and the remaining balance to be paid within 6 months after the completion of the share transfer. The registration of the share transfer was completed on 30 November 2009.

(ii) On 24 July 2009, the board of directors of Huarui Asset Management passed a resolution to split Huarui Asset Management into two companies (the "De-merger") whereby certain portions of the assets (mainly comprising Lexington Hotel), liabilities and US$440,000 of the paid-up capital of Huarui Asset Management were to be injected into a newly set up company, i.e., Shenyang Huarui New Century Hotel Management Co., Ltd. ("New Century Hotel Management"), which is to be held by the existing shareholders of Huarui Asset Management, based on their existing proportion of equity interests in Huarui Asset Management. The combined assets, liabilities, paid-up capital and equity of Huarui Asset Management and New Century Hotel Management remained unchanged before and after the de-merger. The de-merger was completed and New Century Hotel Management was formally established on 27 October 2009.

On 27 November 2009, the Company, through an indirect subsidiary, entered into a share sale agreement with a third party, pursuant to which the Company agreed to sell its 51% equity interest in New Century Hotel Management for a total consideration of HK$150 million, whereby HK$10 million (which was received subsequent to 31 December 2009) need to be paid within 20 days from the date of agreement and the remaining balance to be paid within 6 months after the completion of the share transfer. The registration of the share transfer was completed on 3 December 2009.

(iii) On 28 October 2009, Konmen, a wholly-owned subsidiary of the Company, entered into the Goldjoy Acquisition Agreement with Mr. Ng Chi Ming Ken ("Goldjoy Vendor"), pursuant to which Goldjoy Vendor conditionally agreed to sell, and Konmen conditionally agreed to purchase, the entire issued capital of Goldjoy Investment Limited ("Goldjoy") and an interest-free shareholder's loan of Goldjoy of HK$38.96 million, for a total consideration of HK$750,000,000. HK$250 million, being the deposit and the partial payment, are to be paid in cash upon signing the Goldjoy Acquisition Agreement subject to fulfilment of certain conditions and the balance of HK$500 million will be satisfied by the issue of a promissory note by the Company upon completion which the Company has promised to pay the Goldjoy Vendor on or before 28 October 2011. Goldjoy holds a 20% equity interest in Liaoning Gao Xiao, a 70% owned subsidiary of the Company.

The transaction has been approved by the Special General Meeting of the Company on 4 December 2009. As at 31 December 2009, the deposit has not been paid and the transaction has not been completed because not all the conditions precedent have been met.

(iv) On 23 September 2009, Zhufu, a 50.36% owned subsidiary of the Company, entered into a capital injection agreement with the two existing shareholders of Lushan, holding 90% and 10% of equity interests in Lushan. Lushan's registered capital was RMB5 million before the capital injection. Under the agreement, Zhufu will inject RMB41.95 million into Lushan and hold a 55% equity interest in Lushan after the capital injection. The capital injection by Zhufu was completed in December 2009. The details of the business combination are disclosed in Note 45.

(v) CNTD was a 32.03% owned associate of the Company as of 31 December 2008 and changes in the Company's indirect shareholding in CNTD for the year were as follows:

On 5 May 2009, Sinopower, a wholly-owned subsidiary of the Company, entered into a subscription agreement to subscribe 680,000,000 shares of CNTD at the subscription price of S$0.051 per CNTD share. The subscription shares were allotted to Sinopower on 15 May 2009. This share subscription transaction resulted in an increase in the Sinopower's ownership percentage of CNTD from 32.03% to 49.24% at the completion date. Sinopower's equity interest in CNTD was subsequently diluted from 49.24% to approximately 49.19% as a result of 2,977,500 new shares issued by CNTD to its directors and executives upon the exercise of share options under CNTD's Management Stock Option Plan by its directors and executives in May 2009.

On 28 July 2009, Sinopower entered into (a) a Share Subscription Agreement (the "Sinopower Share Subscription Agreement") with CNTD, pursuant to which Sinopower has conditionally agreed to subscribe for up to 293,795,512 subscription shares at the subscription price of S$0.07872 per CNTD share, if CNTD issued some new shares to the holders of CNTD's guaranteed senior notes to settle the notes; so that Sinopower's shareholding in CNTD will maintain at 49.19% before and after the settlement of CNTD's guaranteed senior notes; and (b) a Convertible Bond Subscription Agreement with CNTD, pursuant to which Sinopower has conditionally agreed to subscribe for a convertible bond issued by CNTD.

On 9 September 2009, CNTD allotted 222,295,064 CNTD shares to Sinopower and issued RMB275,994,230 in principal amount of convertible bond ("CNTD CB") pursuant to the Convertible Bond Subscription Agreement to Sinopower. Upon completion of those transactions, the Company continued to hold an equity interest of approximately 49.19% in CNTD, plus the CNTD CB that can be converted to shares of CNTD at any time. Upon conversion of the CNTD CB, Sinopower's shareholding in CNTD will exceed 50%.

As a result of the repurchases by CNTD of its 55,168,000 shares during the period from 11 December 2009 to 29 December 2009, the Company's indirect shareholding interest in CNTD has increased from approximately 49.19% to approximately 50.07% as of 31 December 2009.

For purpose of the preparation of these financial statements, CNTD was deemed as a subsidiary of the Company from 9 September 2009. The Group's previously held equity interest in CNTD was remeasured at fair value based on the quoted price of CNTD shares on the date of acquisition and a loss of HK$184,398 thousand was charged to profit or loss.

(vi) Xiangdao was established under the laws of the PRC on 21 July 2009 with a registered capital of RMB200 million. Xiangdao is owned as to 98.75% by the Group.

(b) Advances to subsidiaries

Company

All the advances to subsidiaries are unsecured and have no fixed repayment terms. Other than an advance amounting to approximately HK$73.7 million (2008: HK$73.7 million) to Anderson Shanghai which earns interest at 3% (2008: 3%) per annum and a US$4.5 million loan to Huarui Asset Management which earns interest at the prevailing London Interbank Offered Rate per annum, the advances to other subsidiaries were interest-free.

21. INTERESTS IN ASSOCIATES AND AMOUNTS DUE FROM ASSOCIATES

(a) Interests in associates

Group

	2009	2008
Share of net assets	87,807	634,722
Less: Provision for impairment	–	(104,320)
	87,807	530,402
Market value of listed shares	–	114,354

Particulars of the Group's associates as at 31 December 2009 are set out below:

Name	Place and date of incorporation or establishment	Percentage of equity interest attributable to the Group 2009	2008	Issued and paid-up capital	Authorised share capital	Principal activities
Shanghai Housing Industry New Technology Development Co., Ltd. ("New Technology")	PRC 6 May 1997	26%	26%	RMB100,000,000	RMB100,000,000	Research and development of housing technology
Shanghai Orda Opto-electronics Science and Technology Co., Ltd. ("Orda")	PRC 23 March 2000	23.52%	23.52%	RMB11,000,000	RMB11,000,000	Development and sale of photo electronic products, computer hardware and software
Shanghai Telecom Broadband Networking Co., Ltd. ("Broadband")	PRC 24 October 2000	39.59%	39.59%	RMB50,000,000	RMB50,000,000	Development and sale of netware and construction of broadband fibre projects
China New Town Development Company Limited ("CNTD")	BVI 4 January 2006	–*	32.03%	RMB2,497,385,135	10 billion shares (No par)	Land infrastructure development
Shanghai Malaren Lake Artwork Exhibition Co., Ltd.	PRC 25 April 2006	7.28%*	–	RMB1,000,000	RMB1,000,000	Artwork exhibition

* Please refer to Note 20(a)(v) for the changes in the Company's interests in CNTD during the year. CNTD was deemed as a subsidiary of the Company on 9 September 2009. As a result, since then, CNTD's associate became an associate of the Company.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

The year end of the financial statements of the above associates are coterminous with those of the Group. The consolidated financial statements are adjusted for the transactions between CNTD and group companies for the period from 1 January to 9 September 2009 (date when it was deemed as a subsidiary of the Group) to the extent of the Company's interests in the associates.

The Group's shareholdings in the associates all comprise equity shares held through certain wholly-owned subsidiaries and non-wholly-owned subsidiaries of the Company.

All the above associates have been accounted for using the equity method in these financial statements.

Extracts of financial information of principal associates

The following tables illustrate the financial information of the Group's principal associates as extracted from their financial statements:

(1) CNTD

	2008
Assets and liabilities in the consolidated financial statements of CNTD and its subsidiaries	
Current assets	4,515,600
Non-current assets	2,741,597
Current liabilities	(3,644,532)
Non-current liabilities	(1,258,617)
Net assets	2,354,048
Attributable to:	
Non-controlling interests	407,190
Owners of CNTD	1,946,858
	2,354,048

	1 January to 9 September 2009 (date ceased to be an associate)	**2008**
Results		
Revenue and other income	365,273	652,192
Total expense	(413,897)	(1,925,953)
Income tax credit	1,628	164,005
Losses after tax	(46,996)	(1,109,756)
Attributable to:		
Non-controlling interests	(8,686)	(159,387)
Owners of CNTD	(38,310)	(950,369)
	(46,996)	(1,109,756)

(2) Broadband

	2009	2008
Assets	205,911	216,177
Liabilities	(60,741)	(89,407)
Revenue	139,478	139,285
Profit after tax	39,487	26,996

(3) New Technology

	2009	2008
Assets	120,239	119,240
Liabilities	(6,732)	(7,155)
Revenue	2,179	10,870
Profit after tax	1,243	4,712

(b) Amounts due from associates

	Group		Company	
	2009	2008	2009	2008
Amounts due from:				
– CNTD	–	132,438	–	132,438
– Broadband	1,825	6,530	–	–
	1,825	138,968	–	132,438

On 17 August 2008, the Company and CNTD signed a letter of intent, pursuant to which the Company intended to acquire certain properties of CNTD at a consideration of RMB2 billion. The Company has paid US$16 million (equivalent to HK$123,998 thousand) as earnest money. However, the letter of intent could not be binding and the earnest money would be refunded to the Company, unless approval for the Company to enter into the aforesaid asset purchase transaction was obtained from the shareholders of both the Company and CNTD by 30 June 2009 (that was subsequently extended to 30 June 2010) and registration of the change of ownership of the assets with the local land authorities is completed by that date. The letter of intent was terminated in 2009, and the earnest money paid by the Company was used to settle part of the purchase consideration of the new ordinary shares in CNTD allotted to Sinopower in September 2009.

The Group's amount due to an associate is disclosed in Note 40 to the financial statements.

22. OTHER NON-CURRENT ASSETS

	Group		Company	
	2009	2008	2009	2008
Prepayments for acquisition of companies (a)	305,391	279,042	279,485	279,042
Deferred commission from sale of golf membership	57,526	–	–	–
Others	18	–	–	–
	362,935	279,042	279,485	279,042

(a) On 17 August 2008, the Company signed a letter of intent with a third party (the "Vendor") to acquire its 100% equity interest in a resort investment management company in Jiaxing with a total consideration of US$50 million (HK$387 million). In connection with this transaction, the Group paid US$36 million (equivalent to HK$279 million) to the Vendor as earnest money. The earnest money was interest-free, and should be refunded to the Company if the conditions for the completion of the acquisition are not met by 30 June 2009. On 30 June 2009, the Company signed a memorandum with the Vendor to extend the deadline to 30 June 2010.

In December 2009, Shangzhi Real Estate, a subsidiary of the Company, entered into two acquisition agreements with third parties. Pursuant to the agreements, Shangzhi Real Estate agreed to purchase the entire equity interests in two property development companies incorporated in the PRC for RMB75,250 thousand and RMB38,800 thousand, respectively. As at 31 December 2009, neither of the acquisitions has been completed. The Group has paid earnest money of approximately RMB22,810 thousand (HK$25,906 thousand) in aggregate to the Vendors according to the agreements.

23. PROPERTIES HELD OR UNDER DEVELOPMENT FOR SALE

Group

	2009	**2008**
At cost		
– In Shanghai City, the PRC	3,634,893	2,631,348
– In Shenyang City, the PRC	810,719	276,324
– In Haikou City, the PRC	259,766	188,841
	4,705,378	3,096,513

	2009	**2008**
Properties held or under development expected to be recovered		
– Within one year	3,428,077	1,624,268
– After one year	1,277,301	1,472,245
	4,705,378	3,096,513

As of 31 December 2009 and 2008, certain of the Group's properties held or under development for sale had been pledged as collateral for the Group's bank loans and facilities (see Note 31 for details).

24. LAND INFRASTRUCTURE UNDER DEVELOPMENT FOR SALE

Group

	2009	**2008**
At cost:		
Mainland China	4,353,169	–

Land infrastructure under development for sale is expected to be realised in the normal operating cycle, which is longer than 12 months.

As mentioned in the accounting policy on revenue recognition in Note 2.4, the realisation of land infrastructure under development for sale depends on the timing of sales of related land plots by governments, which is uncertain and out of the control of the Group, and the amounts of land infrastructure under development for sale recognised as cost of sales upon realisation change significantly from year to year.

25. PREPAYMENTS AND OTHER CURRENT ASSETS

	Group		Company	
	2009	2008	2009	2008
Prepaid business tax	177,205	49,293	–	–
Prepayment for inventories purchased	81,324	14,141	50,146	–
Others	2,485	2,970	1,360	555
	261,014	66,404	51,506	555

26. OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
Amounts due from non-controlling shareholders of subsidiaries	–	2,610	–	–
Receivables in connection with acquisition of Konmen Investment Limited (a)	550,382	545,211	–	–
Reimbursable amounts from construction companies	–	19,514	–	–
Receivables in respect of CNTD's Changchun Project (b)	366,132	–	–	–
Receivables in connection with the disposal of subsidiaries (Notes 20(a) (i)&(ii) and 46)	300,474	–	–	–
Capital contribution to a company pending registration	10,789	–	–	–
Interest subsidy receivable from government	21,022	–	–	
Others	80,272	74,810	86	–
	1,329,071	642,145	86	–

(a) On 17 August 2007, SRE Investment Holding Limited (a substantial shareholder of the Company, or the "Vendor") and an independent third party (the "Original Shareholder") entered into an acquisition agreement (the "Vendor Acquisition Agreement"), pursuant to which the Vendor agreed to purchase, from the Original Shareholder, the entire issued share capital (the "Sale Share") of Konmen Investment Limited ("Konmen"), which in turn holds a 70% interest in Liaoning Gao Xiao, for a consideration of HK$1,600 million.

On the same date, the Vendor and a subsidiary of the Company (the "Purchaser") entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which the Purchaser agreed to purchase the Sale Share from the Vendor for a consideration of HK$1,600 million. Pursuant to the Acquisition Agreement, the consideration was satisfied by the Company issuing 526,315,789 shares at a price of HK$3.04 per share, representing approximately 23.80% of the then existing issued share capital of the Company and approximately 19.22% of the issued share capital of the Company as enlarged by the newly issued shares. The market share price on the acquisition date was HK$3.36 per share.

On 15 November 2007, a supplemental agreement was entered into between the Vendor, the Company, the Purchaser, the Original Shareholder and Konmen (the "Supplemental Agreement").

Liaoning Gao Xiao is the developer of two properties (the "Properties") and also successfully won the bid in August 2007 for the acquisition of a parcel of land (the "Land") with a site area of approximately 153,696 square metres. Both the Properties and the Land are located at Shenyang City, the PRC. The total purchase cost of the Land including demolition and relocation costs that would be incurred is estimated at RMB1,192,680,960 (the "Land Purchase Cost"). Also, Liaoning Gao Xiao had assets (the "Assets") other than the Land and the unsold part of Properties, and other liabilities (the "Liabilities"), upon completion of the acquisition.

According to the above agreements, the Original Shareholder agreed to pay Liaoning Gao Xiao the Land Purchase Cost, to bear the Liabilities and to reimburse Liaoning Gao Xiao the relevant amounts payable in respect of the Liabilities, to the extent that they have not been paid for by the Original Shareholder and/or the other shareholder who holds the remaining 30% equity interest in Liaoning Gao Xiao. If the amounts paid by the Original Shareholder is made to the Vendor, the Vendor agreed to transfer such amounts to the Group. The Original Shareholder is also entitled to receive the Assets from the Group through the Vendor, to the extent that such assets have not been paid to the Original Shareholder and/or the shareholder who holds the remaining 30% equity interest in Liaoning Gao Xiao.

Pursuant to the above agreements, the Vendor has also undertaken to pay Liaoning Gao Xiao the Land Purchase Cost, and to bear the Liabilities and to reimburse Liaoning Gao Xiao the relevant amounts payable in respect of the Liabilities, to the extent they have not been paid for by the Original Shareholder and/or the other shareholder who holds the remaining 30% equity interest in Liaoning Gao Xiao. In addition, in the event that Liaoning Gao Xiao fails to obtain the relevant land use right to the Land by 30 June 2009, the Vendor undertakes to pay the Company HK$1,600 million in cash on or before 30 December 2009 (the "Undertaking").

In connection with the above, RMB515 million (HK$549 million) were received by the Group in 2007. As of 31 December 2009, the outstanding receivable in respect of this transaction amounted to approximately RMB485 million (approximately HK$550 million) (2008: approximately RMB480 million (approximately HK$545 million)).

It was subsequently announced by the Company on 26 June 2009 that as at 30 April 2009, Liaoning Gao Xiao has only obtained land use rights for approximately 28% of the site area of the Land. On 4 December 2009, the Special General Meeting of the Company passed a resolution that the Company shall not exercise its rights under the Undertaking for the time being and shall delay enforcement of the Undertaking against the Vendor to 31 December 2012 if Liaoning Gao Xiao still fails to obtain the land use rights certificates in respect of the remaining portion of the Land by then.

(b) This amount represents RMB322 million which is estimated to be receivable from the Changchun Auto Industry Development Zone Administrative Committee (the "Changchun Committee"). In December 2009, CNTD entered into an agreement with the Changchun Committee, the non-controlling shareholder of one of the subsidiaries of CNTD, to cease the land infrastructure development in Changchun. Pursuant to the agreement, the Changchun Committee will fully repay the cost of construction, certain related expenditure and compensation for finance costs at a rate of 10% per annum. CNTD and the Changchun Committee have mutually agreed to appoint qualified professionals to carry out an audit on the construction works to determine the total amount payable by the Changchun Committee to CNTD. Such amounts were agreed to be settled by the Changchun Committee within 2010. RMB10 million has been collected in 2009. The transaction did not contribute any significant profit or loss to the Group.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

27. ACCOUNTS RECEIVABLE

Group

	2009	**2008**
Accounts receivable	411,635	28,085
Less: Impairment	(10,313)	(9,920)
	401,322	18,165
Non-current accounts receivable	106,365	–
	507,687	18,165

	2009	**2008**
Accounts receivable		
Receivables from the development of land infrastructure	326,226	–
Receivables from the sale of golf club membership	50,794	–
Receivables from hotel operations	5,455	5,255
Receivables from property leasing	4,367	3,159
Receivables from sale of residential and commercial properties	9,708	8,769
Less: Impairment	(6,123)	(3,910)
Receivables from network hardware and installation of intelligent home equipment	8,429	10,902
Less: Impairment	(3,655)	(6,010)
Others	6,656	–
Less: Impairment	(535)	–
	401,322	18,165
Non-current accounts receivable		
Receivables from the development of land infrastructure	99,152	–
Receivables from the sale of golf club membership	7,213	–
	106,365	–
	507,687	18,165

An aged analysis of accounts receivable as at the end of the reporting period, from the date when they were recognised, is as follows:

	2009	**2008**
Within 6 months	201,473	17,574
6 months to 1 year	16,717	–
1 to 2 years	181,490	591
Over 2 years	118,320	9,920
	518,000	28,085

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: they are receivable in installments, the credit terms range from 2 to 3 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, the collection of such receivables from the local governments are generally collectible within 6 months after the land sale. However, it may take the Group longer to receive certain portions (e.g. the amount attributable to public utility fee) of the receivable which takes more than one year.

– 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 customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Accounts receivable which are neither past due nor impaired and aged analysis for past due but not impaired accounts receivables are as follows:

	2009	**2008**
Neither past due nor impaired	473,679	10,181
Past due but not impaired:		
Within 30 days	1,759	–
30 to 60 days	758	–
60 to 90 days	1,399	–
90 to 120 days	587	–
Over 120 days	29,505	7,984
	507,687	18,165

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

The movements in provision for impairment of accounts receivable are as follows:

	2009	**2008**
At beginning of year	9,920	10,934
Impairment losses recognised *(Note 7)*	377	562
Amount written off as uncollectible	–	(2,237)
Exchange realignment	16	661
At end of year	10,313	9,920

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of approximately HK$10 million (2008: approximately HK$10 million) with an aggregate carrying amount before provision of approximately HK$10 million (2008: HK$10 million). These individually impaired accounts receivable have been outstanding for over 2 years and are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

28. CASH AND BANK BALANCES

	Group		Company	
	2009	2008	2009	2008
Cash in hand	1,820	1,557	31	14
Demand and notice deposits	4,018,720	843,618	84,790	170,673
Time deposits with original maturity of no more than 3 months	113,572	28,348	–	–
Cash and cash equivalents	4,134,112	873,523	84,821	170,687
Time deposits with original maturity of more than 3 months	7,950	4,997	–	–
Pledged bank deposits (a)	126,292	181,426	–	–
Restricted bank deposits under a development project (b)	284,770	515,530	–	–
Restricted bank deposits relating to interest on borrowings (c)	49,698	–	–	–
Cash and bank balances	4,602,822	1,575,476	84,821	170,687

(a) As at 31 December 2009, the bank deposits of approximately HK$126 million (2008: HK$181 million) were pledged as securities for bank borrowings (Note 31).

(b) These restricted bank deposits are funds designated for relocating existing residents under a development project.

(c) These are amounts of US$1,135 thousand and RMB36 million, relating to the interest to be paid for CNTD Guaranteed Senior Notes in March 2010 and for the RMB600 million bank loan obtained in October 2009 respectively, which have been escrowed in interest reserve accounts.

The carrying amounts of the cash and bank balances which are denominated in the following currencies are:

	Group		Company	
	2009	2008	2009	2008
Hong Kong dollars	12,900	169,601	4,362	168,655
United States dollars	95,465	5,102	80,459	2,005
Singapore dollars	85	–	–	–
RMB	4,494,372	1,400,773	–	27
	4,602,822	1,575,476	84,821	170,687

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Demand deposits earn interest at floating rates based on daily bank deposit rates. Notice deposits are made for varying periods of between one day and seven days depending on the immediate cash requirements of the Group, and earn interest at the respective notice deposit rates. Time deposits earn interest rate at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents, pledged and restricted deposits approximate to their fair values.

29. SHARE CAPITAL AND PREMIUM

Group and Company

	Number of shares (thousands)	Amount		
		Issued capital	Share premium	Total
At 1 January 2009	2,783,881	278,388	3,724,713	4,003,101
Issue of shares upon conversion of convertible bonds (b) *(Note 41)*	300,000	30,000	217,212	247,212
Issue of new shares (c)	520,000	52,000	434,176	486,176
At 31 December 2009	3,603,881	360,388	4,376,101	4,736,489

Group and Company

	Number of shares (thousands)	Amount		
		Issued capital	Share premium	Total
At 1 January 2008	2,737,844	273,784	3,682,543	3,956,327
Scrip dividends *(Note 14)*	46,037	4,604	42,170	46,774
At 31 December 2008	2,783,881	278,388	3,724,713	4,003,101

The total authorised number of ordinary shares is 8,000 million shares (2008: 8,000 million shares) with a par value of HK$0.10 per share (2008: HK$0.10 per share). All issued shares are fully paid.

(a) The Company's share option scheme was approved at a special general meeting held on 23 May 2002. According to this share option scheme, the directors may, at their discretion, at any time during the 10 years from the date of approval of the scheme, invite any executive and/or employee of the Group to take up share options of the Company. The subscription price is determined by the directors and may not be less than the higher of (i) the average official closing price of the shares on the HKSE for the five trading days immediately preceding the relevant offer date and (ii) the official closing price of the shares on the HKSE on the relevant offer date.

No share options of the Company were outstanding as at 31 December 2009 and 2008. CNTD's Management Stock Option Plan was detailed in Note 30(a).

(b) During the year ended 31 December 2009, the following convertible bonds ("CB3") issued by the Company were converted by the bondholders at the conversion price of HK$0.55 per ordinary share and the following ordinary shares have been issued:

	CB3 at conversion price of HK$0.55 per ordinary share	
Issue date of ordinary shares	**Face value of convertible bonds**	**Number of new ordinary shares issued**
May 2009	82,500,000	149,999,998
July 2009	82,500,000	149,999,999
Total	165,000,000	299,999,997

(c) On 29 June 2009, SRE Investment Holding Limited ("SRE Investment") and the Company entered into a placing agreement with Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch (the "Placing Agreement"). Under the Placing Agreement, SRE Investment has subscribed for 520,000,000 new shares, representing approximately 17.72% of the issued share capital of the Company prior to the placement and approximately 15.06% of the issued share capital of the Company as enlarged by the subscription. The subscription price for the new shares was HK$0.96 per share. The issuance cost was approximately HK$13,024 thousand.

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity. Pursuant to the relevant laws and regulations for sino-foreign joint venture enterprises, a portion of the profits of the Group's entities which are established in Mainland China has been transferred to reserve funds which are restricted as to use.

Companies within the Group, most of which are registered in the PRC as foreign invested entities, are required to make appropriations from statutory net profits to the reserve fund and the enterprise expansion fund, upon distribution of their post-tax profits of the current year. The percentages to be appropriated to the reserve fund and the enterprise expansion fund are determined by the boards of directors of these companies.

Companies within the Group, which are registered in the PRC as domestic invested entities, are required to appropriate 10% of statutory net profits to the statutory surplus reserve, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profit, a company may make further contribution to the surplus reserve using its post-tax profit in accordance with a resolution of the board of directors.

CNTD's Management Stock Option Plan ("MSOP")

Since CNTD was deemed as a subsidiary of the Company on 9 September 2009, CNTD's MSOP was included in the consolidated financial statements of the Group. The detailed information of the MSOP since it was launched is as follows:

On 5 July 2007, the Board of Directors of the CNTD passed a resolution to award a MSOP for a total of 380 CNTD shares (equivalent to 28,500 thousand CNTD shares after the CNTD's share split in 2007) to certain of the CNTD's directors and employees ("Entitled Persons") as an incentive for their continued service to CNTD in the following proportions.

	Number of CNTD shares allotted	
Entitled Person	**Before CNTD share split**	**Equivalent to numbers after CNTD share split**
Li Yao Min	79	5,925,000
Yue Wai Leung, Stan	79	5,925,000
Yang Yong Gang	68	5,100,000
Gu Bi Ya	40	3,000,000
Cheng Wai Ho	40	3,000,000
Mao Yi Ping	33	2,475,000
Tai Kuo Lin	25	1,875,000
Ma Da Yu	10	750,000
Sun Xiao Meng	3	225,000
Zhang Qiong	3	225,000
Total	380	28,500,000

In accordance with the terms of the MSOP, the shares are allotted and will vest as follows: (a) 10% at the end of the 12th month after the date of listing of CNTD on the Main Board of the SGX; (b) 15% at the end of the 24th month after the date of listing of CNTD on the Main Board of the SGX; (c) 20% at the end of the 36th month after the date of listing of CNTD on the Main Board of the SGX; (d) 25% at the end of 48th month after the date of listing of CNTD on the Main Board of the SGX; and (e) the remaining 30% at the end of the 60th month after the date of listing of CNTD on the Main Board of the SGX.

The MSOP is provided on the basis that the relevant Entitled Persons remain in service within CNTD on the vesting days and he/she has not submitted a notice of resignation at those dates. The exercise price is RMB8 per CNTD share (before CNTD's share split in 2007, after the CNTD's share split, the exercise price is RMB8 per 75,000 CNTD share). The MSOP is accounted for as a compensation for services to be provided by the Entitled Persons in the periods of service (the "vesting periods") as specified above. Since the shares granted do not vest until the Entitled Persons complete their services in the vesting periods, CNTD will recognise the expenses over the vesting periods.

CNTD's MSOP – Fair value of stock options granted

The fair value of the equity-settled stock options was approximately RMB 2.023 per CNTD share (after CNTD's share split in 2007) at the date of grant. There have been no cancellations or modifications to the MSOP, and the MSOP was not replaced as a result of the acquisition of CNTD. The fair value on 9 September 2009 was approximately RMB 0.576 per share.

The fair value of the stock option was estimated using the binomial option pricing model. Since the exercise price of the equity-settled stock options is close to zero per share (after CNTD's share split in 2007), the single most important input to the valuation model is price of the CNTD's shares, which were estimated to be approximately RMB 2.023 per share (after CNTD's share split in 2007) at the date of grant, and was quoted at RMB 0.576 per share (after CNTD's share split in 2007) on 9 September 2009.

Two of the Entitled Persons who have 975 thousand CNTD's shares (after CNTD's share split) left CNTD during the years ended 31 December 2009 and 31 December 2007, so their rights under the MSOP were forfeited according to the terms of MSOP.

CNTD's MSOP – Movement in the year

The following table illustrates the number of and movements in MSOP during the year:

	2009 Number of CNTD's shares (after the share split)	**2008 Number of CNTD's shares (after the share split)**
Outstanding at the beginning of the year	27,750,000	27,750,000
Forfeited during the year	(225,000)	–
Exercised during the year	(2,752,500)	–
Outstanding at the end of the year	24,772,500	27,750,000
Exercisable at the end of the year	4,128,750	2,775,000

(b) Company

	Share option reserve	Exchange fluctuation reserve	Equity component of convertible bonds	Retained profits	Total
Balance at 1 January 2009	248	526,838	–	5,817	532,903
Total comprehensive income for the year	–	8,387	–	240,281	248,668
Equity component of CB4	–	–	179,361	–	179,361
Balance at 31 December 2009	248	535,225	179,361	246,098	960,932

	Share option reserve	Exchange fluctuation reserve	Retained profits	Total
Balance at 1 January 2008	248	262,489	97,573	360,310
Total comprehensive income for the year	–	264,349	4,069	268,418
Dividends relating to 2007				
– Cash dividends *(Note 14)*	–	–	(49,051)	(49,051)
– Scrip dividends *(Note 14)*	–	–	(46,774)	(46,774)
Balance at 31 December 2008	248	526,838	5,817	532,903

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group and Company

	Group		Company	
	2009	**2008**	**2009**	**2008**
Short-term bank borrowings				
– Secured	90,857	453,566	–	–
Current portion of long-term borrowings				
– Secured	1,453,151	984,266	–	84,000
– Unsecured	45,950	57,808	45,950	58,620
Borrowings, current portion	1,589,958	1,495,640	45,950	142,620
Long-term bank borrowings				
– Secured	5,732,283	2,902,150	247,294	130,275
Other long-term borrowings				
– Unsecured	210,266	142,964	46,072	86,590
Borrowings, non-current portion	5,942,549	3,045,114	293,366	216,865
The long-term bank borrowings are repayable as follows:				
– Within 1 year	1,499,101	1,042,074	45,950	142,620
– 1 to 2 years	1,293,989	1,360,568	119,869	128,413
– 2 to 3 years	1,166,882	1,447,717	173,497	74,027
– 3 to 5 years	1,067,903	236,829	–	14,425
– After 5 years	2,413,775	–	–	–
	7,441,650	4,087,188	339,316	359,485
Less: long-term borrowings, current portion	(1,499,101)	(1,042,074)	(45,950)	(142,620)
Long-term borrowings, non-current	5,942,549	3,045,114	293,366	216,865

Short-term bank borrowings – secured

As at 31 December 2009, a short-term bank loan of approximately HK$91 million (2008: HK$454 million) was secured by a pledge of the Group's investment properties and property, plant and equipment.

Long-term bank borrowings – secured

As at 31 December 2009, long-term bank borrowings of approximately HK$7,185 million (2008: approximately HK$3,886 million) were secured by pledges of the Group's leasehold land, together with bank deposits, property, plant and equipment, investment properties, and properties held or under development for sale. Also, as at 31 December 2009, a long term bank loan with principal of HK$400 million (2008: Nil) were guaranteed by Mr. Shi Jian, the Chairman of the Company.

Other long-term borrowings – unsecured

As at 31 December 2009, unsecured long-term borrowings of approximately HK$92 million are from external bankers (2008: approximately HK$201 million) in connection with the termination of the cross currency swaps, entered into during the year ended 31 December 2007. Unsecured long-term borrowings of approximately HK$164 million are entrusted loan from a non-controlling shareholder of a subsidiary of the Company.

Overall collateral arrangements for bank borrowings

As at 31 December 2009, bank deposits of approximately HK$126 million (2008: approximately HK$181 million) (Note 28), leasehold land of approximately HK$2,404 million (2008: approximately HK$2,263 million) (Note 18), investment properties of approximately HK$6,115 million (2008: approximately HK$5,209 million), properties held or under development for sale of approximately HK$1,966 million (2008: approximately HK$1,514 million), and property, plant and equipment of approximately HK$1,795 million (2008: approximately HK$1,456 million) (Note 16) were pledged as collateral for the Group's long-term bank borrowings and banking facilities.

The weighted average effective interest rates for these borrowings at the end of the reporting period are as follows:

	2009			**2008**		
	HK$	*US$*	*RMB*	*HK$*	*US$*	*RMB*
Short-term bank borrowings	–	–	6.37%	–	–	5.99%
Long-term bank borrowings	2.80%	–	5.77%	4.27%	–	7.34%
Other long-term borrowings	–	6.01%	7.07%	–	6.01%	–

As bank loans are all borrowed at prevailing market interest rates, which would be adjusted from time to time in line with interest rate changes in the market, the carrying amounts of the bank loans approximate to their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
Hong Kong dollars	637,517	501,678	247,294	214,275
United States dollars	92,022	145,210	92,022	145,210
RMB	6,802,968	3,893,866	–	–
	7,532,507	4,540,754	339,316	359,485

The Group had the following undrawn credit facilities as of the end of the reporting period:

	2009	**2008**
Floating rate loan facilities		
– expiring within 1 year	261,215	39,687
– expiring beyond 1 year	–	–
	261,215	39,687

During the year, the Group has entered into the Strategic Cooperation Framework Agreements with certain banks with a total amount of RMB7 billion (equivalent to HK$7.95 billion), (2008: RMB7 billion, equivalent to HK$7.94 billion), and therefore, the Group will be entitled to apply for borrowings on the condition that proper collateral (land use rights, properties, etc.) are available to be pledged.

32. GUARANTEED SENIOR NOTES

Group and Company

	Group		Company	
	2009	**2008**	**2009**	**2008**
Non-current				
SRE Guaranteed Senior Notes (a)	552,463	1,537,947	552,463	1,537,947
Current				
CNTD Guaranteed Senior Notes (b)	95,813	–	–	–
	648,276	1,537,947	552,463	1,537,947

SRE Guaranteed Senior Notes

At initial recognition, the SRE Guaranteed Senior Notes in its original currency are as follows:

	US$'000
Face value of SRE Guaranteed Senior Notes	200,000
Less: issuance cost	(6,841)
Carrying amount on initial recognition	193,159

The movements in the carrying amount of SRE Guaranteed Senior Notes during the year are as follows:

	2009		2008	
		HK$ equivalent		*HK$ equivalent*
	US$'000	*HK$'000*	*US$'000*	*HK$'000*
At beginning of year	198,448	1,537,947	197,595	1,540,928
Foreign exchange gain or loss	–	680	–	(9,622)
Add: interest expense *(Note 9)*	13,081	101,409	18,103	140,915
Less: payment of interest	(11,707)	(90,756)	(17,250)	(134,274)
Less: amount redeemed (including accrued interests)	(128,582)	(996,817)	–	–
At end of year	71,240	552,463	198,448	1,537,947

CNTD Guaranteed Senior Notes

The movements in the carrying amount of CNTD Guaranteed Senior Notes during the year are as follows:

	2009		2008	
		HK$ equivalent		*HK$ equivalent*
	RMB'000	*HK$'000*	*RMB'000*	*HK$'000*
At beginning of year	–	–	–	–
Acquisition of subsidiaries *(Note 45)*	83,231	94,452		
Exchange realignment	–	76	–	–
Add: interest expense *(Note 9)*	8,886	10,085	–	–
Less: payment of interest	(7,754)	(8,800)	–	–
At end of year	84,363	95,813	–	–

(a) On 24 April 2006, the Company issued guaranteed senior 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 "SRE Guaranteed Senior Notes"). The SRE Guaranteed Senior Notes are guaranteed by all investment holding subsidiaries (except Anderson Shanghai) which are not incorporated in the PRC.

Interest of the SRE Guaranteed Senior Notes is payable semi-annually in arrears on 24 April and 24 October in each year commencing from 24 October 2006. With regard to the principal amount, the Company has the following redemption options:

i) prior to 24 April 2009, redeem on one or more occasions up to 35% of the aggregate principal amount of the SRE Guaranteed Senior Notes originally issued, at a redemption price of 108.625% of the principal amount, plus accrued and unpaid interest to the redemption date, or

ii) at any time or from time to time prior to the Maturity Date, redeem all or part of the SRE Guaranteed Senior Notes at a redemption price equal to 100% of the principal amount thereof plus an applicable premium plus accrued and unpaid interest to such redemption date.

On 25 April 2006, the SRE Guaranteed Senior Notes were listed on the HKSE.

Interest expense on the SRE Guaranteed Senior Notes is calculated using the effective interest method by applying the effective interest rate of 9.30% per annum.

On 9 June 2009, the Company announced that it has commenced a tender offer to purchase for cash any and all of its US$200,000,000 SRE Guaranteed Senior Notes. In response to the tender offer, the notesholders holding SRE Guaranteed Senior Notes in an aggregate principal amount of US$128,539 thousand, representing approximately 64.27% of the total aggregate principal amount of the US$200 million SRE Guaranteed Senior Notes had tendered their SRE Guaranteed Senior Notes to be repurchased by the Company in cash. As a result of the redemption, the Group reported a gain on redemption of Guaranteed Senior Notes of approximately HK$179,102 thousand (Note 6).

Following the redemption of the SRE Guaranteed Senior Notes, US$71,461,000 of the principal amount of the SRE Guaranteed Senior Notes remained outstanding as at 31 December 2009. The original payment terms of the remaining Guaranteed Senior Notes remained unchanged.

(b) On 12 September 2008, 17.75% US dollar settled Senior Secured Guaranteed Notes (the "CNTD Guaranteed Senior Notes") with the principal amount of RMB593.3 million due on 12 September 2011 was issued by CNTD when CNTD was an associate of the Group.

In September 2009, CNTD completed the repurchase of RMB505,940 thousand in a principal amount of the CNTD Guaranteed Senior Notes from the noteholders by an aggregate of newly issued 229,586,468 ordinary shares (with a fair value equivalent to HK$150 million) of CNTD by way of a private placement and cash amounting to US dollar equivalent of HK$386 million. After the repurchase and as of 31 December 2009, the principal amount of outstanding CNTD Guaranteed Senior Notes was RMB87,360 thousand (equivalent to HK$99,216 thousand).

Since certain covenants of remaining CNTD Guaranteed Senior Notes have not been complied with as of 31 December 2009, which could result in the holders of CNTD Guaranteed Senior Notes requiring immediate repayment of the outstanding principal and accrued and unpaid interest, the Group classified the CNTD Guaranteed Senior Notes as current liabilities as of 31 December 2009 accordingly.

33. DEFERRED INCOME

Group

		2009	**2008**
Deferred income arising from:			
Non-current:			
Sale of golf club membership	*(i)*	639,041	–
Current:			
Construction of ancillary public facilities	*(ii)*	696,291	–
		1,335,332	–

Notes:

(i) The revenue arising from the sale of golf club membership is deferred and recognised on the straight-line basis over the expected period when the related benefits would be provided.

(ii) The deferred revenue arising from the sale of land infrastructure represents the portion of amounts received/receivable from the land authorities as a result of the sale of parcels of land developed by the Group that are not yet recognised as revenue, because the development of the ancillary public facilities attributable to the parcels of land sold is still in progress. The amounts received/receivable are non-refundable unless the Group cannot complete the development work. The deferred income is classified as a current liability as the remaining development work is expected to be provided within the normal operating cycle.

34. DEFERRED TAX

Group

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes, if any, levied by the same tax authority and the same taxable entity.

The gross movements in the deferred tax account are as follows:

	2009	**2008**
At beginning of year	1,410,785	755,355
Reclassified to current tax liability in the current year	(92,040)	–
Disposal of subsidiaries *(Note 46)*	(28,942)	–
Acquisition of subsidiaries *(Note 45)*	(72,178)	–
Recognised in profit or loss *(Note 12)*	241,298	603,414
Exchange realignment	2,276	52,016
At end of year	1,461,199	1,410,785

Represented by:

	2009	**2008**
Deferred tax assets	(177,588)	(19,811)
Deferred tax liabilities	1,638,787	1,430,596
	1,461,199	1,410,785

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets:

	Tax losses carried forward	**The difference in accounting and tax bases arising from golf club revenue and costs**	**Others**	**Total**
At 1 January 2008	3,747	–	–	3,747
Recognised in profit or loss	16,079	–	–	16,079
Exchange realignment	(15)	–	–	(15)
At 31 December 2008	19,811	–	–	19,811
Acquisition of subsidiaries *(Note 45)*	15,071	126,865	42,696	184,632
Recognised in profit or loss	16,169	3,478	(4,378)	15,269
Exchange realignment	57	118	36	211
At 31 December 2009	51,108	130,461	38,354	219,923

Deferred tax liabilities:

	Fair value gains	Excess of fair value over book value in the subsidiaries as a result of business combination	Withholding taxes	Others	Total
At 1 January 2008	370,467	369,388	–	19,247	759,102
Recognised in profit or loss	365,529	(24,472)	182,797	95,639	619,493
Exchange realignment	26,168	22,222	1,618	1,993	52,001
At 31 December 2008	762,164	367,138	184,415	116,879	1,430,596
Reclassified to current tax liability during the year	–	–	–	(92,040)	(92,040)
Disposal of subsidiaries (Note 46)	(4,441)	(24,501)	–	–	(28,942)
Acquisition of subsidiaries (Note 45)	34,395	78,059	–	–	112,454
Recognised in profit or loss	133,791	(8,958)	101,331	30,403	256,567
Exchange realignment	1,369	602	227	289	2,487
At 31 December 2009	927,278	412,340	285,973	55,531	1,681,122

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2009	2008
Net deferred tax assets recognised in the consolidated statement of financial position	(177,588)	(19,811)
Net deferred tax liabilities recognised in the consolidated statement of financial position	1,638,787	1,430,596
	1,461,199	1,410,785

Deferred tax assets have not been recognised in respect of the following items:

	2009	2008
Tax losses	689,819	467,226
Deductible temporary differences	9,357	95,282
	699,176	562,508

The above tax losses arising in Mainland China for offsetting against future taxable profit will expire in one to five years. Deferred tax assets have not been recognised in respect of the tax losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which these temporary differences can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings derived after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10% or 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. CONVERTIBLE BONDS

Group and Company

The carrying value of the host debt components of the convertible bonds as at the end of the reporting period are as follows:

	2009	2008
Convertible Bonds 3 (“CB3”) – host debt	–	62,008
Convertible Bonds 4 (“CB4”) – host debt	312,219	–
	312,219	62,008

Convertible Bonds 2 (“CB2”)

On 9 November 2005, the Company issued convertible bonds (“CB2”) maturing on 9 November 2010, in the aggregate principal amount of HK$386 million with an initial conversion price of HK$1.35 per ordinary share of the Company (subject to one time adjustment on 9 November 2006). The coupon interest rate of these bonds is 3.5% per annum, which is paid in advance at the beginning of each year. In the event of conversion or early redemption, there would be no claw back of such prepayment of interest. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 110% of their principal amount on 9 November 2010. When the holders exercise the conversion rights of CB2, the Company has an option to pay an amount in cash that approximates to the market value of the shares that can be converted.

During the year ended 31 December 2008, the entire CB2 with a face value of HK$43.5 million were redeemed when the relevant holders exercised their early redemption option. There was no outstanding balance for the CB2 as at 31 December 2008.

Convertible Bonds 3 ("CB3")

On 29 December 2008 (the "Issue Date"), the Company issued convertible bonds (the "CB3") maturing on 29 December 2013, in the aggregate principal amount of HK$165 million with an initial conversion price of HK$0.55 per ordinary share of the Company (subject to certain anti-dilutive adjustments). The coupon interest rate is 2.5% per annum, payable semi-annually in arrears on 29 June and 29 December in each year. The bondholders have the option to convert the CB3 to ordinary shares of the Company at any time after 60 days from the Issue Date to seven business days before its maturity. The bondholders also have the option to require redemption at 120% of the principal amount (or an amount that will give holders a return of 15% per annum if certain events occur) at any time after three years from the Issue Date. The Company also has the option to redeem, at an amount that will give holders a return of 15% per annum, part of the CB3 before its maturity if the share price of the Company rises to a certain level. Unless previously redeemed, converted or purchased and cancelled, the CB3 will be redeemed at 135% of the principal amount (or an amount that will give holders a return of 15% per annum if certain events occur) on 29 December 2013.

During the year ended 31 December 2009, the entire CB3 with the face value of HK$165 million were converted into shares of the Company when the relevant holders exercised their conversion right. There was no outstanding balance for the CB3 as at 31 December 2009.

Convertible Bonds 4 ("CB4")

On 23 July 2009 (the "Issue Date"), the Company issued convertible bonds (the "CB4"), maturing on 23 July 2014, in the 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 10 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% in principal amount of the Bonds (including bonds issued pursuant to the option) originally issued has already been converted, redeemed or purchased and cancelled before 30 days prior to its maturity date.

On 24 July 2009, CB4 were listed on the HKSE.

The face value of the outstanding CB4 as at 31 December 2009 amounted to RMB446,900 thousand (equivalent to HK$507,553 thousand).

As at 31 December 2009, the carrying amount of the CB4 was recorded under current liabilities, as the conversion option may be exercised, at the option of the holders, at any time after 41 days from the Issue Date.

Since the conversion options embedded in the CB2 and CB3 do not meet the definition of equity instruments of the Company, CB2 and CB3, in their entirety, are accounted for as financial liabilities and are separated into the host debt component and embedded derivative component. The embedded derivatives are accounted for as financial liabilities at fair value through profit or loss. The host debt component is initially recognised as the excess of proceeds over the amount initially recognised as the derivative component, net of transaction costs allocated to the host debt component, and are subsequently measured at amortised cost.

The conversion option embedded in the CB4 meets the definition of equity instruments of the Company, and therefore it is classified as equity and presented separately 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.

The various components of the respective convertible bonds recognised on initial recognition are as follows:

	CB2	CB3	CB4
Gross proceeds from issuance of convertible bonds	386,000	165,000	507,149
Transaction costs attributable to the host debt component	(19,811)	(7,382)	(17,378)
Separated embedded derivatives component	(93,906)	(95,710)	–
Transaction costs attributable to the equity component	–	–	(10,535)
Equity component, net of transaction costs	–	–	(179,361)
Host debt component on initial recognition upon issuance	272,283	61,908	299,875

The movements in the host debt component for the year are as follows:

		2009	
	CB3	CB4	Total
Host debt component at 1 January 2009	62,008	–	62,008
Newly issued host debts – CB4	–	299,875	299,875
Interest expense *(Note 9)*	8,708	25,392	34,100
Payment of interest	(1,029)	–	(1,029)
Exchange realignment	–	259	259
Amount converted	(69,687)	–	(69,687)
Less: interest payable included in other payables	–	(13,307)	(13,307)
Host debt component at 31 December 2009	–	312,219	312,219
Less: amount classified as current liabilities	–	(312,219)	(312,219)
Amount classified as non-current liabilities	–	–	–

		2008	
	CB2	CB3	Total
Host debt component at 1 January 2008	35,363	–	35,363
Newly issued host debts – CB3	–	61,908	61,908
Interest expense *(Note 9)*	4,220	100	4,320
Amount redeemed	(39,583)	–	(39,583)
Host debt component at 31 December 2008	–	62,008	62,008
Less: amount classified as current liabilities	–	(62,008)	(62,008)
Amount classified as non-current liabilities	–	–	–

Interest expenses on the CB2, CB3 and CB4 are calculated using the effective interest method by applying the effective interest rates of 14.10%, 33.86% and 19.93% to the host debt component, respectively.

Separated embedded derivatives of the convertible bonds

The fair values of the separated embedded derivatives of the convertible bonds on initial recognition are as follows:

	CB2	CB3	Total
Initial recognition upon issuance of bonds	93,906	95,710	189,616

The fair value movements in the derivative financial liabilities embedded in the CB2 and CB3 for the years ended 31 December 2009 and 2008 are as follows:

	2009 CB3
Embedded derivative component at beginning of year *(Note 36)*	88,470
Fair value loss recognised in profit or loss *(Note 6)*	89,055
Conversion to shares	(177,525)
Embedded derivative component at end of year *(Note 36)*	–

		2008	
	CB2	CB3	Total
Embedded derivative component at beginning of year	19,604	–	19,604
Newly issued	–	95,710	95,710
Fair value gain recognised in profit or loss *(Note 6)*	–	(7,240)	(7,240)
Bond redemption	(19,604)	–	(19,604)
Embedded derivative component at end of year *(Note 36)*	–	88,470	88,470

Those multiple embedded derivatives (holders' put options, issuer's call options and holders' conversion options etc., that are not independent of each other) in a single instrument that are not closely related to the host contract are treated as a single compound embedded derivative. They are presented as derivative financial liabilities (see *Note 36*).

During the year ended 31 December 2009, the fair value of the derivative financial instruments was determined by Jones Lang LaSalle Sallmanns Appraisals Limited (2008: Jones Lang LaSalle Sallmanns Appraisals Limited) using generally accepted valuation methodologies, including, but not limited to, the binomial option pricing model.

36. DERIVATIVE FINANCIAL LIABILITIES

Group and Company

	2009	2008
Embedded derivatives in CB3 *(Note 35)*	–	88,470
	–	88,470

The derivative financial liabilities are reported at their fair values.

37. ADVANCES RECEIVED FROM THE PRE-SALE OF PROPERTIES UNDER DEVELOPMENT

Group

	2009	2008
Advances received from the pre-sale of properties under development	4,943,649	1,171,996

The Group conducts the pre-sale of properties when they are still under development. As contracted with customers, advances amounting to a substantial portion of sales consideration are paid to the Group shortly from the signing of the pre-sales contract. Such amounts held by the Group are non-interest-bearing. Business tax, generally calculated at a rate of 5% on advances received, are imposed by the tax authorities.

38. ACCOUNTS PAYABLE

Group

An aged analysis of accounts payable as at the end of the reporting period, from the date when they were incurred, is as follows:

	2009	2008
Within 1 year	2,546,524	1,329,720
1 to 2 years	522,927	27,657
Over 2 years	106,922	–
	3,176,373	1,357,377

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

39. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009	2008	2009	2008
Payables for prepaid land lease payments	928,146	1,133,104	–	–
Deposits received from and other payable to customers and construction companies	321,540	165,466	–	–
Advance from related parties of a non-controlling shareholder of a subsidiary	–	229,034	–	–
Business tax and surtaxes payable	301,651	54,973	–	–
Interest payable to a former non-controlling shareholder of a subsidiary	7,884	7,871	–	–
Dividends payable to non-controlling shareholders of subsidiaries	11,801	10,191	–	–
Relocation costs payable	269,211	509,149	–	–
Audit fees	4,429	680	–	–
Deposits from stores, rents received for developers and public utility fees collected and paid for tenants	26,831	19,932	–	–
Payables to contractors on behalf of the Changchun Committee	150,057	–	–	–
Agency fee payables for promotional services	47,700	–	–	–
Obligation to construct a transportation centre	60,445	–	–	–
Earnest money received from potential investor	49,522	–	–	–
Accruals for commission of golf club membership	32,355	–	–	–
Payroll and welfare payable	11,977	9,004	–	–
Accrued transaction cost of CB3	–	15,500	–	15,500
Accrued interest	19,158	6,825	13,307	3,432
Others	96,653	80,088	12,008	2,092
	2,339,360	2,241,817	25,315	21,024

40. AMOUNTS DUE TO RELATED COMPANIES

	Group		Company	
	2009	2008	2009	2008
Amounts due to:				
A substantial shareholder of the Company:				
– SRE Investment Holding Ltd.	–	7,973	–	7,973
An associate:				
– New Technology	11,358	11,339	–	–
	11,358	19,312	–	7,973

As at 31 December 2009, the balances due to related companies were unsecured, interest-free and had no fixed terms of repayment, and they mainly arose from the related party transactions as disclosed in Note 47.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit for the year to cash generated from/(used in) operations:

	Notes	2009	2008
Profit before tax		1,524,444	1,677,332
Adjustments for:			
Depreciation of property, plant and equipment		135,860	98,614
Impairment of accounts receivable		377	562
Impairment of property, plant and equipment		–	38,827
(Reversal)/impairment of interest in an associate		(104,403)	104,320
Gain on disposal of property, plant and equipment, net		(81)	(542)
Share of profits and losses of associates		93,927	443,186
Fair value loss/(gain) on derivative financial liabilities		89,055	(7,240)
Gain on redemption of CB2		–	(12,783)
Gain on redemption of Guaranteed Senior Notes		(179,102)	–
Fair value gain on investment properties		(476,754)	(1,394,587)
Fair value loss on investment properties under construction		592	–
Gain on disposal of subsidiaries		(43,349)	–
Gain on disposal of unquoted equity investment stated at cost		–	(178,326)
Loss from dilution of an equity interest in an associate (CNTD)		–	41,616
Excess of share of fair value of net assets acquired over considerations for the acquisition of an additional interest in an associate (CNTD)		(300,415)	–
Loss on remeasurement (at acquisition-date fair value) of previously held equity interest in an acquiree (CNTD)		184,398	–
The Excess of acquisition-date amounts of the net assets acquired over the aggregate of consideration transferred, amount of non-controlling interests and acquisition-date fair value of the Group's previously held equity interest in the acquiree (CNTD)		(236,350)	–
Gain on disposal of an investment property		(26,397)	–
Transaction cost allocated to embedded derivatives of CB3		–	10,187
Management share option expenses		4,470	–
Finance income	*8*	(16,884)	(152,521)
Finance costs	*9*	179,114	11,063
		828,502	679,708
Decrease/(increase) in restricted bank deposits		230,760	(513,434)
Increase in prepaid land lease payments		(1,261,620)	(505,268)
(Increase)/decrease in properties held or under development for sale		(1,421,892)	852,519
Decrease/(increase) in inventories		12,133	(6,213)
(Increase)/decrease in amounts due from associates		6,860	7,973
(Increase)/decrease in prepayments and other current assets		(856,357)	10,656
(Increase)/decrease in other receivables		(600,349)	490,396
Decrease in accounts receivable		123,396	36,089
Increase/(decrease) in accounts payable		74,354	(238,824)
Increase/(decrease) in other payables and accruals		1,322,587	(104,247)
(Decrease)/increase in amounts due to related parties		(12,516)	7,040
Increase in land infrastructure under development for sale		652,379	–
Increase in deferred income		242,963	–
Increase/(decrease) in advances received from the pre-sale of properties under development		3,770,801	(1,220,779)
Cash generated from/(used in) operations		3,112,001	(504,384)

(a) Major non-cash transactions:

	2009	2008
Partial purchase considerations for additional shares in CNTD offset against earnest money for purchase of assets paid by the Company to CNTD, when CNTD was an associate of the Company	132,543	–
Conversion of CB3 into the Company's issued capital and share premium *(Note 29)*	247,212	–
Distribution of scrip dividends by issuance of new shares	–	46,774

42. CONTINGENCIES

Shangzhi Real Estate was established as a limited liability company under the laws of the PRC on 16 October 2008 as a result of the de-merger of Shanghai Mengshan Real Estate Co., Ltd ("Mengshan"), a former indirect 29.91% owned subsidiary of the Company. On 1 July 2008, the owners of Mengshan passed a resolution to split Mengshan into two companies (the "De-merger") whereby certain portions of the assets, liabilities and RMB10 million of the paid-up capital of Mengshan are to be spun off from Mengshan and injected into a newly set up company, i.e., Shangzhi Real Estate, which is held by the existing shareholders of Mengshan based on their existing proportion of equity interests in Mengshan of 99% and 1%, respectively. Mengshan ceased to be a subsidiary of the Company after the completion of de-merger in October 2008.

Under the relevant PRC Laws, Shangzhi 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 31 December 2009 amounted to approximately HK$1.22 million (2008: HK$2.49 million).

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (Note 17) under operating lease arrangements, with leases negotiated for terms mainly ranging from 1 to 16 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2009, the Group had total future minimum lease receivables under operating leases with its tenants falling due as follows:

Group

	2009	2008
Within one year	175,055	103,231
In the second to fifth years, inclusive	521,999	260,910
After five years	360,283	56,589
	1,057,337	420,730

The contingent rental income recognised in 2009 was HK$4,564 thousand (2008: HK$1,131 thousand).

(b) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from 3 to 5 years, and those for office equipment are for terms ranging between 2 and 5 years.

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	2009	**2008**
Within one year	8,998	7,589
In the second to fifth years, inclusive	14,537	5,931
	23,535	13,520

Company

	2009	**2008**
Within one year	5,259	–
In the second to fifth years, inclusive	11,394	–
	16,653	–

44. COMMITMENTS

In addition to the operating lease commitments detailed in Note 43(b) above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
Contracted, but not provided for				
Investment property under construction	114,911	–	–	–
Land infrastructure under development	2,517,112	–	–	–
Properties held or under development for sale	2,351,719	2,776,361	50,000	–
Consideration for potential business combination	853,634	108,498	–	108,498
Capital contributions to be invested	–	2,325	–	2,325
Property, plant and equipment and leasehold land	306,664	–	–	–
	6,144,040	2,887,184	50,000	110,823
Authorised, but not contracted for				
Investment property under construction	192,011	–	–	–
Land infrastructure under development	6,033,393	–	–	–
Properties held or under development for sale	3,163,732	1,740,937	–	–
Property, plant and equipment and leasehold land	2,875,480	–	–	–
	12,264,616	1,740,937	–	–
	18,408,656	4,628,121	50,000	110,823

45. BUSINESS COMBINATIONS

(1) CNTD

CNTD which was previously an associate of the Company was deemed as a subsidiary of the Company on 9 September 2009. The details of the changes in equity interest in CNTD are disclosed in Note 20(a)(v).

The fair value of the identifiable assets and liabilities of CNTD* acquired on 9 September 2009 and the corresponding carrying amounts immediately before 9 September 2009 were as follows:

	Fair value at the date of acquisition	Previous carrying amount
Cash and cash equivalents	190,403	190,403
Restricted bank balances	8,804	8,804
Accounts receivable	402,336	402,336
Amounts due from associates	2,187	2,187
Other receivables	24,971	24,971
Inventories	4,666	4,666
Land infrastructure under development for sale	5,060,669	4,808,585
Prepayments	16,309	16,309
Investments in associates	227	227
Property, plant and equipment *(Note 16)*	1,469,155	1,457,606
Deferred tax assets *(Note 34)*	150,237	150,044
Completed investment properties *(Note 17)*	549,189	549,189
Prepaid land lease payments *(Note 18)*	373,158	357,176
Investment properties under construction *(Note 17)*	126,914	126,914
Non-current trade receivables	57,274	57,274
Other assets	80,734	80,734
Interest-bearing bank borrowings	(1,351,412)	(1,351,412)
Accounts payable	(1,934,656)	(1,934,656)
Amounts due to related parties	(4,540)	(4,540)
Tax payable	(297,298)	(297,298)
Advances from customers	(27,903)	(27,903)
Other payables and accruals	(346,132)	(346,132)
Deferred income	(1,121,656)	(1,121,656)
Deferred tax liabilities *(Note 34)*	(70,096)	–
Guaranteed Senior Notes *(Note 32)*	(94,452)	(94,452)
Convertible bonds – host debt	(157,244)	(157,244)
Non-controlling interests (at their proportionate share of identifiable net assets)	(1,721,683)	(399,348)
	1,390,161	2,502,784
Excess over the cost of a business combination recognised in profit and loss	(236,350)	
Consideration	1,153,811	
Satisfied by:		
Fair value of equity interest previously held	997,888	
Cash consideration paid for the equity component of CNTD's convertible bonds ("CNTD CB") issued to a wholly owned subsidiary of the Company	155,923	
	1,153,811	

* The identifiable assets and liabilities of CNTD at the acquisition date above include the proceeds received by CNTD from the issuance of CNTD CB (which was used by CNTD to settle the partial repurchase of CNTD Guaranteed Senior Notes at the same time as the issuance of CNTD CB) and include the liability (i.e. host debt) component of CNTD CB but excluding the equity component of CNTD CB. Only the cash paid for CNTD CB equity component was regarded as the part of the consideration paid to acquire the equity interests in CNTD.

Since its acquisition, CNTD contributed a profit of HK$220 million to the consolidated profit for the year ended 31 December 2009.

Had the combination taken place at the beginning of the year ended 31 December 2009, the revenue of the Group and the profit of the Group for the year ended 31 December 2009 would have been HK$2,815,332 thousand and HK$908,170 thousand, respectively.

(2) Lushan

In December 2009, a non-wholly owned subsidiary of the Company completed the acquisition of a 55% equity interest in Lushan, a property development company located in Shanghai City, the PRC.

The fair values of the identifiable assets and liabilities of Lushan as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value at date of acquisition	**Previous carrying amount**
Cash and cash equivalents	49,118	49,118
Prepaid land lease payment *(Note 18)*	316,979	285,125
Deferred tax liability *(Note 34)*	(7,963)	–
Other interest-bearing borrowings	(281,658)	(281,658)
Non-controlling interests (at their proportionate share of identifiable net assets)	(34,415)	–
	42,061	52,585
Goodwill on acquisition *(Note 19)*	5,582	
Total consideration	47,643	
Satisfied by:		
Cash	47,643	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries during the year is as follows:

	CNTD	Lushan	Total
Cash consideration paid for equity component of CNTD CB	(155,923)	n/a	n/a
Cash consideration paid for host debt component of CNTD CB	(157,244)	n/a	n/a
Total consideration	(313,167)	(47,643)	(360,810)
Cash and cash equivalents acquired	190,403	49,118	239,521
Net (outflow)/inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(122,764)	1,475	(121,289)

No profit or loss or revenue contributed by Lushan as the acquisition was completed near the end of the reporting period.

Had the combination taken place at the beginning of the year ended 31 December 2009, the impact on the Group's revenue and operating result was minimal.

46. DISPOSAL OF SUBSIDIARIES

At the end of November 2009, the Group disposed of its interests in Shenyang Huarui New Century Hotel Management Ltd., Shenyang Richgate Lexington Hotel Management Co., Ltd. and Shenyang Huarui Shiji Investment Development Company Limited (Note 20(a)(i)(ii)).

	2009
Net assets at the date of disposal:	
Cash and bank balances	3,718
Accounts receivable	3,793
Prepayments and other receivables	579,679
Inventories	3,569
Property, plant and equipment *(Note 16)*	322,266
Properties held or under development for sale	120,309
Prepaid land lease payments *(Note 18)*	843,871
Deferred assets	559
Accounts payable	(153,865)
Employee benefit payables	(775)
Tax payable	(1,203)
Advances from customers	(31,912)
Other payables and accruals	(1,230,506)
Deferred tax liabilities *(Note 34)*	(28,942)
Non-controlling interests	(210,974)
	219,587
Waiver of amounts due from a subsidiary upon disposal of the subsidiary	37,538
	257,125
Gains on disposal of subsidiaries *(Note 6)*	43,349
	300,474
Satisfied by:	
Consideration receivable	300,474

An analysis of the net outflows of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2009
Consideration receivable	300,474
Less: Amounts not yet received *(Note 26)*	(300,474)
Cash received up to date of the end of the reporting period	–
Cash and bank balances disposed of	(3,718)
Net outflow of cash and cash equivalents as a result of the disposal of subsidiaries	(3,718)

47. RELATED PARTY TRANSACTIONS

Group

In addition to the related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties.

SRE Investment Holding Limited owned 34.64% of the Company's shares as at 31 December 2009. The remaining 65.36% of the shares are held by various different shareholders.

(a) Related party transactions carried out during the year:

i) Sales to and purchases from associates

	2009	2008
Portion of the Group's consideration for purchase of land plots (developed by CNTD*) that CNTD is entitled to receive (i)	329,070	249,482
Construction of infrastructure for an intelligent network for CNTD (ii)	–	2,011
Sale of goods to Broadband (ii)	4,074	5,457

* CNTD was deemed as a subsidiary of the Company since 9 September 2009 (For details, please refer to Note 20(a)(v)). Therefore, transactions between the Group and CNTD before 9 September 2009 are disclosed as transactions with associates.

(i) During the period from 1 January 2009 to 9 September 2009, the Group purchased a parcel of land (2008: three parcels), developed by CNTD, through public bidding procedures conducted by the relevant government authorities for the purpose of property development. Total purchase considerations for such parcels of land were HK$479,346 thousand (2008: HK$356,395 thousand). As a result, according to the arrangements between government authorities and CNTD, CNTD is entitled to receive, from the government authorities, an agreed portion of the purchase considerations for such parcels of land.

(ii) The sales were based on negotiated prices.

ii) Loan guarantee

	2009	2008
Guarantee provided for loans borrowed by Broadband, an associate	–	4,082
The Group's bank borrowings guaranteed by Mr. Shi Jian (Chairman) *(Note 31)*	400,000	–

During the year ended 31 December 2009, Broadband repaid its HK$10.2 million term loan. The guarantee provided by Wingo Infrastructure for 40% of above loan was released following the loan repayment by Broadband.

iii) Compensation of key management personnel of the Group

	2009	2008
Salaries and other short-term employee benefits	15,309	14,736
Share-based payments (MSOP)	1,924	–
	17,233	14,736

The above related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

48. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets	**2009**	**2008**
Loans and receivables		
– Amounts due from associates	1,825	138,968
– Other receivables	1,329,071	642,145
– Accounts receivable	507,687	18,165
– Cash and bank balances	4,602,822	1,575,476
	6,441,405	2,374,754

Financial liabilities	**2009**	**2008**
Financial liabilities at amortised cost		
– Interest-bearing bank and other borrowings	7,532,507	4,540,754
– Guaranteed senior notes, non-current portion	552,463	1,537,947
– Guaranteed senior notes, current portion	95,813	–
– Convertible bonds – host debts	312,219	62,008
– Accounts payable	3,176,373	1,357,377
– Amount due to related companies	11,358	19,312
– Others	2,020,244	2,228,885
Financial liabilities at fair value through profit or loss		
– Derivative financial liabilities	–	88,470
	13,700,977	9,834,753

Company

Financial assets	**2009**	**2008**
Loans and receivables		
– Dividends receivable from subsidiaries	727,651	390,573
– Advances to subsidiaries	1,346,117	1,073,459
– Amounts due from associates	–	132,438
– Other receivables	86	–
– Cash and bank balances	84,821	170,687
	2,158,675	1,767,157

Financial liabilities	2009	2008
Financial liabilities at amortised cost		
– Interest-bearing bank and other borrowings	339,316	359,485
– Guaranteed senior notes	552,463	1,537,947
– Convertible bonds-host debts	312,219	62,008
– Other payables	25,311	21,020
Financial liabilities at fair value through profit or loss		
– Derivative financial liabilities	–	88,470
	1,229,309	2,068,930

49. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The Group and Company did not have any financial assets or financial liabilities measured at fair value as at 31 December 2009.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank loans, convertible bonds, guaranteed senior notes, other interest-bearing loans, and cash and bank deposits. The main purpose of these financial instruments is to raise funds to finance the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The Group does not enter into derivative transactions for trading purposes, the derivative instruments issued or held by the Group are derivatives embedded in financial instruments issued by the Group for financing. The Group's accounting policies in relation to those embedded derivatives are set out in Note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, price risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank and borrowings. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayments of the borrowings are disclosed in Note 31.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings). The Group's and the Company's equity is not affected, other than the consequential effect on retained profits (a component of the Group's and the Company's equity) by the changes in profit before tax.

	Group		Company	
	2009	2008	2009	2008
	Impact on profit before tax	Impact on profit before tax	Impact on profit before tax	Impact on profit before tax
Changes in variables – RMB interest rate				
+ 50 basis points	(32,675)	(15,869)	–	–
– 50 basis points	32,675	15,869	–	–
Changes in variables – HK$ interest rate				
+ 50 basis points	(3,300)	(2,530)	(1,300)	(1,080)
– 50 basis points	3,300	2,530	1,300	1,080

Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure relates to financial instruments (principally the embedded derivatives in the convertible bonds, other than equity components) whose values will fluctuate as a result of changes in the market prices of the Company's own shares. The embedded derivatives in the CB3, which existed as at 31 December 2008, have been extinguished with the conversion of CB3 during the year ended 31 December 2009. Meanwhile, the embedded derivatives (excluding the separated conversion option which was classified as equity) in CB4, which are considered closely related to host debt, are not separated from the host debt. Therefore, no material financial instruments held by the Group are exposed to price risk as at 31 December 2009.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the market prices of the Company's own shares, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of embedded derivatives in the CB3). The Group's and the Company's equity is not affected, other than the consequential effect on retained profits (a component of the Group's and the Company's equity) by the impact on profit before tax as disclosed below.

Group and Company

Increase/(decrease) in market prices of the Company's own shares	2009 Impact on profit before tax	2008 Impact on profit before tax
+ 50%	–	(50,396)
– 50%	–	33,559

Foreign currency risk

Most of the Group's operating entities operate in Mainland China with most of the transactions denominated in Renminbi. The Group is exposed to foreign exchange risk with only limited exposure arising primarily with respect to cash at banks, guaranteed senior notes, convertible bonds, bank borrowings etc. denominated in United States dollar ("US$") or Hong Kong dollar ("HK$").

The Renminbi is not a freely convertible currency. The conversion of the Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ and the HK$ exchange rates, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Group's and the Company's equity is not affected, other than the consequential effect on retained profits (a component of the Group's and the Company's equity) by the impact on profit before tax as disclosed below.

	Group		Company	
	2009 Impact on profit before tax	2008 Impact on profit before tax	2009 Impact on profit before tax	2008 Impact on profit before tax
Changes in exchange rate of US$ against Renminbi				
+ 5%	(26,889)	(82,782)	(27,741)	(84,645)
– 5%	26,889	82,782	27,741	84,645
Changes in exchange rate of HK$ against Renminbi				
+ 5%	(32,405)	(18,773)	(13,379)	(3,191)
– 5%	32,405	18,773	13,379	3,191

Credit risk

Credit risk arises from cash at banks, accounts receivable, other receivables and amounts due from associates, the balances of which represent the maximum credit risk exposure of the Group. For the sale of developed properties to retail customers, consideration would be settled in cash or customers' purchase would be financed by mortgage loans provided by banks. Receivable balances are monitored on an on-going basis, other than the significant receivables in Note 26 and Note 27, there is no other significant concentration of credit risk within the Group as other debtors of the Group's receivables are widely dispersed and the majority of the Group's financial assets are cash at banks as at 31 December 2009.

The table below shows the maximum exposure to credit risk for the assets subject to credit risk at the end of the reporting period. The maximum exposure is shown gross, before the effect of mitigation through any collateral held or other credit enhancement.

	Group		Company	
	2009	2008	2009	2008
Financial assets				
Loans and receivables				
– Dividends receivable from subsidiaries	–	–	727,651	390,573
– Advances to subsidiaries	–	–	1,346,117	1,073,459
– Amounts due from associates	1,825	138,968	–	132,438
– Other receivables	1,329,071	642,145	86	–
– Accounts receivable	507,687	18,165	–	–
– Cash at banks	4,601,002	1,573,919	84,790	170,673
Total credit risk exposure	6,439,585	2,373,197	2,158,644	1,767,143

Liquidity risk

The Group maintains sufficient liquidity at all times with a financial planning system which is used to monitor the Group's future state of liquidity as is evident from the results of the Group's strategic and planning process. A 12-month forecast of fund requirements is updated monthly for the latest developments.

Other than properties developed for sale, the Group also develops and holds properties for long-term operation, such as hotel properties and investment properties. Such long-term assets have constituted an increasing proportion of total assets in recent years, which brings liquidity risk to the Group. In order to mitigate the liquidity risk, the Group adjusted its financing strategy to get more long-term borrowings and increase equity, through the issuance of convertible bonds, as well as new shares.

The Group has developed strategic relationship with certain major state-owned banks that will normally provide financing to the Group when approval from the relevant government authorities for the commencement of a project is obtained. The Group also seeks financing from overseas markets through close cooperation with several world-wide bankers.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2009					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Interest-bearing bank and other borrowings	–	373,487	1,580,786	4,760,896	2,443,877	9,159,046
Guaranteed Senior Notes	104,572	–	47,797	673,667	–	826,036
Convertible bonds	–	15,227	15,227	629,365	–	659,819
Accounts payable	543,610	428,506	1,846,099	358,158	–	3,176,373
Others	441,699	28,175	1,561,728	–	–	2,031,602
	1,089,881	845,395	5,051,637	6,422,086	2,443,877	15,852,876

	2008				
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Total**
Interest-bearing bank and other borrowings	–	397,227	1,337,909	3,261,155	4,996,291
Guaranteed Senior Notes	–	–	133,693	2,017,987	2,151,680
Convertible bonds	–	–	4,125	206,250	210,375
Accounts payable	–	163,317	1,194,060	–	1,357,377
Others	13,663	112,832	1,771,714	295,420	2,193,629
	13,663	673,376	4,441,501	5,780,812	10,909,352

Company

	2009					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings	–	1,476	51,701	317,104	–	370,281
Guaranteed Senior Notes	–	–	47,797	673,667	–	721,464
Convertible bonds	–	15,227	15,227	629,365	–	659,819
Others	10,000	15,311	–	–	–	25,311
	10,000	32,014	114,725	1,620,136	–	1,776,875

	2008					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank and other borrowings	–	44,025	106,917	234,285	–	385,227
Guaranteed Senior Notes	–	–	133,693	2,017,987	–	2,151,680
Convertible bonds	–	–	4,125	206,250	–	210,375
Others	7,973	21,020	–	–	–	28,993
	7,973	65,045	244,735	2,458,522	–	2,776,275

Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorised securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market or when current market prices are not available, fair value is determined using valuation techniques (Note 2.4).

The Group's financial assets mainly include cash and bank balances and receivables.

The Group's financial liabilities mainly include interest-bearing bank and other borrowings, guaranteed senior notes, convertible bonds (including embedded derivatives other than equity components) and payables.

Except as indicated below, the fair values of the Group's and the Company's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and appropriate valuation models.

Group

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Guaranteed senior notes	648,276	592,577	1,537,947	920,415
Convertible bonds – host debts	312,219	371,041	62,008	69,381

Company

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Guaranteed senior notes	552,463	488,005	1,537,947	920,415
Convertible bonds – host debts	312,219	371,041	62,008	69,381

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 31 December 2008.

As the Group is mainly engaged in the development of properties and large-scale new towns, it needs substantial amount of funds. The Group monitors capital using a gearing ratio, as defined by management for capital management purposes, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, the host debt portion of convertible bonds, Guaranteed Senior Notes, accounts payable, and other payables and accruals, less cash and bank balances. Capital comprises all components of equity (i.e. share capital and premium, other reserves, retained profits, and non-controlling interests). Such gearing ratios, as defined by management for capital management purposes, at the end of the reporting period were as follows:

	2009	2008
Interest-bearing bank and other borrowings *(Note 31)*	7,532,507	4,540,754
Accounts payable *(Note 38)*	3,176,373	1,357,377
Other payables and accruals *(Note 39)*	2,339,360	2,241,817
Convertible bonds – host debts *(Note 35)*	312,219	62,008
Guaranteed Senior Notes *(Note 32)*	648,276	1,537,947
Less: Cash and bank balances *(Note 28)*	(4,602,822)	(1,575,476)
Net debt	9,405,913	8,164,427
Equity attributable to owners of the parent	8,191,741	6,472,585
Non-controlling interests	3,115,939	1,400,776
Capital	11,307,680	7,873,361
Capital and net debt	20,713,593	16,037,788
Gearing ratio	45%	51%

51. EVENTS AFTER THE REPORTING PERIOD

(a) 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 upon the completion of the Hong Kong subsidiary acquisition. Upon completion of the acquisition, Huarui Asset Management will 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.

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. Up to the date of issuance of these financial statements, this acquisition transaction has not been completed because certain conditions precedent have not been fulfilled.

(b) In February 2010, the Company has entered into a Financial Services Co-operation Agreement with a bank, whereby the bank has agreed in principle, upon fulfilment of certain conditions, to make available to the Company term loan facilities in an aggregate amount of not more than RMB10 billion (equivalent to HK$11.36 billion). The agreement will expire after 5 years and is renewable subject to mutual agreement between the two parties.

52. COMPARATIVE AMOUNTS

As further explained in Note 2.2 to the finance statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation. The reclassification had no impact on the comparative statement of financial position.

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2010.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2010

The following information is extracted from the unaudited consolidated financial statements of the Group as set out in the 2010 Interim Report of the Company:

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)

	Notes	2010 Unaudited	2009 Unaudited
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
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)

	Notes	30 June 2010 Unaudited	31 December 2009 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

	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	Other reserves	Equity component of convertible bonds	Retained profits	Total	Non-controlling interests	Total equity
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
At 1 January 2009 (Audited)	4,003,101	7,238	248	214,076	722,123	75,940	1,449,859	6,472,585	1,400,776	7,873,361
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
At 30 June 2010
(Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

		For the six months ended 30 June	
		2010	**2009**
	Note	(Unaudited)	(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.

Note to the 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.

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.

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.

An analysis by business segment is as follows:

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

	Six months ended 30 June 2009 (unaudited)					
	Property development	Land infrastructure development	Property leasing	Hotel operations	Corporate and other operations	Total
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

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.

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

(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.

(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).

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

9. ACCOUNTS RECEIVABLE

	Group	
	30 June 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 2010	31 December 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

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.

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.

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.

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.

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).

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

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.

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.

4. STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 31 October 2010, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the borrowings of the Group were as follows:

	HK$'000
Unsecured convertible bonds – liability portion	343,640
Guaranteed notes	
– long-term	557,396
– short-term	101,280
	658,676
Short-term borrowings	
– secured	382,582
– unsecured	119,908
	502,490
Long-term borrowings	
– secured	9,734,745
– unsecured	170,454
	9,905,199
	11,410,005

Pledge of assets

At the close of business on 31 October 2010, the Group had pledged the following amounts of assets to secure the borrowings of the Group:

	HK$'000
Pledged bank deposit	128,919
Leasehold land and properties under development for sale	8,386,213
Investment properties	6,613,519
Properties, plant and equipments	2,149,240
	17,277,891

Contingent liabilities

Under the relevant PRC Laws, Shanghai Shangzhi Real Estate Development Co. Ltd. ("Shangzhi Real Estate") is jointly liable for all outstanding debts and amounts payable to creditors of Shanghai Mengshan Real Estate Co., Ltd. ("Mengshan"), a former indirect 29.91% owned subsidiary of the Company, that were in existence prior to the de-merger of Mengshan in October 2008. Such debts/amounts owing to creditors of Mengshan that Shangzhi Real Estate is jointly liable for as at 31 October 2010 amounted to approximately HK$719,969.09.

Commitments

	HK$'000
Contracted, but not provided for:	
Investment property under construction	18,457
Land infrastructure under development	2,507,179
Properties held or under development for sale	2,569,845
Cost Consideration for potential business combination	750,000
Outstanding cost consideration for completed business combination	140,280
Property, plant and equipment and leasehold land	318,871
	6,304,632
Authorised, but not contracted for:	
Investment property under construction	187,288
Land infrastructure under development	6,014,801
Properties held or under development for sale	3,017,550
Property, plant and equipment and leasehold land	2,923,040
	12,142,679
	18,447,311

Save for the above, and apart from intra-group liabilities and normal trade and other payable in the ordinary course of business of the Group, as at the close of business on 31 October 2010, the Group did not have any outstanding indebtedness in respect of any loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchases commitments, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

The Directors have confirmed that they are not aware of any material change in the Group's indebtedness and contingent liabilities from 31 October 2010 to the Latest Practicable Date.

5. MATERIAL CHANGE

The Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2009, being the date to which the latest published audited financial statements of the Group were made up, up to the Latest Practicable Date.

The following is the text of the letter, summary of values and valuation certificates received from Jones Lang LaSalle Sallmanns Limited in connection with its valuation as at 31 October 2010 of the property interests of the Group other than the CNTD Group, which has been prepared for the purpose of incorporation into this circular.

JONES LANG LASALLE® SALLMANNS

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17/F Dorset House Taikoo Place
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tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

10 January 2011

The Board of Directors
SRE Group Limited
Room 2501, 25th Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which SRE Group Limited (the "Company") and its subsidiaries (other than the CNTD Group, hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 October 2010 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests of properties Nos. 3 to 6 in Group II which are held by the Group for investment, Group III which is held by the Group for sale and Group V which is held by the Group for future development by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

For the purpose of our valuation, real estate developments for future development are those for which Construction Work Commencement Permits have not been issued while the State-owned Land Use Rights Certificates have been obtained; real estate developments for sale are those for which Construction Work Certified Reports or Certificates of Completion or Building Ownership Certificates/ Real Title Certificates thereof have been issued by the relevant local authority, this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed.

We have valued the property interest in Group I which is held and operated by the Group and the remaining property interests in Group II which are held by the Group for investment by income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

In valuing the property interests in Group IV which were under development as at the date of valuation, we have assumed these will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees expected to be incurred for completing the development.

For the purpose of our valuation, real estate developments under development are those the Construction Work Commencement Permits have been issued while the Construction Work Certified Reports or Certificates of Completion of the buildings thereof are not issued.

For the property interest to be acquired by the Group in Group VI, the Group has entered into agreements with relevant owners of the property or the relevant government authorities. Since the Group has not yet obtained the State-owned Land Use Rights Certificate and/or the payment of the land premium has not yet been fully settled as at the date of valuation, we have attributed no commercial value to the property interest.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the properties include:

(a) Business tax at a rate of 5% of consideration for the property in the PRC;

(b) Profits tax on the profit from the sale at a rate of 25% for the property in the PRC; and

(c) Land value appreciation tax for the property in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation.

As advised by the Group, it is expected that the relevant tax will be crystalised in the future for the properties in Group III, IV and V. For the properties in Group I and II, the likelihood of any potential tax liability being crystalised is remote as the Group has no intention to sale these properties.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Yan Yiming Law Firm (上海嚴義明律師事務所), concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been undertaken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interest held and operated as hotel by the Group in the PRC

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2010 *RMB*
1.	Shanghai Skyway Hotel No.15 Dapu Road Luwan District Shanghai The PRC	1,300,550,000	58.34%	758,741,000
	Sub-total:	**1,300,550,000**		**758,741,000**

Group II – Property interests held by the Group for investment in the PRC

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2010 *RMB*
2.	Levels 1 to 2 and Basement 1 Rich Gate Nos. 1 to 6 of Lane 222 Madang Road Luwan District Shanghai The PRC	1,040,000,000	100%	1,040,000,000
3.	Units 102, 103 and 105 of 915 Building, Levels 1 to 2 of Office Block 1, Levels 1 to 3 of Retail Block 5 and Blocks 2, 3, 7,8 and 128 underground car parking lots Oasis Middlering Centre Lane 1628 Jinshajiang Road Putuo District Shanghai The PRC	575,209,000	97%	557,953,000
4.	Office Block 2 Oasis Middlering Centre Lane 1628 Jinshajiang Road Putuo District Shanghai The PRC	710,886,000	97%	689,559,000

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2010 *RMB*
5.	Six units of Jing'an International Plaza No. 172 Yuyuan Road Jing'An District Shanghai The PRC	16,000,000	98%	15,680,000
6.	Rich Gate Shopping Mall No.118 Harbin Road Shenhe District Shenyang City Liaoning Province The PRC	2,770,000,000	60%	1,662,000,000
	Sub-total:	**5,112,095,000**		**3,965,192,000**

Group III – Property interests held for sale by the Group in the PRC

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2010 *RMB*
7.	Two villas of Oasis Beverly Garden Lane 366 Minghua Road Songjiang District Shanghai The PRC	48,000,000	98.75%	47,400,000
8.	Two villas of Oasis Southern Garden Lane 88 Zhonggu Road Zhujiajiao Town Qingpu District Shanghai The PRC	166,000,000	50.3625%	83,602,000

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2010 *RMB*
9.	19 unsold residential units and 75 car parking lots of Huangpu Huating Phase I Blocks nos. 1 to 5 Lane 99 Baotun Road Huangpu District Shanghai The PRC	122,181,000	98.75%	120,654,000
10.	Room 604 on level 6 of a residential building No. 6 Lane 620 Kunyang Road Minhang District Shanghai The PRC	873,000	98.75%	862,000
11.	Room 301 on level 3 of a residential building No. 93 Lane 501 Bijiang Road Minhang District Shanghai The PRC	599,000	98.75%	592,000
12.	Room 401 on level 4 of a residential building No. 87 Lane 501 Bijiang Road Minhang District Shanghai The PRC	605,000	98.75%	597,000
13.	Room 404 on level 4 of a residential building No. 75 Lane 401 Bijiang Road Minhang District Shanghai The PRC	606,000	98.75%	598,000
14.	Rooms 103 and 104 on level 1 of a residential building No. 4 Lane 291 Jiangchuan Road Minhang District Shanghai The PRC	665,000	98.75%	657,000

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2010 *RMB*
15.	Room 503 on level 5 of a residential building No. 3 Lane 291 Jiangchuan Road Minhang District Shanghai The PRC	688,000	98.75%	679,000
16.	Room 103 on level 1 of a residential building No. 87 Lane 191 Huaning Road Minhang District Shanghai The PRC	437,000	98.75%	432,000
17.	Room 601 on level 6 of a residential building No. 57 Lane 50 Jianchuan Road Minhang District Shanghai The PRC	665,000	98.75%	657,000
18.	A unit and 85 Car parking lots of Rich Gate No. 5 Lane 222 Madang Road Luwan District Shanghai The PRC	100,553,000	51.48%	51,765,000
19.	A unit of Rich Gate No. 6 Lane 222 Madang Road Luwan District Shanghai The PRC	48,608,000	100%	48,608,000
20.	A unit of Rich Gate No. 1 Lane 222 Madang Road Luwan District Shanghai The PRC	105,614,000	100%	105,614,000
21.	3 units of Oasis Albany I Nos. 625, 635 Zhong Xing Road and No. 699 Zhi Yuan Road Zhabei District Shanghai The PRC	87,000,000	99%	86,130,000

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2010 *RMB*
22.	13 units of Long Island Garden Lane 1288 Xinsong Road Songjiang District Shanghai The PRC	27,000,000	98.75%	26,663,000
	Sub-total:	**710,094,000**		**575,510,000**

Group IV – Property interests held under development by the Group in the PRC

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2010 *RMB*
23.	Jin Shan Rich Gate No. 118 Hangzhou Bay Road Jin Shan District Shanghai The PRC	1,000,840,000	98.75%	988,330,000
24.	Oasis Albany No.699 Zhong Xing Road Zhabei District Shanghai The PRC	3,136,240,000	100%	3,136,240,000
25.	Meilan Lake Garden located at Meidan Road Baoshan District Shanghai The PRC	1,351,000,000	51.48%	695,495,000
26.	Island of the Original Villa No.88 Mei Fung Road Baoshan District Shanghai The PRC	1,202,400,000	98.75%	1,187,370,000

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2010 *RMB*
27.	Shenyang You Mountains located at the town of Lee Sang Lane Dongling District Shenyang City Liaoning Province The PRC	992,730,000	98.95%	982,306,000
28.	Shenyang Albany located at the eastern side of South Heping Road Heping District Shenyang City Liaoning Province The PRC	571,990,000	70%	400,393,000
29.	Phase I of the Bund Center Haikou No. 18 Taihua Road Longhua District Haikou City Hainan Province The PRC	855,490,000	79%	675,837,000
30.	Jiangnan Richgate located at the western side of Xinhong Road, the northern side of Xiyi Road, the eastern side of NS3 Road and the southern side of EW1 Road Wuxi City Jiangsu Province The PRC	108,070,000	98.75%	106,719,000
	Sub-total:	**9,218,760,000**		**8,172,690,000**

Group V – Property interests held by the Group for future development in the PRC

No.	**Property**	**Capital value in existing state as at 31 October 2010** *RMB*	**Interest attributable to the Group**	**Capital value attributable to the Group as at 31 October 2010** *RMB*
31.	A parcel of land located at the western side of Kunyang Road Maqiao Town Minhang District Shanghai The PRC	284,600,000	27.69%	78,806,000
32.	A parcel of land (Lot 47/19 Qiu No. 1 Jiefang out of Qunei Town) located at the eastern side of Yongfa Road Pudong New District Shanghai The PRC	196,000,000	98.75%	193,550,000
33.	A parcel of land (Lot 47/8 Qiu No. 1 Jiefang out of Qunei Town) located at the eastern side of Yongfa Road Pudong New District Shanghai The PRC	101,000,000	98.75%	99,738,000
34.	A parcel of land known as Phase II of Huangpu Huating located at the western side of South Chezhan Road, the southern side of Xietu Road, the eastern side of Baotun Road and the northern side of Phase I of Huangpu Huating Huangpu District Shanghai The PRC	633,750,000 (in clear site state)	98.75%	625,828,000 (in clear site state)
35.	A parcel of land and the reserved portion of 2 parcels of land No. 18 Taihua Road Longhua District Haikou City Hainan Province The PRC	1,526,177,000	79%	1,205,680,000

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2010 *RMB*
36.	A parcel of land located at Lane 1628 Jinshajiang Road Putuo District Shanghai The PRC	370,549,000	97%	359,433,000
	Sub-total:	**3,112,076,000**		**2,563,035,000**

Group VI – Property interest contracted to be acquired by the Group in the PRC

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 October 2010 *RMB*
37.	A parcel of land located at the eastside of Daxing Road Huangpu District Shanghai The PRC	No commercial value	100%	No commercial value
	Sub-total:	**Nil**		**Nil**
	Grand total:	**19,453,575,000**		**16,035,168,000**

VALUATION CERTIFICATE

Group I – Property interest held and operated as hotel by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
1.	Shanghai Skyway Hotel No.15 Dapu Road Luwan District Shanghai The PRC	Shanghai Skyway Hotel occupies a parcel of land with a site area of approximately 14,279 sq.m. and was completed in 2006. Shanghai Skyway Hotel is a 52-storey hotel building plus a 2-storey basement together having a total gross floor area of approximately 99,491.35 sq.m. The hotel has 653 guest rooms and the 2-storey basement is partially for car parking use and partially as restaurant. The hotel's trial operation started on 28 April 2007. It was designed as a five-star hotel with guest rooms, restaurants, bars, and other ancillary facilities including meeting rooms, fitness center, business center, SPA and a swimming pool. The land use rights of the property have been granted for a term of 40 years expiring on 21 July 2042 for hotel use.	The property is currently held by Skyway Hotel Company and managed by Accor Hotel Group as hotel.	1,300,550,000 58.34% interest attributable to the Group: RMB758,741,000

Notes:

1. Shanghai Skyway Hotel Co., Ltd ("上海斯格威大酒店有限公司, Skyway Hotel Company") is a 58.34% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Lu Zi (2009) Di No. 000238 dated 11 February 2009, a building with a gross floor area of approximately 94,385.44 sq.m. is owned by Skyway Hotel Company and the relevant land use rights of the building with a site area of approximately 14,279 sq.m. have been granted to Skyway Hotel Company for a term of 40 years expiring on 21 July 2042 for hotel use.

3. Pursuant to an appendix of the aforesaid Real Estate Title Certificate, Levels 4, 20 and 36 of the property used as refuge and facility storey with a total gross floor area of approximately 5,105.91 sq.m. are exclusive of the registered area.

4. Pursuant to a Management Agreement dated 19 January 2009 entered into between Skyway Hotel Company and Accor Hotel Group, Accor Hotel Group has taken charge of the management of Shanghai Skyway Hotel since 1 March 2009 for a term of 10 years. The management fees include basic management fee and incentive management fee.

5. Pursuant to a Mortgage Agreement dated 10 March 2009 entered into between Shanghai Huangpu Sub-branch Industrial and Commercial Bank (the "Bank") and Skyway Hotel Company, the property was mortgaged to the Bank as security for a loan in the amount of RMB1,300,000,000.

6. According to the accounting information provided by Skyway Hotel Company, the average room price is RMB769 per room per day and the average occupancy rate is 68% between January 2010 and November 2010. Pursuant to the Shanghai Statistical Yearbooks 2009, the average market room price and occupancy rate of the five-star hotel in Shanghai are RMB1,010 per room per day and 53.5% respectively.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Skyway Hotel Company is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Skyway Hotel Company has the rights to transfer the property but need to notify to the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured. Skyway Hotel Company has the rights to freely lease or operate such property.

VALUATION CERTIFICATE

Group II – Property interests held by the Group for investment in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
2.	Levels 1 to 2 and Basement 1 Rich Gate Nos. 1 to 6 of Lane 222 Madang Road Luwan District Shanghai The PRC	The property comprises Levels 1, 2 and Basement 1 of three 20/21-storey residential buildings completed in about 2006. The property has a total gross floor area of approximately 11,330.31 sq.m., the details of which are as follows: **Location** / **Gross Floor Area** *(sq.m.)* Above ground: 5,322.57 Under ground: 5,014.85 Common area (un-leasable): 992.89 **Total: 11,330.31** The land use rights of the property have been granted for a term expiring on 27 February 2072 for residential use.	As at the date of valuation, the property with a total lettable area of approximately 10,337.42 sq.m. was leased to various parties for retail use (refer to note 3).	1,040,000,000 100% interest attributable to the Group: RMB1,040,000,000

Notes:

1. Shenyang Huajian Real Estate Co., Ltd ("瀋陽華建置業有限公司, Shenyang Huajian") is a wholly-owned subsidiary of the Company.

2. Pursuant to 3 Shanghai Real Estate Title Certificates – Hu Fang Di Lu Zi (2007) Nos. 001027 to 001029 dated 9 February 2007, the property with a total gross floor area of approximately 11,330.31 sq.m. is owned by Shenyang Huajian and the relevant land use rights of a parcel of land with a site area of approximately 14,651 sq.m. have been granted to Shenyang Huajian for a term expiring on 27 February 2072 for residential use.

3. Pursuant to 17 Tenancy Agreements, the property with a total lettable area ("LA") of approximately 10,337.42 sq.m. was leased to various tenants for various terms with the expiry dates between 28 February 2011 and 31 May 2015 at a total monthly rental of approximately RMB5,035,000 exclusive of management fees, water and electricity charges. The particulars of these Tenancy Agreements are as follows:

No.	Unit/ Level	LA *(sq.m.)*	Lease Term From	Lease Term To	Rental *(per day per sq.m.)*
1.	T	222.96	2006-8-16	2011-8-15	The rental is RMB34.32 for the first three years and RMB37.04 for the remaining lease term.
2.	I	646.48	2008-10-1	2011-9-30	The rental is RMB25.84 for the first year, RMB26.6 for the second year and RMB27.4 for the third year.
3.	J	423.69	2008-11-1	2012-10-31	The fixed rental is RMB27.

No.	Unit/ Level	LA (*sq.m.*)	Lease Term From	To	Rental (*per day per sq.m.*)
4.	A	309.78	2009-6-16	2014-6-15	The rental is RMB31 for the first three years and RMB34 for the remaining lease term.
5.	C+D	621.05	2007-4-1	2012-3-31	The rental is RMB26 for the first three years and RMB28 for the remaining lease term.
6.	O+P	398.68	2008-12-1	2012-11-30	The rental is RMB22 for the first year, RMB24 for the second year and RMB26 for the remaining lease term.
7.	U	395.44	2009-9-25	2014-9-24	The fixed rental is RMB30.
8.	K(2F)	226.73	2009-1-1	2012-12-31	The rental is RMB19 for the first year, RMB21 for the second year, RMB23 for the third year and RMB25 for the fourth year.
9.	L	355.03	2009-1-1	2012-12-31	The rental is RMB19 for the first year, RMB21 for the second year, RMB23 for the third year and RMB25 for the fourth year.
10.	E	149.19	2009-10-1	2012-9-30	The rental is RMB35.26 for the first year, RMB37.47 for the second year and RMB39.67 for the third year.
11.	B	222.44	2009-10-16	2014-10-15	The rental is RMB31 for the first three years and RMB35 for the remaining lease term.
12.	S+R(1F)	368.81	2008-9-1	2011-8-31	The fixed rental is RMB41.
13.	F	272.06	2009-9-1	2012-8-31	The fixed rental is RMB32.
14.	N	254.23	2009-10-1	2012-10-1	The rental is RMB26 for the first year and will be increased by 7% every year from the second year.
15.	K(1F)	86.09	2009-3-1	2011-2-28	The fixed rental is RMB21.3.
16.	Q,R(2F)	369.91	2010-3-1	2011-2-28	The fixed rental is RMB30.
17.	Basement Level 1	5,014.85	2008-6-1	2015-5-31	The rental is RMB6 for the first year, RMB6.1 for the second year, RMB6.2 for the third year, RMB6.4 for the fourth year, RMB6.6 for the fifth year, RMB6.8 for the sixth year and RMB7 for the seventh year.
	Total:	**10,337.42**			

4. Pursuant to a Mortgage Agreement dated 21 May 2009 entered into between Luwan Sub-branch Bank of China Limited (the "Bank") and Shenyang Huajian, the property was mortgaged to the Bank as security for a loan in the amount of RMB 600,000,000.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shenyang Huajian is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Shenyang Huajian has the rights to transfer the property but need to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured. Shenyang Huajian has the rights to freely lease or operate such property. When Shenyang Huajian sells the property to another party, the tenants of the property have pre-emptive right to purchase the property from Shenyang Huajian on the same terms.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
3.	Units 102,103 and 105 of 915 Building, Levels 1 to 2 of Office Block 1, Levels 1 to 3 of Retail Block 5 and Blocks 2, 3, 7, 8 and 128 underground car parking lots Oasis Middlering Centre Lane 1628 Jinshajiang Road Putuo District Shanghai The PRC	Oasis Middlering Centre ("OMC") is a large commercial complex comprising eight office/retail buildings completed in 2008. The details of the 8 buildings are listed as follows: **Building** / **Usage** / **Storey** Office Block 1 / office/retail / 24 Office Block 2 / office/retail / 24 Retail Block 5 / office/retail / 6 Retail Blocks 3, 7 / retail / 3 Retail Blocks 2, 8 / retail / 6 915 Building / office/retail / 20 The property comprises the retail portion of OMC, including 3 units of 915 Building, Levels 1 to 2 of Office Block 1, and Levels 1 to 3 of Retail Blocks 2, 3, 5, 7, 8 and 128 underground car parking lots on Basement Level 1 together having a total gross floor area of approximately 37,930.98 sq.m. The land use rights of the property have been granted for a term expiring on 13 January 2055 for office and commercial uses.	As at the date of valuation, various portions of the property with a total lettable area of approximately 3,637.68 sq.m. were leased to various parties for commercial use (refer to note 3) and approximately 7,635 sq.m. were temporarily occupied by various individual retail operators at nil rent for business trial purpose, whilst the remaining portion of the property was vacant.	575,209,000 97% interest attributable to the Group: RMB557,953,000

Notes:

1. Shanghai Jinwu Real Estate Co., Ltd. ("上海金午置業有限公司, Jinwu Development") is a 97% owned subsidiary of the Company.

2. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Pu Zi (2009) No 021698 dated 16 July 2009, Office Blocks 1 and 2, Retail Blocks 2, 3, 5, 7, 8 and 915 Building together having a total gross floor area of approximately 161,199.83 sq.m. (including the property) are owned by Jinwu Development and the relevant land use rights of a parcel of land with a site area of approximately 47,707 sq.m. have been granted to Jinwu Development for a term expiring on 13 January 2055 for office and commercial uses.

3. Pursuant to 7 Tenancy Agreements, portions of the property with a total lettable area ("LA") of approximately 3,637.68 sq.m. were leased to various tenants for various terms with the expiry dates between 14 October 2012 and 31 July 2018 at a total monthly rental of approximately RMB458,000 exclusive of management fees, water and electricity charges. The particulars of these Tenancy Agreements are as follows:

No.	Unit/Level	LA (sq.m.)	Lease Term From	To	Rental (per day per sq.m.)
1.	Level 1, 915 Building	305.81	2008-5-1	2013-4-30	The fixed rental is RMB5.
2.	Level 1, 915 Building	107.69	2008-9-1	2013-8-31	The rental is RMB5 for the first three years and will be increased by 10% every year from the fourth year.
3.	Level 1, Office Block 1	197.15	2008-4-1	2018-3-31	The rental is RMB10 for the first two years and will be increased by 5% every 2 years from the third year.
4.	Level 1, Retail Block 3	435.90	2009-1-1	2017-4-30	The fixed rental is RMB4.7.
5.	Level 3, Retail Block 7	1,455.00	2008-7-1	2018-6-30	The rental is RMB1.9 for the first two years and will be increased by 7% at the third year, by 10% at the fifth year, by 10% at the seventh year.
6.	Level 1, Retail Block 7	100.00	2010-7-1	2012-10-14	The fixed rental is RMB4.9.
7	Level 6, Retail Block 2	1,036.13	2008-8-1	2018-7-31	The rental is RMB0.83 for the first 2 years and will be increased by 116% at the third years, by 8% every two year from fifth years.
	Total:	**3,637.68**			

4. As advised by the Company and according to the opinion provided by the Company's PRC legal adviser, the equity of Jinwu Development held by the Company has been pledged to Shanghai International Trust Co., Ltd. However, since the equity of Jinwu Development was still vested in the Company as at the date of valuation, we have been instructed that the equity rate of Jinwu Development held by the Company is still 97%.

5. Pursuant to a Mortgage Contract, the property is subject to a mortgage in favour of Agriculture Bank of China Jing'an Sub-Branch (the "Bank"), as security to guarantee the principal obligation under a loan contract entered into between the Bank and Jinwu Development for an amount of RMB300,000,000 with a security term of 10 years expiring on 22 October 2019.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jinwu Development is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Jinwu Development has the rights to transfer the property but need to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured. Jinwu Development has the rights to freely lease or operate such property. When Jinwu Development sells the property to another party, the tenants of the property have pre-emptive right to purchase the property from Jinwu Development on the same terms.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
4.	Office Block 2 Oasis Middlering Centre Lane 1628 Jinshajiang Road Putuo District Shanghai The PRC	Office Block 2 of Oasis Middlering Centre is a 22-storey office building plus a 2-storey commercial podium completed in 2008. The property comprises the office building and 1315 underground car parking lots on Basement Level 1 with a total gross floor area of approximately 85,338.28 sq.m. The office building has a gross floor area of approximately 28,292.68 sq.m. and the underground car parking lots has a gross floor area of approximately 57,045.60 sq.m. The land use rights of the property have been granted for a term expiring on 13 January 2055 for office and commercial uses.	As at the date of valuation, various portions of the property with a total lettable area of approximately 15,844.65 sq.m. were leased to various parties (refer to note 3), levels 5 and 26 of the property with a total gross floor area of approximately 3,554.14 sq.m. were temporarily occupied by Jinwu Development, and whilst the remaining portion was vacant.	710,886,000 97% interest attributable to the Group: RMB689,559,000

Notes:

1. Shanghai Jinwu Real Estate Co., Ltd. ("上海金午置業有限公司, Jinwu Development") is a 97% owned subsidiary of the Company.

2. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Pu Zi (2009) No. 021698 dated 16 July 2009, Office Blocks 1 and 2, Retail Blocks 2, 3, 5, 7, 8 and 915 Building together having a total gross floor area of approximately 161,199.83 sq.m. (including the property) are owned by Jinwu Development and the relevant land use rights of a parcel of land with a site area of approximately 47,707 sq.m. have been granted to Jinwu Development for a term expiring on 13 January 2055 for office and commercial uses.

3. Pursuant to 45 Tenancy Agreements, portions of the property with a total lettable area ("LA") of approximately 15,844.65 sq.m. were leased to various tenants for various terms with the expiry dates between 4 February 2011 and 14 March 2018 at a total monthly rental of approximately RMB1,507,000 exclusive of management fees, water and electricity charges. The particulars of these Tenancy agreements are as follows:

No.	Unit/ Level	LA *(sq.m.)*	Lease Term From	Lease Term To	Rental *(per day per sq.m.)*
1.	601,608	327.07	2009-2-15	2011-2-14	The fixed rental is RMB3.1.
2.	606	236.84	2009-3-15	2011-2-14	The fixed rental is RMB3.06.
3.	602	167.47	2010-9-1	2012-8-31	The fixed rental is RMB3.3.
4.	603	153.10	2010-9-1	2012-8-31	The fixed rental is RMB3.16.
5.	605	173.97	2010-9-1	2012-8-31	The fixed rental is RMB2.89.
6.	607	236.84	2009-2-5	2011-2-4	The fixed rental is RMB3.15.
7.	702	167.47	2008-9-1	2012-8-31	The rental is RMB3.15 for the first two years and will be increased by 10% every year from the third year.

No.	Unit/ Level	LA (sq.m.)	Lease Term From	Lease Term To	Rental (per day per sq.m.)
8.	703	153.10	2009-7-7	2011-7-6	The fixed rental is RMB3.10.
9.	701,708	327.07	2009-5-12	2011-5-11	The fixed rental is RMB3.23.
10.	705	173.97	2008-10-18	2012-10-17	The rental is RMB3 for the first two years and will be increased by10% every year from the third year.
11.	706	236.84	2009-4-10	2011-4-9	The fixed rental is RMB3.10.
12.	707	236.84	2008-12-11	2012-12-10	The rental is RMB3.2 for the first two years and will be increased by 10% every year from the third year.
13.	801, Level 3	1,005.97	2010-3-15	2018-3-14	The fixed rental is RMB2.85.
14.	802,803,805	494.54	2008-11-1	2014-9-30	The rental is RMB3.06 for the first two years and will be increased by 9% at the third year and the fifth year respectively.
15.	806	236.84	2008-11-15	2014-9-30	The rental is RMB3.06 for the first two years and will be increased by 9% at the third year and the fifth year respectively.
16.	807	236.84	2008-11-25	2010-11-24	The fixed rental is RMB3.20.
17.	808	173.97	2009-1-16	2013-1-15	The rental is RMB3.06 for the first two years and will be increased by 10% every year from the third year.
18.	901, 902, 903, 905	647.64	2008-10-1	2014-9-30	The rental is RMB3.15 for the first two years and will be increased by 10% every year from the third year.
19.	906, 907, 908, 909	647.64	2008-10-1	2014-9-30	The rental is RMB3.15 for the first two years and will be increased by 9% at the third year and the fifth year respectively.
20.	Level 10, Level 11, 1201, 1208, 1209	3,070.73	2008-12-22	2011-12-21	The rental is RMB2.7 for the first year and RMB3 from the second year.
21.	1301, 1302	320.57	2009-9-12	2011-9-11	The fixed rental is RMB3.15.
22.	1502, 1503	320.57	2009-9-20	2011-9-19	The fixed rental is RMB3.05.
23.	1505	173.97	2009-12-1	2011-11-30	The fixed rental is RMB3.3.
24.	1509	173.97	2009-12-1	2011-11-30	The fixed rental is RMB3.15.
25.	1601, 1602, 1603, 1609	647.64	2009-2-1	2011-1-31	The fixed rental is RMB3.5.
26.	1605	173.97	2009-8-5	2011-8-4	The fixed rental is RMB3.4.
27.	1606	153.10	2009-8-1	2011-7-31	The fixed rental is RMB3.5.
28.	1607	167.47	2009-3-1	2011-2-28	The fixed rental is RMB3.8.
29.	1906, 1907, 1908	473.67	2009-11-13	2011-11-12	The fixed rental is RMB3.20.
30.	1202, 1203	320.57	2010-1-25	2012-1-24	The fixed rental is RMB3.00.
31.	1205, 1206, 1207	494.54	2010-4-1	2015-3-31	The fixed rental is RMB3.20.
32.	1303, 1305	327.07	2010-4-1	2012-3-31	The fixed rental is RMB3.40.
33.	1306	153.10	2010-5-20	2012-5-19	The fixed rental is RMB3.40.
34.	1307, 1308	320.57	2010-5-1	2012-4-30	The fixed rental is RMB3.20.
35.	1309	173.97	2010-3-1	2012-2-29	The fixed rental is RMB3.30.
36.	1501	153.10	2010-3-15	2012-3-14	The fixed rental is RMB3.45.
37.	1506	153.10	2010-6-10	2011-11-30	The fixed rental is RMB3.30.
38.	1507	167.47	2010-7-23	2012-7-22	The fixed rental is RMB3.60.
39.	1508	153.10	2010-4-8	2012-4-7	The fixed rental is RMB3.30.
40.	1608	153.10	2010-5-6	2012-5-5	The fixed rental is RMB3.30.
41.	1801, 1802, 1808, 1809	647.64	2010-2-1	2018-1-31	The fixed rental is RMB3.45.
42.	1901	153.10	2010-5-13	2012-5-12	The fixed rental is RMB3.30.
43.	1902, 1903	320.57	2010-3-10	2012-3-9	The fixed rental is RMB3.15.
44.	1905	173.97	2010-6-1	2012-5-31	The fixed rental is RMB3.40.
45.	Level 1	270	2010-2-1	2018-1-31	The rental is RMB11 for the first 4 years and will be increased by 18% at the fifth year.
	Total:	**15,844.65**			

4. Pursuant to a Mortgage Contract, the property is subject to a mortgage in favour of Agriculture Bank of China Jiading Sub-Branch (the "Bank"), as security to guarantee the principal obligation under a loan contract entered into between the Bank and Jinwu Development for an amount of RMB380,000,000 with a security term of 12 years expiring on 20 October 2021.

5. As advised by the Company and according to the opinion provided by the Company's PRC legal adviser, the equity of Jinwu Development held by the Company has been pledged to Shanghai International Trust Co., Ltd. However, since the equity of Jinwu Development was still vested in the Company as at the date of valuation, we have been instructed that the equity rate of Jinwu Development held by the Company is still 97%.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jinwu Development is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Jinwu Development has the rights to transfer the property but need to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured. Jinwu Development has the rights to freely lease or operate such property. When Jinwu Development sells the property to another party, the tenants of the property have pre-emptive right to purchase the property from Jinwu Development on the same terms.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
5.	Six units of Jing'an International Plaza No. 172 Yuyuan Road Jing'an District Shanghai The PRC	The property comprises 6 office units on Level 26 and 28 of a 32-storey office building completed in about 1999. The units have a total gross floor area of approximately 732.34 sq.m. The land use rights of the property have been granted for a term expiring on 15 January 2043 for office use.	As at the date of valuation, 4 units were leased to various third parties for office use (refer to note 3), and whilst the remaining 2 units were occupied by the Group for office use.	16,000,000 98% interest attributable to the Group: RMB15,680,000

Notes:

1. Shanghai Xin Dong Industry Co., Ltd. ("上海信東實業有限公司, Shanghai Xin Dong") is a 98% owned subsidiary of the Company.

2. Pursuant to 2 Real Estate Title Certificates – Hu Fang Di Shi Zi 1999 Di Nos. 004733 and 004734, 6 units with a total gross floor area of approximately 732.34 sq.m. are owned by Shanghai Xin Dong.

3. Pursuant to 3 Tenancy Agreements, 4 units of the property with total gross floor area of approximately 512.47 sq.m. were leased to various tenants for various terms with the expiry dates between 31 December 2010 and 30 September 2012 at a total monthly rental of approximately RMB52,000 exclusive of management fees, water and electricity charges. The particulars of these Tenancy Agreements are as follows:

No.	Unit/ Level	LA	Lease Term From	Lease Term To	Rental
		(sq.m.)			*(per day per sq.m.)*
1.	2603A	138.65	2010-5-12	2010-12-31	The fixed rental is RMB3.27.
2.	2803, 28-3A	256.56	2010-9-21	2012-9-30	The fixed rental is RMB3.6.
3.	2606	117.26	2010-5-8	2011-5-7	The fixed rental is RMB3.27.
	Total:	**512.47**			

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, the property is legally owned by Shanghai Xin Dong and could be freely transferred and leased. The property is not subject to any mortgage or other third party interests. When Shanghai Xin Dong sells the property to another party, the tenants of the property have pre-emptive right to purchase the property from Shanghai Xin Dong on the same terms.

VALUATION CERTIFICATE

<table>
<tr><th>No.</th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Capital value in existing state as at 31 October 2010
RMB</th></tr>
<tr><td>6.</td><td>Rich Gate
Shopping Mall
No.118
Harbin Road
Shenhe District
Shenyang City
Liaoning Province
The PRC</td><td>Rich Gate is a large-scale complex with residential development, office tower, hotel, shopping mall and car-parking facilities.

Rich Gate consists of 3 blocks of high-rise residential buildings, an office tower, a hotel and a 5-storey shopping mall with 2-storey basement completed in 2008.

Rich Gate Shopping Mall is the aforesaid shopping mall plus two levels of basement, comprising Basements 1 to 2 and Levels 1 to 5 with a total gross floor area of approximately 245,252 sq.m.

As advised by the Group, the relevant lettable area of each floor of the property are as follows:

<table>
<tr><th>Level</th><th>Lettable Area
(sq.m.)</th></tr>
<tr><td>B2</td><td>708 (lot)</td></tr>
<tr><td>B1</td><td>22,635</td></tr>
<tr><td>F1</td><td>17,308</td></tr>
<tr><td>F2</td><td>19,745</td></tr>
<tr><td>F3</td><td>21,557</td></tr>
<tr><td>F4</td><td>20,789</td></tr>
<tr><td>F5</td><td>19,227</td></tr>
<tr><td>Total:</td><td>121,261</td></tr>
</table>

Basement Level 2 of the property includes 708 car parking lots. There are also 120 open space car parking lots situated at the ground floor of the property.

The land use rights of the property have been granted for a term expiring on 9 June 2045 for commercial use.</td><td>As at the date of valuation, various portions of the property with a total lettable area of approximately 86,453.99 sq.m. were leased to various tenants for retail, restaurant and cinema uses (refer to note 5), and whilst the remaining portion with a total lettable area of approximately 34,807.01 sq.m. was vacant and available for lease.</td><td>2,770,000,000

60% interest attributable to the Group:
RMB1,662,000,000</td></tr>
</table>

Notes:

1. Shenyang Huarui Shiji Asset Management Co., Ltd. ("瀋陽華銳世紀資產管理有限公司, Huarui Asset Management") is a 60% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Certificate – Shenyang Guo Yong (2008) No. SH00674, the land use rights of the property with an apportioned land area of approximately 28,520.30 sq.m. have been granted to Huarui Asset Management for a term expiring on 9 June 2045 for commercial use.

3. Pursuant to a Building Ownership Certificate – Shen Fang Quan Zheng Shi Shen He Zi Di No. 12361, the property with a total gross floor area of approximately 245,252 sq.m. is owned by Huarui Asset Management.

4. Pursuant to a Tenancy Agreement entered into between Huarui Asset Management and Shenyang Huarui Commercial Development Management Co., Ltd. (瀋陽華銳商業管理發展有限公司, "Shenyang Huarui Commercial Development", a wholly-owned subsidiary of Huarui Asset Management), the property is leased to Shenyang Huarui Commercial Development for a term commencing from 9 April 2010 and expiring on 8 April 2011. Shenyang Huarui Commercial Development has the whole use rights of the property and can legally sublease the property. The total annual rental is approximately RMB45,000,000.

5. As advised by the Group, as at the date of valuation various portions of the property with a total lettable area of approximately 57,695.99 sq.m. were leased by Shenyang Huarui Commercial Development to various tenants with expiry dates between 31 December 2010 and 9 April 2025 at a total monthly rental income of approximately RMB3,300,000 exclusive of management fees, water and electricity charges. Meanwhile, another unit of the property which was under internal decoration work as at the date of valuation with a lettable area of approximately 28,758 sq.m. has been leased by Shenyang Huarui Commercial Development to Shenyang Hanwang Co., Ltd. as a department store for a term commencing from 1 September 2010 and expiring on 31 August 2025 with a fixed rent and a turnover rent.

6. Pursuant to a Mortgage Agreement dated 22 December 2009 entered into between Agriculture Bank of China-Liaoning Branch (the "Bank") and Huarui Asset Management, the property was pledged as a security to secure a loan from the Bank to Shenyang You Mountains Development Management Co., Ltd., a wholly-owned subsidiary of the Company in the amount of RMB200,000,000. Pursuant to a Mortgage Agreement dated 10 March 2010 entered into between Agriculture Bank of China-Liaoning Branch (the "Bank") and Huarui Asset Management, the property was mortgaged to the Bank as security for a loan in the amount of RMB200,000,000 with a security term of 10 years expiring on 9 March 2020.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Huarui Asset Management is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Huarui Asset Management has the rights to transfer the property but need to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured. Huarui Asset Management has the rights to freely lease or operate such property. When Huarui Asset Management sells the property to another party, the tenants of the property have pre-emptive right to purchase the property from Huarui Asset Management on the same terms.

VALUATION CERTIFICATE

Group III – Property interests held for sale by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 October 2010** *RMB*
7.	Two villas of Oasis Beverly Garden Lane 366 Minghua Road Songjiang District Shanghai The PRC	The property comprises 2 villas of Oasis Beverly Garden with a total gross floor area of 1,676.55 sq.m. Oasis Beverly Garden is a large residential area development completed in about 2007. The land use rights of the property have been granted for a term of 70 years expiring on 11 June 2073 for residential use.	The property is currently vacant.	48,000,000 98.75% interest attributable to the Group: RMB47,400,000

Notes:

1. Shanghai Oasis Garden Real Estate Co., Ltd. ("上海綠洲花園置業有限公司, Oasis Garden") is a 98.75% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Song Zi (2007) No.040828, Oasis Beverly Garden has a total gross floor area of approximately 16,201.22 sq.m. and relevant land use rights have been granted for a term of 70 years for residential use. As advised by the Group, the property is included in the aforesaid Real Estate Title Certificate. Other than the property, the buildings registered on the aforesaid Real Estate Title Certificate have been sold and are excluded from our valuation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, the property is legally owned by Oasis Garden and could be freely transferred and leased. The property is not subject to mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
8.	Two villas of Oasis Southern Garden, Lane 88 Zhonggu Road Zhujiajiao Town Qingpu District Shanghai The PRC	The property comprises 2 villas of Oasis Southern Garden with a total gross floor area of 2,249.69 sq.m. Oasis Southern Garden is a large residential development completed in about 2008. The land use rights of the property have been granted for a term of 70 years expiring on 27 June 2071 for residential use.	The property is currently vacant.	166,000,000 50.3625% interest attributable to the Group: RMB83,602,000

Notes:

1. Shanghai Zhufu Property Development Co., Ltd. ("上海住富房地產發展有限公司, Shanghai Zhufu") is a 50.3625% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Qing Zi (2009) Di No.005596, Oasis Southern Garden has a total gloss floor area of approximately 10,297.08 sq.m. and relevant land use rights have been granted for a term expiring on 27 June 2071 for residential use. As advised by the Group, the property is included in the aforesaid Real Estate Title Certificate. Other than the property, the buildings registered on the aforesaid Real Estate Title Certificate have been sold and are excluded from our valuation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, the property is legally owned by Shanghai Zhufu and could be freely transferred and leased. The property is not subject to mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
9.	19 unsold residential units and 75 car parking lots of Huangpu Huating Phase I Blocks nos.1 to 5 Lane 99 Baotun Road Huangpu District Shanghai The PRC	The property comprises 19 unsold residential units in Blocks nos.1 to 5 and the underground car parking lots of Huangpu Huating Phase I together having a total gross floor area of approximately 5,636.86 sq.m., the details of which are as follows: **Usage** / **Gross Floor Area** *(sq.m.)* Residential (19 units): 2,737.44 Underground car parking lots: 2,899.42 **Total: 5,636.86** Huangpu Huating Phase I is a residential development comprising 5 residential buildings with a total gross floor area of approximately 50,772.55 sq.m. completed in about 2008. The land use rights of the property have been granted for a term of 70 years commencing from 24 April 2003 and expiring on 23 April 2073 for residential use.	The property is currently vacant.	122,181,000 98.75% interest attributable to the Group: RMB120,654,000

Notes:

1. Shanghai Bairun Real Estate Development Co., Ltd ("上海百潤房地產有限公司, Shanghai Bairun") is a 98.75% owned subsidiary of the Company.

2. Pursuant to 2 Shanghai Real Estate Title Certificates – Hu Fang Di Huang Zi (2007) No. 006168 and Hu Fang Di Huang Zi (2010) No. 003395, Block nos. 1 to 5 of Huangpu Huating Phase I with a total gross floor area of approximately 50,772.55 sq.m. are owned by Shanghai Bairun and the relevant land use rights of a parcel of land have been granted to Shanghai Bairun for a term expiring on 23 April 2073 for residential use. As advised by the Group, the property is included in the aforesaid Real Estate Title Certificates. Other than the property, the buildings registered on the aforesaid Real Estate Title Certificates have been sold and are excluded from our valuation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, the property is legally owned by Shanghai Bairun and could be freely transferred and leased. The property is not subject to mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
10.	Room 604 on level 6 of a residential building No. 6 Lane 620 Kunyang Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 6 of a 6-storey residential building with a gross floor area of approximately 75.2 sq.m. completed in 1993.	The property is currently vacant.	873,000 98.75% interest attributable to the Group: RMB862,000
11.	Room 301 on level 3 of a residential building No. 93 Lane 501 Bijiang Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 3 of a 5-storey residential building with a gross floor area of approximately 52.82 sq.m. completed in 1988.	The property is currently vacant.	599,000 98.75% interest attributable to the Group: RMB592,000
12.	Room 401 on level 4 of a residential building No. 87 Lane 501 Bijiang Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 4 of a 5-storey residential building with a gross floor area of approximately 52.86 sq.m. completed in 1988.	The property is currently vacant.	605,000 98.75% interest attributable to the Group: RMB597,000
13.	Room 404 on level 4 of a residential building No. 75 Lane 401 Bijiang Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 4 of a 4-storey residential building with a gross floor area of approximately 52.9 sq.m. completed in 1987.	The property is currently vacant.	606,000 98.75% interest attributable to the Group: RMB598,000
14.	Rooms 103 and 104 on level 1 of a residential building No. 4 Lane 291 Jiangchuan Road Minhang District Shanghai The PRC	The property comprises two residential units on level 1 of a 4-storey residential building with a total gross floor area of approximately 60.52 sq.m. completed in 1958.	The property is currently vacant.	665,000 98.75% interest attributable to the Group: RMB657,000

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
15.	Room 503 on level 5 of a residential building No. 3 Lane 291 Jiangchuan Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 5 of a 6-storey residential building with a gross floor area of approximately 59.22 sq.m. completed in 1995.	The property is currently vacant.	688,000 98.75% interest attributable to the Group: RMB679,000
16.	Room 103 on level 1 of a residential building No. 87 Lane 191 Huaning Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 1 of a 5-storey residential building with a gross floor area of approximately 39.69 sq.m. completed in 1958.	The property is currently vacant.	437,000 98.75% interest attributable to the Group: RMB432,000
17.	Room 601 on level 6 of a residential building No. 57 Lane 50 Jianchuan Road Minhang District Shanghai The PRC	The property comprises a residential unit on level 6 of a 6-storey residential building with a gross floor area of approximately 56.95 sq.m. completed in 1988.	The property is currently vacant.	665,000 98.75% interest attributable to the Group: RMB657,000

Notes:

1. Shanghai Bairun Real Estate Development Co., Ltd. ("上海百潤房地產有限公司, Shanghai Bairun") is a 98.75% owned subsidiary of the Company.

2. Pursuant to 8 Shanghai Real Estate Title Certificates – Hu Fang Di Min Zi (2005) Di Nos. 024254, 024245, 024257, 021762, 024252, 024246, 024247 and 045603, the properties nos. 10 to 17 with a total gross floor area of approximately 450.16 sq.m. are owned by Shanghai Bairun.

3. We have been provided with the relevant real estate title certificates and real estate registration documents in respect of properties nos. 10 to 17, but no information relating to the teams of tenure of the relevant properties can be found in such documents.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, the properties nos. 10 to 17 are legally owned by Shanghai Bairun and could be freely transferred and leased. The properties are not subject to mortgage or other third party interests. It is not unusual that no terms of tenure are set out in the title certificates for relevant properties and it has been confirmed with Shanghai Real Estate Trading Centre that no information on the terms of tenure in respect of properties nos.10 – 17 can be found.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
18.	A unit and 85 Car parking lots of Rich Gate No. 5 Lane 222 Madang Road Luwan District Shanghai The PRC	The property comprises a residential unit on level 20 and 85 underground car parking lots of Rich Gate with a total gross floor area of 6,404.68 sq.m.	The property is currently vacant.	100,553,000 51.48% interest attributable to the Group: RMB51,765,000

Usage	Gross Floor Area *(sq.m.)*
Residential (1 unit)	500.28
Underground car parking lots	5,904.4
Total:	**6,404.68**

The 85 car parking lots are located at the Basement level 1.

Rich Gate is a large residential and retail development completed in about 2006.

The land use rights of the property have been granted for a term expiring on 27 February 2072 for residential use.

Notes:

1. Shanghai Anderson Fuxing Land Co., Ltd. ("上海安信復興置地有限公司, Anxin Fuxing") is a 51.48% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Lu Zi (2006) No.002821, the development has a total gloss floor area of approximately 68,022.92 sq.m. (including the property) and relevant land use rights have been granted for a term expiring on 27 February 2072 for residential use. As advised by the Group, the property is included in the aforesaid Real Estate Title Certificate. Other than the property, the buildings registered on the aforesaid Real Estate Title Certificate have been sold and are excluded from our valuation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, the property is legally owned by Anxin Fuxing and could be freely transferred and leased. The property is not subject to mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
19.	A unit of Rich Gate No. 6 Lane 222 Madang Road Luwan District Shanghai The PRC	The property comprises a residential unit on level 6 of Rich Gate with a gross floor area of 446.52 sq.m. Rich Gate is a large residential and retail development completed in about 2006. The land use rights of the property have been granted for a term expiring on 27 February 2072 for residential use.	The property is currently vacant.	48,608,000 100% interest attributable to the Group: RMB48,608,000

Notes:

1. Fullion International limited ("富利來國際有限公司, Fullion International") is a wholly owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Lu Zi (2008) Di No. 00706, the unit of the property with a gross floor area of approximately 446.52 sq.m. is owned by Fullion International and the relevant land use rights of the property have been granted to Fullion International for a term expiring on 27 February 2072.

3. Pursuant to a Mortgage Agreement dated 9 March 2009 entered into between CITIC Ka Wah Bank Limited (the "Bank") and Fullion International, the property was mortgaged to the Bank as security for a loan in the amount of RMB35,070,000.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Fullion International is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Fullion International has the rights to transfer the property but need to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
20.	A unit of Rich Gate No. 1 Lane 222 Madang Road Luwan District Shanghai The PRC	The property comprises a residential unit on level 21 of Rich Gate with a gross floor area of 761.29 sq.m. Rich Gate is a large residential and retail development completed in about 2006. The land use rights of the property have been granted for a term expiring on 27 February 2072 for residential use.	The property is currently vacant.	105,614,000 100% interest attributable to the Group: RMB105,614,000

Notes:

1. Linhill Investment limited ("麗山投資有限公司, Linhill Investment") is a wholly owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Lu Zi (2008) Di No. 004060, the unit of the property with a gross floor area of approximately 761.29 sq.m. is owned by Linhill Investment and the relevant land use rights of the property have been granted to Linhill Investment for a term expiring on 27 February 2072.

3. Pursuant to a Mortgage Agreement dated 9 March 2009 entered into between CITIC Ka Wah Bank Limited (the "Bank") and Linhill Investment, the property was mortgaged to the Bank as security for a loan in the amount of RMB83,460,000.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Linhill Investment is the sole owner of the property;

   b. The property is subject to a mortgage; and

   c. Linhill Investment has the rights to transfer the property but need to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
21.	3 units of Oasis Albany Nos. 625, 635 Zhong Xing Road and No. 699 Zhi Yuan Road Zhabei District Shanghai The PRC	The property comprises 3 residential units of Oasis Albany with a total gross floor area of approximately 2,326.49 sq.m. Oasis Albany is a large residential development completed in 2007. The land use rights of the property have been granted for a term of 70 years.	The property is currently vacant.	87,000,000 99% interest attributable to the Group: RMB86,130,000

Notes:

1. Shanghai Oasis Albany Real Estate Co., Ltd. ("上海綠洲雅賓利置業有限公司, Shanghai Oasis Albany") is a 99% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Zha Zi (2007) No.017880, the development has a total gross floor area of approximately 74,582.61 sq.m. (including the property) and relevant land use rights have been granted for a term expiring on 30 September 2073 for residential use. As advised by the Group, the property is included in the aforesaid Real Estate Title Certificate. Other than the property, the buildings registered on the aforesaid Real Estate Title Certificate have been sold and are excluded from our valuation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, the property is legally owned by Shanghai Oasis Albany and could be freely transferred and leased. The property is not subject to any mortgage or other third party interests.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
22.	13 units of Long Island Garden Lane 1288 Xinsong Road Songjiang District Shanghai The PRC	The property comprises 12 unsold retail units and a unsold residential unit of Long Island Garden with a total gross floor area of 2,285.61 sq.m., the details of which are as follows:	The property is currently vacant.	27,000,000 98.75% interest attributable to the Group: RMB26,663,000

Usage	Gross Floor Area *(sq.m.)*
Residential (1 unit)	240.25
Retail (12 units)	2,045.36
Total:	**2,285.61**

Long Island Garden is a large residential area development completed in about 2004.

The land use rights of the property have been granted for a term expiring on 19 August 2069 for residential use.

Notes:

1. Shanghai Oasis Garden Real Estate Co., Ltd ("上海綠洲花園置業有限公司, Oasis Garden") is a 98.75% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Song Zi (2010) No. 031908, Long Island Garden has a total gloss floor area of approximately 44,658.12 sq.m. and relevant land use rights have been granted for a term expiring on 19 August 2069 for residential use. As advised by the Group, the property is included in the aforesaid Real Estate Title Certificate. Other than the property, the buildings registered on the aforesaid Real Estate Title Certificate have been sold and are excluded from our valuation.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, the property is legally owned by Oasis Garden and could be freely transferred and leased. The property is not subject to any mortgage or other third party interests.

VALUATION CERTIFICATE

Group IV – Property interests held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
23.	Jin Shan Rich Gate No. 118 Hangzhou Bay Road Jin Shan District Shanghai The PRC	The property is a residential, commercial and office development which is constructed on a parcel of land with a site area of approximately 35,832 sq.m. As at the date of valuation, the property was under construction. The property is scheduled to be completed in April 2011. Upon completion, the development will have a total gross floor area of approximately 111,842 sq.m. and the details are as following: **Phase** — **Planned Gross Floor Area** *(sq.m.)* Residential — 51,266.84 Commercial — 11,883.29 Office — 26,429.87 Ancillary — 3,442.00 Underground — 18,820.00 **Total:** — **111,842.00** The total construction cost is estimated to be approximately RMB735,452,000, of which RMB432,977,000 had been paid as at the date of valuation. The land use rights of the property have been granted for a term expiring on 25 September 2067 for residential use and 10 December 2048 for commercial use.	As at the date of valuation, cosmetic work to external finishes was being under construction.	1,000,840,000 98.75% interest attributable to the Group: RMB988,330,000

Notes:

1. Shanghai Shang Zhi Real Estate Development Co., Ltd. ("上海上置房地產發展有限公司, Shang Zhi Real Estate") is a 98.75% owned subsidiary of the Company.

2. Pursuant to 2 Land Use Rights Grant Contracts – Hu Jin Tu (1997) Nei Jin No.2 and Hu Jin Fang Di (2008) Bu Di No.22. The land use rights of the property were contracted to be granted to Shang Zhi Real Estate for terms of 70 years for residential use and 40 years for commercial use. The land premium was RMB 5,816,940.

3. Pursuant to a Shanghai Real Estate Title Certificate – Hu Jin Fang Di Jin Zi (2009) Di No. 000232, the land use rights of a parcel of land with a site area of approximately 35,832 sq.m. have been granted to Shang Zhi Real Estate for terms expiring on 25 September 2067 for residential use and 10 December 2048 for commercial use.

4. Pursuant to 2 Construction Work Planning Permits – Hu Gui Jian Jin (2008) No. 16081226F00064 and Hu Gui Jian Jin (2009) No. FA31001620090025 in favour of Shang Zhi Real Estate, various types of buildings with a total gross floor area of approximately 111,842 sq.m. have been approved for construction.

5. Pursuant to a Construction Work Commencement Permit – No.0601JS0021D01 310228200607102119 in favour of Shang Zhi Real Estate, permission was given by the relevant local authority to commence the construction work.

6. Pursuant to 3 Commodity Building Pre-sales Permits – Jin Shan Fang Guan (2009) Yu No.0000482 and 0000501 and Jin Shan Fang Guan (2010) Yu No 0000203 in favour of Shang Zhi Real Estate, Shang Zhi Real Estate is freely entitled to sell the development with a total gross floor area of approximately 77,849.91 sq.m. to the purchasers.

7. Pursuant to a Mortgage Agreement entered into between Shanghai Bund Sub-branch of Industrial and Commercial Bank of China (the "Bank") and Shang Zhi Real Estate, the property was mortgaged to the Bank as security for a loan in the amount of RMB180,000,000.

8. As advised by the Group, various units of the property with a total gross floor area of approximately 52,926.19 sq.m. have been pre-sold to various third parties for a total consideration of RMB748,319,447 as at the date of valuation but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

9. The capital value of the property as if completed as at the date of valuation, including the total consideration of the pre-sold portions, would be approximately RMB1,389,240,000.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Shang Zhi Real Estate is the sole owner of the property and the land use rights granted premium has been fully paid;

    b. The property is subject to a mortgage; and

    c. Shang Zhi Real Estate can transfer the land use rights of the property after the development investment has been completed over 25%, but need to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Commodity Building Pre-Sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
24.	Oasis Albany No.699 Zhong Xing Road Zhabei District Shanghai The PRC	The property is a residential and commercial development which is constructed on 6 parcel of land with a total site area of approximately 72,487 sq.m. As at the date of valuation, the property was under construction. The property comprises the following 3 phases: **Phase I**: It was completed in December 2010 with a total gross floor area of approximately 65,653 sq.m. The details are as follows:	As at the date of valuation, the superstructure of Phase I had been completed, foundation construction of Phase II was being undertaken and Phase III was occupied by some old buildings awaiting demolition.	3,136,240,000 100% interest attributable to the Group: RMB3,136,240,000

Phase I	Planned Gross Floor Area *(sq.m.)*
Residential	46,823.00
Commercial	1,367.53
Underground	11,816.00
Ancillary	5,646.47
Total:	**65,653.00**

The total construction cost of Phase I is estimated to be approximately RMB489,195,000, of which RMB297,121,000 had been paid as at the date of valuation.

Phase II: It is scheduled to be completed in July 2011 with a total gross floor area of approximately 24,453 sq.m. upon completion for underground commercial purpose.

The total construction cost of Phase II is estimated to be approximately RMB145,616,000, of which RMB15,402,000 had been paid as at the date of valuation.

Phase III: it comprises 2 parcels of land with a total site area of approximately 42,424.00 sq.m. for residential use and some old buildings are being demolished there on.

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
		The land use rights of the property have been granted for a term expiring on 30 September 2073 for residential use and 14 October 2049 for commercial use.		

Notes:

1. Shanghai Shuo Cheng Real Estate Co., Ltd. ("上海碩誠置業有限公司, Shuo Cheng Real Estate") is a wholly owned subsidiary of the Company.

2. Pursuant to 2 Land Use Rights Grant Contracts – Hu Fang Di Zha (2003) No.092 and Hu Zha Gui Tu (2009) No.13, the land use rights of the property were contracted to be granted to Shuo Cheng Real Estate for a term expiring on 30 September 2073 for residential use and 14 October 2049 for commercial use respectively. The land premium was RMB162,640,906.

3. Pursuant to 6 Shanghai Real Estate Title Certificates – Hu Fang Di Zha Zi (2008) Di No.005365, Hu Fang Di Zha Zi (2005) Di No.013983, Hu Fang Zha Zi (2005) No.021089, Hu Fang Zha Zi (2007) No.012617, Hu Fang Di Zha Zi (2009) Di Nos. 026427 and 026428, the land use rights of 6 parcels of land with a total site area of approximately 72,487 sq.m. have been granted to Shuo Cheng Real Estate for a term expiring on 30 September 2073 for residential use and 14 October 2049 for commercial use.

4. Pursuant to 2 Construction Land Planning Permits – Hu Zha Di (2003) No.20 and Hu Zha Di (2009) No.EA31010820090010 in favour of Shuo Cheng Real Estate, permission towards the planning of the subject land has been approved.

5. Pursuant to 2 Construction Work Planning Permits – Hu Zha Jian (2008) No. 08080425F00911 and Hu Zha Jian (2010) No. FA31010820100900 in favour of Shuo Cheng Real Estate, various types of buildings with a total gross floor area of approximately 90,106 sq.m. have been approved for construction.

6. Pursuant to 4 Construction Work Commencement Permits – No. 0301B0333D05, No. 0301B0333D06, 0801ZB0025D01 and 0801ZB0025D02 in favour of Shuo Cheng Real Estate, permissions of various types of buildings with a total gross floor area of approximately 90,041 sq.m. was given by the relevant local authority to commence the construction work.

7. Pursuant to a Commodity Building Pre-sales Permits-Zha Bei Fang Di(2009)Yu No.0000392 in favour of Shuo Cheng Real Estate, Shuo Cheng Real Estate is freely entitled to sell the development with a total gross floor area of approximately 47,173.12 sq.m. to the purchasers.

8. Pursuant to a Mortgage Agreement dated 10 March 2010 entered into between Putuo Branch of Shanghai Pufa Bank Co., Ltd. (the "Bank") and Shuo Cheng Real Estate, Phase III of the property was mortgaged to the Bank as security for two loans in the amount of RMB200,000,000 and RMB1,400,000,000 respectively.

9. As advised by the Group, various residential units of the property with a total gross floor area of approximately 46,823.00 sq.m. have been pre-sold to various third parties for a total consideration of RMB1,425,330,000 as at the date of valuation but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

10. The capital value of the property as if completed as at the date of valuation, including the total consideration of the pre-sold portions, would be approximately RMB2,199,740,000.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Shuo Cheng Real Estate is the sole owner of the property and the land use rights granted premium has been fully paid;

    b. Phase III of the property is subject to a mortgage, others of the property are not subject to mortgage or other third party interests;

c. Shuo Cheng Real Estate can transfer the land use rights of the property after the development investment has been completed over 25%; and

d. There is no risk that the land use rights of Phase III of the property to be recovered even the development of which has not been commenced for more than two years with the obtainment of an "Extension of House Demolition Notice" – Chai Xu Yan Zi (2010) No.25 and No.26.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Portion
d.	Construction Work Commencement Permit	Portion
e.	Commodity Building Pre-Sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
25.	Meilan Lake Garden located at Meidan Road Baoshan District Shanghai The PRC	The property is a residential development which is constructed on a parcel of land with a site area of approximately 120,594.80 sq.m. As at the date of valuation, the property was under construction. The property is scheduled to be completed in November 2011. Upon completion, the development will have a total gross floor area of approximately 132,600 sq.m. and the details are as following: **Phase** / **Planned Gross Floor Area** *(sq.m.)* Residential 85,635.96 Commercial 1,086.24 Ancillary 31,505.80 Under ground 14,372.00 **Total: 132,600.00** The total construction cost is estimated to be approximately RMB944,113,000, of which RMB414,973,000 had been paid as at the date of valuation. The land use rights of the property have been granted for a term expiring on 27 November 2077 for residential use.	As at the date of valuation, cosmetic work to external finishes was being under construction.	1,351,000,000 51.48% interest attributable to the Group: RMB695,495,000

Notes:

1. Shanghai Anton Real Estate Development Co., Ltd. ("上海安東房地產發展有限公司, Anton Real Estate") is a 51.48% owned subsidiary of the Company.

2. Pursuant to a Land Use Rights Grant Contract – Hu Bao Fang Di (2008) No.8 dated 25 March 2008, the land use rights of the property were contracted to be granted to Anton Real Estate for a term of 70 years for residential use. The land premium was RMB350,000,000.

3. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Bao Zi (2008) Di No.027389, the land use rights of a parcel of land with a site area of approximately 120,594.8 sq.m. have been granted to Anton Real Estate for a term expiring on 27 November 2077 for residential use.

4. Pursuant to a Construction Land Planning Permit – Hu Bao Di (2008) No. 13081006E01222 in favour of Anton Real Estate, permission towards the planning of the subject land with a site area of approximately 120,594.8 sq.m. has been approved for construction.

5. Pursuant to 4 Construction Work Planning Permits – Hu Bao Jian (2008) No. 13081210F03089, Hu Bao Jian (2009) Nos. FA31011320092410 and FA31011320092850 and Hu Bao Jian (2010) No.FA31011320101042 in favour of Anton Real Estate, various buildings with a total gross floor area of approximately 132,600 sq.m. have been approved for construction.

6. Pursuant to 3 Construction Work Commencement Permits – Nos. 0801BS0059D01310113200809231319, 0801BS0059D02310113200809231319 and 0801BS0059D03310113200809231319 in favour of Anton Real Estate, permission was given by the relevant local authority to commence the construction work.

7. Pursuant to 5 Commodity Building Pre-sales Permits in favour of Anton Real Estate, Anton Real Estate is freely entitled to sell the development with a total gross floor area of approximately 100,008.04 sq.m. to the purchasers.

8. Pursuant to a Mortgage Agreement dated 4 September 2009 entered into between Shanghai Branch of CITIC Ka Wah Bank (China) Co., Ltd. (the "Bank") and Anton Real Estate, a portion of Meilan Lake Garden was mortgaged to the Bank as security for a loan in the amount of RMB100,000,000.

9. As advised by the Group, various residential units of the property with a total gross floor area of approximately 66,226.86 sq.m. have been pre-sold to various third parties for a total consideration of RMB1,729,120,855 as at the date of valuation but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

10. The capital value of the property as if completed as at the date of valuation, including the total consideration of the pre-sold portions, would be approximately RMB2,409,500,000.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Anton Real Estate is the sole owner of the property and the land use rights granted premium has been fully paid;

    b. A portion of Meilan Lake Garden is subject to a mortgage; and

    c. Anton Real Estate can transfer the land use rights of the property after the development investment has been completed over 25%, but need to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Commodity Building Pre-Sale Permit	Yes
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
26.	Island of the Original Villa No.88 Mei Feng Road Baoshan District Shanghai The PRC	The property is a residential development which is constructed on 2 parcels of land with a total site area of approximately 96,842 sq.m. As at the date of valuation, the property was under construction. The property is scheduled to be completed in November 2012. Upon completion, the development will have a total gross floor area of approximately 148,104 sq.m. and the details are as following:	As at the date of valuation, the superstructure was under construction.	1,202,400,000 98.75% interest attributable to the Group: RMB1,187,370,000

Phase	Planned Gross Floor Area *(sq.m.)*
Residential	104,243.29
Commercial	457.72
Ancillary	33,986.99
Under ground	9,416.00
Total:	**148,104.00**

The total construction cost is estimated to be approximately RMB1,212,211,000, of which RMB242,234,000 had been paid as at the date of valuation.

The land use rights of the property have been granted for a term expiring on 29 June 2079 for residential use.

Notes:

1. Shanghai Xiangdao Real Estate Ltd. ("上海香島置業有限公司, Shanghai Xiangdao") is a 98.75% owned subsidiary of the Company.

2. Pursuant to a Land Use Rights Grant Contract – Hu Bao Gui Tu (2009) Bu Zi No.23, the land use rights of the property were contracted to be granted to Shanghai Xiangdao for a term expiring on 30 May 2079 for residential use. The land premium was RMB422,400,000.

3. Pursuant to 2 Shanghai Real Estate Title Certificates – Hu Fang Di Bao Zi (2009) Di Nos.043270 and 043271. The land use rights of 2 parcels of land with a total site area of approximately 96,842 sq.m. have been granted to Shanghai Xiangdao for a term expiring on 29 June 2079 for residential use.

4. Pursuant to a Construction Land Planning Permit – Hu Bao Di (2009) No. EA31011320091103 in favour of Shanghai Xiangdao, permission towards the planning of the subject land with a site area of approximately 153,445 sq.m. has been approved for construction.

5. Pursuant to 7 Construction Work Planning Permits – Jian Zi Di Hu Bao Jian (2010) Nos. FA31011320100608 and FA31011320100522, Jian Zi Di Hu Bao Jian (2009) Nos. FA31011320092842, FA31011320092841, FA31011320092838, FA31011320092839 and FA31011320092840 in favour of Shanghai Xiangdao, various buildings with a total gross floor area of approximately 148,104 sq.m. have been approved for construction.

6. Pursuant to 4 Construction Work Commencement Permits – Nos. 0901BS0061D04310113200909081319, 0901BS0061D03310113200909081319, 0901BS0061D02310113200909081319 and 0901BS0061D01310113200909081319 in favour of Shanghai Xiangdao, permission was given by the relevant local authority to commence the construction work.

7. Pursuant to 3 Commodity Building Pre-sales Permits-Bao Shan Fang Guan(2010)Yu Bei No.000241, 000452 and 000451 in favour of Shanghai Xiangdao, Shanghai Xiangdao is freely entitled to sell the development with a total gross floor area of approximately 63,152.36 sq.m. to the purchasers.

8. Pursuant to a Mortgage Agreement dated 16 August 2010 entered into between Shanghai Branch of China Minsheng Banking Co., Ltd (the "Bank) and Shanghai Xiangdao, the property was mortgaged to the Bank as security for two loans in the amount of RMB320,000,000 and RMB180,000,000 respectively.

9. As advised by the Group, various residential units of the property with a total gross floor area of approximately 33,644.55 sq.m. have been pre-sold to various third parties for a total consideration of RMB775,964,106 as at the date of valuation but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

10. The capital value of the property as if completed as at the date of valuation, including the total consideration of the pre-sold portions, would be approximately RMB2,665,070,000.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Island of the Original Development is the sole owner of the property and the land use rights granted premium has been fully paid;

    b. The property is subject to a mortgage; and

    c. Island of the Original Development can transfer the land use rights of the property after the development investment has been completed over 25%, but need to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Commodity Building Pre-Sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
27.	Shenyang You Mountains located at the town of Lee Sang Lane Dongling District Shenyang City Liaoning Province The PRC	The property is a villa development which is constructed on 2 parcels of land with a total site area of approximately 240,313.84 sq.m. As at the date of valuation, the property was under construction. The property is scheduled to be completed in February 2011. Upon completion, the development will have a total gross floor area of approximately 233,423 sq.m. The total construction cost is estimated to be approximately RMB660,865,000, of which RMB380,912,000 had been paid as at the date of valuation. The land use rights of the property have been granted for residential and commercial use.	As at the date of valuation, the superstructure was under construction.	992,730,000 98.95% interest attributable to the Group: RMB982,306,000

Notes:

1. Shenyang You Mountains Development Management Co., Ltd. ("瀋陽綠康置業有限公司, Shenyang You Mountains") is a 98.95% owned subsidiary of the Company.

2. Pursuant to 2 Land Use Rights Grant Contracts – No. 2101122008A0001 and Shen Gui Guo Tu He Zi Dong Ling (2008) No.002, the land use rights of 2 parcels of land were contracted to be granted to Shenyang You Mountains for various terms expiring on 31 July 2048 and 27 August 2048 for commercial use and expiring on 31 July 2058 and 27 August 2058 for residential use. The total land premium was RMB 175,167,363.

3. Pursuant to 2 State-owned Land Use Rights Certificates – Dong Ling Guo Yong (2008) Di Nos. 07210563 and 07210558, the land use rights of the property with a total site area of approximately 240,313.84 sq.m. have been granted to Shenyang You Mountains for residential and commercial use.

4. Pursuant to 2 Construction Land Planning Permits – Di Zi Nos. 210100200800046 and 2101002008000090 in favour of Shenyang You Mountains, permission towards the planning of the subject land with a site area of approximately 254,026.01 sq.m. has been approved for construction.

5. Pursuant to 2 Construction Work Planning Permits – Jian Zi Nos. 210100200800195 and 210100200800194 in favour of Shenyang You Mountains, various villas with a total gross floor area of approximately 233,423 sq.m. have been approved for construction.

6. Pursuant to 3 Construction Work Commencement Permits – Nos. 210106200910230101, 210106200811260101 and 210106200910230201 in favour of Shenyang You Mountains, permission was given by the relevant local authority to commence the construction work.

7. Pursuant to 8 Commodity Building Pre-sales Permits -Shen Fang Yu Shou Nos.09232, 09085, 09204, 09083, 09137, 08396, 08395 and 09168 in favour of Shenyang You Mountains, Shenyang You Mountains is freely entitled to sell the development with a total gross floor area of approximately 213,883.83 sq.m. to the purchasers.

8. Pursuant to 2 Mortgage Agreements dated 8 May 2009 and 22 December 2009 respectively entered into between Liaoning Branch of Agriculture Bank of China (the "Bank") and Shenyang You Mountains, the property was mortgaged to the Bank as security for 2 loans in the total amount of RMB300,000,000.

9. As advised by the Group, various residential units of the property with a total gross floor area of approximately 33,291.29 sq.m. have been pre-sold to various third parties for a total consideration of RMB180,276,546 as at the date of valuation but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

10. The capital value of the property as if completed as at the date of valuation, including the total consideration of the pre-sold portions, would be approximately RMB1,557,650,000.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Shenyang You Mountains is the sole owner of the property and the land use rights granted premium has been fully paid;

    b. The property is subject to a mortgage; and

    c. Shenyang You Mountains can transfer the land use rights of the property after the development investment has been completed over 25%, but need to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Commodity Building Pre-Sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
28.	Shenyang Albany located at the eastern side of South Heping Road Heping District Shenyang City Liaoning Province The PRC	The property is a residential development which is constructed on a parcel of land with a site area of approximately 42,725.8 sq.m. As at the date of valuation, the property was under construction. The development is scheduled to be completed in December 2011. Upon completion, the development will have a total gross floor area of approximately 130,929.1 sq.m. and the details are set out as following: **Use** / **Planned Gross Floor Area** *(sq.m.)* Residential 122,378.27 Commercial 4,428.80 Ancillary 4,122.03 **Total: 130,929.10** The total construction cost is estimated to be approximately RMB628,839,000, of which RMB225,697,000 had been paid as at the date of valuation. The land use rights of the property have been granted for terms expiring on 11 December 2048 for commercial use and expiring on 11 December 2058 for residential use.	As at the date of valuation, the superstructure had been completed.	571,990,000 70% interest attributable to the Group: RMB400,393,000

Notes:

1. Liaoning Gao Xiao Support Group Property Development Co., Ltd. ("遼寧高校後勤集團房地產開發有限公司, Liaoning Gao Xiao Real Estate") is a 70% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – No. 2101012008A0023 dated 11 December 2008, the land use rights of a parcel of land with a site area of approximately 45,876.3 sq.m. were contracted to be granted to Liaoning Gao Xiao Real Estate for a term of expiring on 11 December 2048 for commercial use and expiring on 11 December 2058 for residential use.

3. Pursuant to 2 State-owned Land Use Rights Certificates – Shen Yang Guo Yong (2009) Di Nos. 0043 and 0044, the land use rights of 2 parcels of land with a total site area of approximately 42,725.8 sq.m. have been granted to Liaoning Gao Xiao Real Estate for terms expiring on 11 December 2048 for commercial use and expiring on 11 December 2058 for residential use.

4. Pursuant to a Construction Land Planning Permit – Shen Gui Tu Zheng Fu Zi (2008)No.0011 in favour of Liaoning Gao Xiao Real Estate, permission towards the planning of the subject land with a site area of approximately 69,717.6sq.m. has been approved for construction.

5. Pursuant to a Construction Work Planning Permit – Jian Zi No.21010020090054 in favour of Liaoning Gao Xiao Real Estate, various buildings with a total gross floor area of approximately 130,929.1 sq.m. have been approved for construction.

6. Pursuant to 2 Construction Work Commencement Permits – Nos. 210101200905220101 and 210101200905220201 in favour of Liaoning Gao Xiao Real Estate, permission was given by the relevant local authority to commence the construction work.

7. Pursuant to 2 Commodity Building Pre-sales Permits– Shen Fang Yu Shou Nos.10090 and 10401 in favour of Liaoning Gao Xiao Real Estate, Liaoning Gao Xiao Real Estate is freely entitled to sell the development with a total gross floor area of approximately 126,300.71 sq.m. to the purchasers.

8. Pursuant to 2 Mortgage Agreements dated 24 June 2009 and 28 May 2010 respectively entered into between Shenyang Branch of Shanghai Pudong Development Bank Co., Ltd. (the "Bank) and Liaoning Gao Xiao Real Estate, the property was mortgaged to the Bank as security for 2 loans in the total amount of RMB300, 000,000.

9. As advised by the Group, various residential units of the property with a total gross floor area of approximately 31,726.48 sq.m. have been pre-sold to various third parties for a total consideration of RMB273,787,186 as at the date of valuation but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

10. The capital value of the property as it completed as at the date of valuation, including the total consideration of the pre-sold portions, would be approximately RMB1,098,590,000.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Liaoning Gao Xiao Real Estate is the sole owner of the property and the land use rights granted premium has been fully paid;

    b. The property is subject to a mortgage; and

    c. Liaoning Gao Xiao Real Estate can transfer the land use rights of the property after the development investment has been completed over 25%, but need to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Commodity Building Pre-Sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
29.	Phase I of the Bund Center Haikou No. 18 Taihua Road Longhua District Haikou City Hainan Province The PRC	The property comprises a hotel and 5 residential buildings (Phase I of the Bund Center Haikou) which is constructed on 2 parcels of land with a total site area of approximately 34,250.40 sq.m. As at the date of valuation, the property was under construction. The development of Phase I is scheduled to be completed in March 2012. Upon completion, the development will have a total gross floor area of approximately 159,849.2 sq.m. and the details are as follows:	As at the date of valuation, the superstructure of 5 residential buildings had been completed and the foundation construction of the hotel was undertaken.	855,490,000 79% interest attributable to the Group: RMB675,837,000

Usage	Gross Floor Area *(sq.m.)*
Residential	84,914.34
Retail	2,030.00
Hotel	46,393.00
Ancillary	242.78
Underground	26,269.08
Total:	**159,849.20**

As advised by the Group, the total construction cost is estimated to be approximately RMB1,322,836,000, of which RMB283,938,000 had been paid as at the date of valuation.

The land use rights of the property have been granted for terms of 70 years expiring on 26 June 2078 for residential use and 40 years expiring on 26 June 2048 for commercial use.

Notes:

1. Haikou Century Harbour City Co., Ltd. ("海口世紀海港城置業有限公司, Haikou Century Harbour") is a 79% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Shi Guo Tu Yong Pi Zi [2008] No. 46 dated 27 June 2008, the land use rights of a parcel of land with a site area of approximately 227,272.63 sq.m. (including the land use rights of this property and property no. 35) were contracted to be granted to Haikou Century Harbour commencing from 26 June 2008 for terms of 70 years for residential use and 40 years for commercial use. The land use rights premium was RMB1,087,272,262.

3. Pursuant to 2 State-owned Land Use Rights Certificates – Hai Kou Shi Guo Yong (2008) Di Nos. 007325 and 007326, the land use rights of 2 parcels of land with a total site area of approximately 46,666.65 sq.m. (including the land use rights of this property and a portion of land of property no. 35 with a site area of 12,416.25 sq.m.) have been granted to Haikou Century Harbour for terms of 70 years expiring on 26 June 2078 for residential use and 40 years expiring on 26 June 2048 for commercial use.

4. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 2008107 in favour of Haikou Century Harbour, permission towards the planning of a parcel of land mentioned in note 2 with a total site area of approximately 227,272.63 sq.m. has been granted to Haikou Century Harbour.

5. Pursuant to 2 Construction Works Planning Permits – Jian Zi Di Nos. 2009A0045 and 2009A0046 in favour of Haikou Century Harbour, 5 residential buildings of Phase I of the Bund Center Haikou with a total gross floor area of approximately 105,206.24 sq.m. has been approved for construction.

6. Pursuant to 2 Construction Works Commencement Permits – Nos. 460100200811190201 and 460100200811190301 in favour of Haikou Century Harbour, permission was given by the relevant local authority to commence the construction work of 5 residential buildings of Phase I with a total gross floor area of approximately 105,206.24 sq.m.

7. Pursuant to a Commodity Building Pre-Sale Permit – [2009] Hai Fang Yu Zi Di No. (0029) in favour of Haikou Century Harbour, Haikou Century Harbour is entitled to freely sell 5 buildings and their basement of Phase I of the Bund Center Haikou with a total gross floor area of approximately 96,144.19 sq.m. to purchasers.

8. Pursuant to 2 Mortgage Agreements dated 9 July 2009 and 27 November 2009 respectively entered into between Hainan Sub-Branch of Agriculture Bank of China (the "Bank") and Haikou Century Harbour, the development (including the land of this property with a site area of approximately 34,250.40 sq.m. and a portion of the land use rights of property no. 35) was mortgaged to the Bank as security for 2 loans in the amount of RMB175,072,800 and RMB100,000,000 respectively.

9. As advised by the Group, various residential units of the property with a total gross floor area of approximately 58,554.86 sq.m. have been pre-sold to various third parties for a total consideration of RMB720,001,420 as at the date of valuation but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

10. The capital value of the property as if completed as at the date of valuation, including the total consideration of the pre-sold portions, would be approximately RMB1,299,320,000.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Haikou Century Harbour is the sole owner of the property and the land use rights granted premium has been fully paid;

    b. The property is subject to a mortgage; and

    c. Haikou Century Harbour can transfer the land use rights of the property after the development investment has been completed over 25%, but need to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Portion
d.	Construction Work Commencement Permit	Portion
e.	Commodity Building Pre-Sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
30.	Jiangnan Richgate located at the western side of Xinhong Road, the northern side of Xiyi Road the eastern side of NS3 Road and the southern side of EW1 Road Wuxi City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 48,620.3 sq.m. which is planned to be developed with 170 semi-detached and detached villas, underground car parking spaces and ancillary facilities known as Jiangnan Richgate. As advised by the Group, the development is scheduled to commence in July 2010 and will be completed in December 2011. Upon completion, the development will have a total gross floor area of approximately 71,405 sq.m., the details of which are as follows:	As at the date of valuation, the superstructure was under construction.	108,070,000 98.75% interest attributable to the Group: RMB106,719,000

Usage	Planned Gross Floor Area *(sq.m.)*
Semi-detached and Detached Villas	52,465.00
Underground spaces	17,640.00
Ancillary	1,300.00
Total:	**71,405.00**

As advised by the Group, the total construction cost is estimated to be approximately RMB410,024,000, of which RMB10,769,000 had been paid as at the date of valuation.

The land use rights of the property have been granted for a term of 70 years expiring on 3 June 2079 for residential use.

Notes:

1. Wuxi Zhongqing Real Estate Development Co., Ltd ("無錫仲慶房地產開發有限公司, Wuxi Zhongqing Property") is a 98.75% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Xi Guo Tu Chu He (2007) No.52 dated 26 August 2008 and a supplement contract dated 26 August 2008, the land use rights of the property were contracted to be granted to Wuxi Zhongqing Property for a term of 70 years expiring on 3 June 2079 for residential use. The land premium was RMB76,900,000.

3. Pursuant to a Stated-owned land Use Rights Certificate – Xi Xin Guo Yong (2009) Di No. 11, the land use rights of a parcel of land with a site area of approximately 48,620.3 sq.m. were granted to Wuxi Zhongqing Property for a term expiring on 3 June 2079 for residential use.

4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 3202012010X177 in favour of Wuxi Zhongqing Property, the property with a total planned gross floor area of approximately 71,995 sq.m. has been approved for construction.

5. Pursuant to a Construction Work Commencement Permit – No. 3202992010072200002A in favour of Wuxi Zhongqing Property, permission was given by the relevant local authority to commence the construction work.

6. Pursuant to a Commodity Building Pre-Sale Permit – (2010) Yu Xiao Zhun Zi No. 138 in favour of Wuxi Zhongqing Property, Wuxi Zhongqing Property is freely entitled to sell the development with a total gross floor area of approximately 25,536.96 sq.m. to the purchasers.

7. As advised by the Group, various villas of the property with a total gross floor area of approximately 6,334.19 sq.m. have been pre-sold to various third parties for a total consideration of RMB100,230,000 as at the date of valuation but have not been handed over to the purchase. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such units.

8. The capital value of the property as if completed as at the date of valuation, including the total consideration of the pre-sold portions, would be approximately RMB695,900,000.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Wuxi Zhongqing Property is the sole owner of the property and the land use rights granted premium has been fully paid;

   b. The property is not subject to mortgage or other third party interests and Wuxi Zhongqing Property has the rights to mortgage the land; and

   c. Wuxi Zhongqing Property can transfer the land use rights of the property after the development investment has been completed over 25%.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Commodity Building Pre-Sale Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

Group V – Property interests held by the Group for future development in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 October 2010** *RMB*
31.	A parcel of land located at the western side of Kunyang Road Maqiao Town Minhang District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 103,164 sq.m. As advised by the Group, the property is planned to be developed into a villa development with a total planned gross floor area of approximately 18,054 sq.m. The land use rights of the property have been granted for a term expiring on 19 October 2074 for residential use.	The property was vacant as at the date of valuation.	284,600,000 27.69% interest attributable to the Group: RMB78,806,000

Notes:

1. Shanghai Lushan Real Estate Ltd. ("上海綠杉置業有限公司, Lvshan Real Estate") is a 27.69% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Hu Fang Di Min Zi(2004) Grant Contract Di No.171 dated 20 October 2004, the land use rights of the property were contracted to be granted to Lvshan Real Estate for a term of 70 years expiring on 19 October 2074 for residential use. The land premium was RMB13,973,564.

3. Pursuant to a Shanghai Real Estate Title Certificate – Min 2005027693, the land use rights of a parcel of land with a site area of approximately 103,164 sq.m. have been granted to Lvshan Real Estate for a term of 70 years expiring on 19 October 2074 for residential use.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Lvshan Real Estate is the sole owner of the property and the land use rights granted premium has been fully paid;

   b. The property is not subject to mortgage or other third party interests; and

   c. According to the Land Use Rights Grant Contract mentioned in notes 2, Lvshan Real Estate should commence to construct the development before 20 October 2006 and complete the development before 20 October 2008. If the development has not been completed within two years, the land use rights and the building erected thereon might be recovered by the relevant land administration department. Lvshan Real Estate can continue to hold and develop the land use rights after Lvshan Real Estate has obtained the permits from the relevant land administration department.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
32.	A parcel of land (Lot 47/19 Qiu No. 1 Jiefang out of Qunei Town) located at the eastern side of Yongfa Road Pudong New District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 38,589 sq.m. which is planned to be developed with various detached villas, townhouses and ancillary facilities. As advised by the group, upon completion the development will have a total gross floor area of approximately 38,589 sq.m. The land use rights of the property have been granted for a term of 70 years expiring on 15 February 2066 for residential use.	The property was vacant as at the date of valuation.	196,000,000 98.75% interest attributable to the Group: RMB193,550,000

Notes:

1. Shanghai Haibo Comprehensive Real Estate Development Co., Ltd. ("上海海波房地產綜合開發有限公司, Shanghai Haibo") is a 98.75% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Nan Zi (2005) Di No. 015468, the land use rights of a parcel of land with a site area of approximately 38,589 sq.m. were granted to Shanghai Haibo for a term of 70 years expiring on 15 February 2066 for residential use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shanghai Haibo is the sole owner of the property;

   b. The property is not subject to mortgage or other third party interests; and

   c. According to relevant legal and land granted contract, there is a risk that the land use rights of the property might be recovered because the construction work has not been commenced for more than two years.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
33.	A parcel of land (Lot 47/8 Qiu No. 1 Jiefang out of Qunei Town) located at the eastern side of Yongfa Road Pudong New District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 19,903 sq.m. which is planned to be developed with various detached villas, townhouses and ancillary facilities. As advised by the Group, upon completion the development will have a total gross floor area of approximately 19,903 sq.m. The land use rights of the property have been granted for a term of 70 years expiring on 15 February 2066 for residential use.	The property was vacant as at the date of valuation.	101,000,000 98.75% interest attributable to the Group: RMB99,738,000

Notes:

1. Shanghai Xiabo Industrial Co., Ltd. ("上海夏波實業有限公司, Shanghai Xiabo) is a 98.75% owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate – Hu Fang Di Nan Zi (2005) Di No. 015856, the land use rights of a parcel of land with a site area of approximately 19,903 sq.m. was granted to Shanghai Xiabo for a term of 70 years expiring on 15 February 2066 for residential use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shanghai Xiabo is the sole owner of the property;

   b. The property is not subject to mortgage or other third party interests; and

   c. According to relevant legal and land granted contract, there is a risk that the land use rights of the property will be recovered because the construction work has not been commenced for more than two years.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in clear site state as at 31 October 2010 *RMB*
34.	A parcel of land known as Phase II Of Huangpu Huating located at the western side of South Chezhan Road the southern side of Xietu Road the eastern side of Baotun Road and the northern side of Phase I of Huangpu Huating Huangpu District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 13,395 sq.m. which is planned to be developed with 4 residential buildings linking with a retail podium and underground car parking spaces as well as ancillary facilities known as Phase II of Huangpu Huating. As advised by the Group, the development is scheduled to commence in April 2011 and will be completed in September 2013. Upon completion, the development will have a total gross floor area of approximately 42,800 sq.m., the details of which are as follows:	The property is currently occupied by some old buildings which will be demolished.	633,750,000 98.75% interest attributable to the Group: RMB625,828,000

Usage	Planned Gross Floor Area *(sq.m.)*
Residential	27,200.00
Retail	4,800.00
Underground car parking spaces (200 lots)	10,300.00
Ancillary	500.00
Total:	**42,800.00**

The land use rights of the property have been granted for a term of 70 years commencing from 24 April 2003 and expiring on 23 April 2073.

Notes:

1. Shanghai Bairun Real Estate Development Co., Ltd ("上海百潤房地產有限公司, Shanghai Bairun") is a 98.75% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Hu Fang Di Huang (2003) Grant Contract Di No.40 dated 14 March 2003, the land use rights of the property were contracted to be granted to Shanghai Bairun for a term of 70 years commencing from 24 April 2003 and expiring on 23 April 2073 for residential use. The land premium was RMB16,623,400.

3. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Huang Zi (2003) Di No. 004535, the land use rights of a parcel of land with a site area of approximately 23,040 sq.m. (including a parcel of land of property no. 9) were granted to Shanghai Bairun for a term of 70 years commencing from 24 April 2003 and expiring on 23 April 2073 for residential use.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shanghai Bairun is the sole owner of the property and the land use rights granted premium has been fully paid;

   b. The property is not subject to mortgage or other third party interests and Shanghai Bairun has the rights to mortgage the land; and

   c. Shanghai Bairun has obtained the "Extension of Buildings Demolition Notice". Therefore, there is no risk that the land use rights of the property will be recovered by relevant department even the construction work has not been commenced for more than two years.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
35.	A parcel of land and the reserved portion of 2 parcels of land No. 18 Taihua Road Longhua District Haikou City Hainan Province The PRC	The property comprises a parcel of land and the reserved portion of 2 parcels of land with a total site area of approximately 193,022.32 sq.m. The property is held by the Group for a development known as phase II of the Bund Center Haikou (of which Phase I was being constructed as at the dated of valuation and set out in this valuation report as property no. 29) which is planned to be developed in phases with a total planned gross floor area of approximately 928,292.14 sq.m. for residential use. The land use rights of the property have been granted for a term of 70 years expiring on 26 June 2078 for residential use.	The property was vacant as at the date of valuation.	1,526,177,000 79% interest attributable to the Group: RMB1,205,680,000

Notes:

1. Haikou Century Harbour City Co., Ltd. ("海口世紀海港城置業有限公司, Haikou Century Harbour") is a 79% owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Shi Guo Tu Yong Pi Zi [2008] No. 46 dated 27 June 2008, the land use rights of a parcel of land with a site area of approximately 227,272.63 sq.m. (including this property and the land use rights of property no. 29) were contracted to be granted to Haikou Century Harbour commencing from 26 June 2008 for terms of 70 years for residential use and 40 years for commercial use. The land use rights premium was RMB1,087,272,262.

3. Pursuant to 2 State-owned Land Use Rights Certificates – Hai Kou Shi Guo Yong (2008) Di Nos. 007325 and 007326, the land use rights of 2 parcels of land with a total site area of approximately 46,666.65 sq.m. (including a portion of the land of this property with a site area of approximately 12,416.25 sq.m. and the land use rights of property no. 29) have been granted to Haikou Century Harbour for terms of 70 years expiring on 26 June 2078 for residential use and 40 years expiring on 26 June 2048 for commercial use.

4. Pursuant to a State-owned Land Use Rights Certificate – Hai Kou Shi Guo Yong (2010) Di No. 001787, the land use rights of a parcel of land with a site area of approximately 180,606.07 sq.m. have been granted to Haikou Century Harbour for a term of 70 years expiring on 26 June 2078 for residential use.

5. Pursuant to 2 Mortgage Agreements dated 9 July 2009 and 27 November 2009 respectively entered into between Hainan Sub-Branch of Agriculture Bank of China (the "Bank") and Haikou Century Harbour, the development (including a portion of the land of this property with a site area of approximately 12,416.25 sq.m. and the land use rights of property no. 29) was mortgaged to the Bank as security for 2 loans in the amount of RMB175,072,800 and RMB100,000,000 respectively.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Haikou Century Harbour is the sole owner of the property and the land use rights granted premium has been fully paid;

b. The land use rights mentioned in notes 3 is subject to a mortgage;

c. The land use rights mentioned in notes 4 is not subject to mortgage or other third party interests; and

d. Haikou Century Harbour can transfer the land use rights of the property after the development investment has been completed over 25%, if Haikou Century Harbour will transfer the land use rights mentioned in notes 3, it need to notify the mortgagee in advance and the legal rights and contract rights of the mortgagee under the mortgage contract should not been injured.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010 *RMB*
36.	A parcel of land located at the Lane 1628 Jinshajiang Road Putuo District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 6,600 sq.m. which is planned to be developed as an office building As advised by Jinwu Development, upon completion, the development will have a total gross floor area of approximately 44,073.7 sq.m. The land use rights of the property have been granted for a term expiring on 13 January 2055 for office and commercial uses.	The property was vacant as at the date of valuation.	370,549,000 97% interest attributable to the Group: RMB359,433,000

Notes:

1. Shanghai Jinwu Real Estate Co., Ltd. ("上海金午置業有限公司, Jinwu Development") is a 97% owned subsidiary of the Company.

2. Pursuant to a Shanghai Real Estate Title Certificate – Hu Fang Di Pu Zi (2009) No. 021698 dated 16 July 2009, the land use rights of a parcel of land with a site area of approximately 47,707 sq.m. have been granted to Jinwu Development for a term expiring on 13 January 2055 for office and commercial uses. As advised by the Group, the land use rights registered on the aforesaid Real Estate Title Certificate include the property with a site area of approximately 6,600 sq.m. and the land use rights of the Oasis Middlering Centre mentioned in properties nos. 3 and 4.

3 Pursuant to a Construction Work Planning Permit – Jian Zi Di Hu Pu Jian (2010) FA31010720101848 in favour of Jinwu Development, an office building with a total gross floor area of approximately 44,073.7 sq.m. has been approved for construction.

4 Pursuant to a Construction Work Commencement Permit – No. 1001PT0001D01 310107201001060501 in favour of Jinwu Development, permission by the relevant local authority was given to commence the construction work.

5. As advised by the Company and according to the opinion provided by the Company's PRC legal adviser, the equity of Jinwu Development held by the Company has been pledged to Shanghai International Trust Co., Ltd. However, since the equity of Jinwu Development was still vested in the Company as at the date of valuation, we have been instructed that the equity rate of Jinwu Development held by the Company is still 97%.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jinwu Development is the sole owner of the property; and

   b. The property is not subject to mortgage or other third party interests and Jinwu Development has the rights to mortgage the land.

VALUATION CERTIFICATE

Group VI – Property interest contract to be acquired by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 October 2010** *RMB*
37.	A parcel of land located at the eastern side of Daxing Road Huangpu District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 37,130 sq.m. The land use rights of the property have been contracted to be granted for a term of 70 years for residential use.	As at the date of valuation, the property was occupied by some old buildings which will be demolished.	No commercial value

Notes:

1. Shanghai Jin Xin Real Estate Co., Ltd. ("上海金心置業有限公司, Jin Xin Real Estate") is a wholly owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Hu Fang Di Huang [2004] No. 47 dated 23 August 2004, the land use rights of a parcel of land with a site area of approximately 37,129 sq.m. have been contracted to be granted to Jin Xin Real Estate (then known as Shanghai Qinhai Real Estate Co., Ltd. (上海琴海置業有限公司)) for a term of 70 years for residential use. According to the City of Shanghai (2001) No. 68 and Shanghai Information Security (2002) Premises No. 448, Jin Xin Real Estate does not need to pay the land use rights premium.

3. Pursuant to a Construction Land Planning Permit – Hu Gui Di (2003) No. 432 in favour of Jin Xin Real Estate, permission towards the planning of the subject land with a site area of approximately 37,130 sq.m. has been approved for construction.

4. As at the date of valuation, Jin Xin Real Estate has not yet obtained the land use rights certificate, the property has not been assigned to the Group and thus the title of the property has not been vested in the Group. Therefore we have attributed no commercial value to the property.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, that there is no legal impediment for the Group to obtain the land use rights of the relevant land if the Group completes the relocation lawfully meeting the relocation requirements of the State-owned Land Use Rights Grant Contract mentioned in note 2 above.

The following are the texts of the letter and valuation certificates received from DTZ Debenham Tie Leung Limited in connection with their valuation as at 31 October 2010 of the property interest of the CNTD Group, which have been prepared for the purpose of incorporation into this circular.

DTZ 戴德梁行

10 January 2011

The Directors
SRE Group Limited
Suite 2501, 25/F
Convention Plaza Office Tower
1 Harbour Road
Wan Chai
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with your instructions for us to value the properties held by China New Town Development Company Limited (referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") (as more particularly described in the valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary to provide you with our opinion of the values of such properties as at October 31, 2010 (the "date of valuation").

DEFINITION OF MARKET VALUE

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTIONS

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation certificates.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Group, the potential tax liabilities which may arise from the sale of the properties include:

(a) business tax at a rate of 5% of consideration for the property in the PRC

(b) profits tax on the profit from the sale at rate of 25% for the property in the PRC; and

(c) land value appreciation tax for the property in the PRC at progressive tax rates ranging from 30% to 60% on the appreciation in property value from not more than 50% to more than 200%.

As at the time of this circular, the Group has confirmed that it has no intention to sell any of the properties which are to be held for occupation, investment and future development. Hence, the likelihood of any potential tax liability of these properties being crystallized is remote.

In respect of the Property No. 8 which is held by the Group for sale and under construction in the PRC, the Group advises that the potential tax liabilities is estimated to be approximately RMB39.8 million would arise if such property was to be sold at the amount of the valuation. The above amount is for indicative purpose and is calculated based on prevailing rules and information available as at the Latest Practicable Date.

METHOD OF VALUATION

In valuing the properties in Group I, which are held and occupied by the Group in the PRC, we have used the direct comparison approach assuming sale of the property in its existing state by making reference to comparable sales transactions as available in the relevant market.

In valuing the properties in Group II, which are held by the Group for investment in the PRC, we have used income approach on the basis of capitalization of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property or by reference to comparable market transactions.

In respect of the properties in Groups III to V, which are held by the Group for investment and sale both under construction and for future development respectively in the PRC, we have valued on the basis that the properties will be developed and completed in accordance with the Group's latest development proposals provided to us (if any). In arriving at our opinion of values, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

For properties in Group VI, which are leased by the Group in the PRC, are considered to have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of the substantial profit rents.

SOURCE OF INFORMATION

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuations, we have relied to a very considerable extent on the information given to us by the Group in respect of the properties in the PRC and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the information and advice given by the Group and its legal advisor, Yan Yiming Law Firm（上海嚴義明律師事務所）regarding the title to each of the properties and the Group's interests in the PRC properties.

SITE INSPECTION

We have inspected the exterior and, wherever possible, the interior of the properties. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all money amounts indicated herein our valuations are in Renminbi (RMB), which is the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew Chan is a Registered Professional Surveyor who has over 23 years' of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Group I – Properties held and occupied by the Group in the PRC

	Property	Capital value in existing state as at October 31, 2010 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at October 31, 2010 *(RMB)*
1.	Command center in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區 羅店新鎮 指揮中心	45,000,000	72.63	32,683,500
2.	Lake Malaren Convention Center in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區 羅店新鎮 美蘭湖會議中心	207,000,000	72.63	150,344,100

	Property	Capital value in existing state as at October 31, 2010 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at October 31, 2010 *(RMB)*
3.	Crowne Plaza Lake Malaren Shanghai Hotel in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區 羅店新鎮 上海美蘭湖皇冠假日酒店	459,000,000	72.63	333,371,700
4.	Unit No. 815 of Retail Street on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區 鴻山新鎮新鴻路以西的 風情街815商舖單元	16,500,000	90	14,850,000
	Sub-total of Group I:	**727,500,000**		**531,249,300**

Group II – Properties held by the Group for investment in the PRC

	Property	Capital value in existing state as at October 31, 2010 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at October 31, 2010 *(RMB)*
5.	Various shops in Retail Street of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮風情街商舖	420,000,000	72.63	305,046,000
6.	Various shops in Retail Street and the remaining land plot on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮新鴻路以西的風情街商舖及剩餘土地	164,000,000	90	147,600,000
	Sub-total of Group II:	**584,000,000**		**452,646,000**

Group III – Property held by the Group for investment and under construction in the PRC

	Property	Capital value in existing state as at October 31, 2010 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at October 31, 2010 *(RMB)*
7.	Retail portion of Transport Center of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮交通樞紐的商舖部份	187,000,000	72.63	135,818,100
	Sub-total of Group III:	**187,000,000**		**135,818,100**

Group IV – Property held by the Group for sale and under construction in the PRC

	Property	Capital value in existing state as at October 31, 2010 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at October 31, 2010 *(RMB)*
8.	Office portion of Transport Center of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮交通樞紐的辦公樓部份	200,000,000	72.63	145,260,000
	Sub-total of Group IV:	**200,000,000**		**145,260,000**

Group V – Properties held by the Group for future development in the PRC

	Property	Capital value in existing state as at October 31, 2010 *(RMB)*	Interest attributable to the Group *(%)*	Capital value in existing state attributable to the Group as at October 31, 2010 *(RMB)*
9.	A parcel of land beside Crowne Plaza Lake Malaren Shanghai Hotel in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮上海美蘭湖皇冠假日酒店旁邊的土地	291,000,000	72.63	211,353,300
10.	A parcel of land on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮新鴻路以西的一塊土地	175,000,000	90	157,500,000
11.	A parcel of land on the north side of Xixian Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮錫賢路北側的一塊土地	170,000,000	90	153,000,000
	Sub-total of Group V:	**636,000,000**		**521,853,300**

Group VI – Properties leased and occupied by the Group in the PRC

	Property	Capital value in existing state as at October 31, 2010 *(RMB)*	Capital value in existing state attributable to the Group as at October 31, 2010 *(RMB)*
12.	A portion of building at No. 4 Zhenxing Road, Hongshan Town, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市鴻山鎮振興路4號房屋部份	No commercial value	No commercial value
13.	A portion of building at No. 4-1 Zhenxing Road, Hongshan Town, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市鴻山鎮振興路4-1號房屋部份	No commercial value	No commercial value
14.	Golf courses in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮高爾夫球場	No commercial value	No commercial value
	Sub-total of Group VI:	**No commercial value**	**No commercial value**
	Grand total of Groups I to VI:	**2,334,500,000**	**1,786,826,700**

VALUATION CERTIFICATE

Group I – Properties held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2010
1.	Command center in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮指揮中心	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The command center comprises two buildings in Luodian New Town. One is a 2-storey building completed in 2003 and is known as Phase 1 of the property. Another one is a 4-storey building completed in 2007 and is known as Phase 2 of the property. Phase 1 of the property has a total gross floor area of approximately 1,328.9 sq.m. without Shanghai Certificate of Real Estate Ownership. Phase 2 of the property has a total gross floor area of approximately 5,302.88 sq.m. with Shanghai Certificate of Real Estate Ownership. The property is held with land use rights for a term of 50 years from September 6, 2006 to September 5, 2056 for public facilities (organization) use.	The property is occupied by the Group as office.	RMB45,000,000 (72.63% interest attributable to the Group: RMB32,683,500)

Notes:

(1) According to Shanghai Contract for Grant of State-owned Land Use Rights (2006) No. 168 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) (the "Grantee") (a subsidiary of SRE Group Limited) on September 6, 2006, the Grantor has granted the land use rights of the land in Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are summarized as follows:

Location	:	south side of Yuepa Road and east side of Hutai Road, Baoshan District
Site area	:	12,142.7 sq.m.
Land premium	:	RMB2,185,680
Uses	:	Public facilities (Organization)
Land use term	:	50 years
Plot ratio	:	0.53 (total gross floor area shall not be more than 6,435.63 sq.m.)

(2) According to Shanghai Certificate of Real Estate Ownership No. (2008) 029673 dated August 1, 2008, the salient details of the Phase 2 of the property are summarized as follows:

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.)
Location	:	No. 6655 Hutai Road
Land use	:	Public facilities (Organization)
Lot no.	:	Qiu 44/3, Jiefang 12, Luonan Town, Baoshan District
Land use term	:	From September 6, 2006 to September 5, 2056 (50 years)
Site area	:	12,142.70 sq.m.
Gross floor area	:	5,302.88 sq.m.

In the course of our valuation, we have ascribed no commercial value to the Phase 1 of the property as the Shanghai Certificate of Real Estate Ownership has not been issued to the Group.

(3) According to Planning Permit for Construction Use of Land No. (2006) 13060118E00091 issued by Urban Planning Administrative Bureau of Baoshan District on January 17, 2006, the construction project of 羅店新鎮指揮中心 (Command Center of Luodian New Town) on the land parcel situated on the south side of Meilanhu Road and on the east side of Luotai Road, with a site area of 17,260 sq.m. is in compliance with the urban planning requirements.

(4) According to Business License No. 310000400317858 dated December 3, 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from September 26, 2002 to September 25, 2027. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) the Shanghai Certificate of Real Estate Ownership of the Phase 2 of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificate;

(ii) SGLD has performed the necessary government approval procedures and obtained the necessary documents in respect of the construction of Phase 2 of the property but has not yet obtained the relevant approval documents in respect of the construction of Phase 1 of the property. As such, the PRC government may require the demolition of Phase 1 of the property and the relevant government approval authority may impose administrative penalty on SGLD;

(iii) SGLD has the right to occupy, use and mortgage the land use rights and building ownership under the Shanghai Certificate of Real Estate Ownership of the property during the term of such rights in accordance with the PRC laws; and

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled.

(6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Business License	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2010
2.	Lake Malaren Convention Center in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮美蘭湖會議中心	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises a 5-storey convention center complex in Luodian New Town. The complex comprises 4 convention halls, 2 multifunctional halls, 22 conference rooms, an exhibition hall, theater, restaurants, 76 guest rooms, other entertainment facilities and underground car parking spaces. Completed in 2004, the property has a total gross floor area of approximately 33,537.26 sq.m. The property is held with land use rights for a term of 50 years from October 26, 2005 to October 25, 2055 for public facilities use.	The property is operated as a convention center complex.	RMB207,000,000 (72.63% interest attributable to the Group: RMB150,344,100)

Notes:

(1) According to Shanghai Contract for Grant of State-owned Land Use Rights (2005) No. 140 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) (the "Grantee") (a subsidiary of SRE Group Limited) on October 26, 2005, the Grantor has granted the land use rights of the land in Luonan Town, Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are summarized as follows:

Plot no.	:	Qiu 28/3, Jiefang 12, Luonan Town, Baoshan District
Site area	:	26,116 sq.m.
Land premium	:	RMB7,386,720
Uses	:	Public facilities
Land use term	:	50 years
Plot ratio	:	Total floor area shall not be more than 33,537.26 sq.m.

(2) According to Shanghai Certificate of Real Estate Ownership No. (2005) 035549 dated October 27, 2005 issued by Shanghai Municipal Building and Land Administrative Bureau, the ownership of the property has been vested in 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) as follows:

Owner	:	Shanghai Golden Luodian Development Co., Ltd.

Location	:	No. 888 Luofen Road, Luonan Town, Baoshan District
Land area	:	26,116 sq.m.
Land use	:	Public facilities
Land use term	:	From October 26, 2005 to October 25, 2055
Gross floor area	:	33,537.26 sq.m.
Building uses	:	Hotel
Number of stories	:	5
Year of completion	:	2004

(3) According to Planning Permit for Construction Use of Land No. (2003) 0087 issued by Urban Planning Administrative Bureau of Baoshan District on April 14, 2003, the construction project of 羅店新鎮美蘭湖會議中心 (Lake Malaren Convention Center of Luodian New Town) on the land parcel situated on the south side of Nuobeier Road and on the west side of Luotai Road, with a site area of 18,340 sq.m. is in compliance with the urban planning requirements.

(4) According to Planning Permit for Construction Works No. (2003) 0383 issued by Planning Administrative Bureau of Baoshan District on October 23, 2003, the construction works of the convention center on the land parcel situated on the south side of Nuobeier Road and on the west side of Luotai Road, with an area of 34,560 sq.m. are in compliance with the urban planning requirements and have been approved.

(5) According to Business License No. 310000400317858 dated December 3, 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from September 26, 2002 to September 25, 2027. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(6) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificate;

(ii) SGLD has performed the necessary government approval procedures and has obtained the necessary documents in respect of the construction of the property;

(iii) SGLD has the right to occupy and use the land use rights and building ownership of the property during the term of such rights in accordance with the PRC laws;

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled; and

(v) the property has been mortgaged to the Industrial and Commercial Bank of China Limited Huangpu Branch.

(7) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business License	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2010
3.	Crowne Plaza Lake Malaren Shanghai Hotel in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮上海美蘭湖皇冠假日酒店	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises a 9-storey hotel consisting of 274 guest rooms, underground car parking spaces, Chinese and western restaurants, bars, indoor swimming pools, gyms, spas, clubhouse and other facilities in Luodian New Town. Completed in 2006, the property has a total gross floor area of approximately 49,708.83 sq.m. of which approximately 37,477.35 sq.m. is above ground and approximately 12,231.48 sq.m. is underground. The property is held with land use rights of for a term of 40 years from July 18, 2003 to July 17, 2043 for commercial use.	The property is operated as a hotel under the name "Crowne Plaza Lake Malaren Shanghai Hotel" and is subject to a management agreement dated June 20, 2007 with 假日酒店（中國）有限公司 (Holiday Inns (China) Ltd.) for an initial term of 10 years after the full opening of the hotel; and an automatic renewal term of 10 years unless notice is given by either party to terminate the agreement.	RMB459,000,000 (72.63% interest attributable to the Group: RMB333,371,700)

Notes:

(1) According to Shanghai Contract for Grant of State-owned Land Use Rights (2003) No. 14 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) (the "Grantee") (a subsidiary of SRE Group Limited) on July 18, 2003, the Grantor has agreed to grant the land use rights of the land located on the east side of Fuyuan Road, the south side of Malu River and the west side of Panjing Road, Luonan Town, Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are, inter alia, summarized as follows:

Location	:	on the east side of Fuyuan Road, the south side of Malu River and the west side of Panjing Road, Luonan Town, Baoshan District, Shanghai
Site area	:	336,491 sq.m.
Land premium	:	RMB47,108,740
Uses	:	Commercial and service
Land use term	:	40 years
Plot ratio	:	Not more than 0.4 (Total floor area shall not be more than 134,596.4 sq.m.)

(2) According to Shanghai Certificate of Real Estate Ownership No. (2007) 040750 dated October 28, 2007 issued by Shanghai Municipal Building and Land Administrative Bureau, the ownership of the property has been vested in 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) as follows:

Owner	:	Shanghai Golden Luodian Development Co., Ltd.
Location	:	Qiu 88/8, Jiefang 5, Luonan Town, Baoshan District
Land use	:	Commercial and service
Land use term	:	From July 18, 2003 to July 17, 2043 (40 years)
Site area	:	336,491 sq.m.
Year of completion	:	2006
Gross floor area	:	49,708.83 sq.m.

(3) As advised by the Group, there are a hotel and a golf club house building located on the land. The Group cannot provide evidence to ascertain a separate site area for the portions of land occupied by the hotel and clubhouse building.

(4) According to Planning Permit for Construction Use of Land No. (2002) 0275 issued by Planning Administrative Bureau of Baoshan District on December 31, 2002, the construction project of 羅店新鎮高爾夫俱樂部、練習場 (Driving range of golf club of Luodian New Town) on the land parcel situated on the west side of Panjing Road, with a site area of 340,000 sq.m. is in compliance with the urban planning requirements.

(5) According to Planning Permit for Construction Works No. (2004) 0268 issued by Planning Administrative Bureau of Baoshan District on October 22, 2004, the construction works of 羅店新鎮高爾夫俱樂部A幢 (Block A of golf club of Luodian New Town) on the land parcel situated Meilanhu Road, with an area of 37,661 sq.m. are in compliance with the urban planning requirements and have been approved.

(6) According to Business License No. 310000400317858 dated December 3, 2009, Shanghai Golden Luodian Development Co., Ltd. was established with a registered capital of RMB548,100,000 for an operating period from September 26, 2002 to September 25, 2027. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(7) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificate;

(ii) SGLD has performed the necessary government approval procedures and has obtained the necessary documents in respect of the construction of the property;

(iii) SGLD has the right to occupy and use the land use rights and building ownership of the property during the term of such rights in accordance with the PRC laws;

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled; and

(v) the property has been mortgaged to the Agricultural Bank of China Limited Baoshan Branch.

(8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Business License	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2010
4.	Unit No. 815 of Retail Street on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮新鴻路以西的風情街商鋪815單元	The property comprises a unit of various 2 to 3-storey buildings erected on a parcel of land with a total site area of 31,715.60 sq.m. which is a portion of whole land with a total site area of approximately 88,903.40 sq.m. and is known as Retail Street of Hongshan New Town. Completed in 2008, the property has a total gross floor area of approximately 2,916.64 sq.m. The property is held with land use rights for a term due to expire on November 29, 2047 for commercial use.	As at the date of valuation, the property was used by the Group as office.	RMB16,500,000 (90% interest attributable to the Group: RMB14,850,000)

Notes:

(1) According to State-owned Land Use Right Certificate No. (2008)2 issued by Wuxi Peoples' Government on January 23, 2008, the land use rights of the property having a total site area of approximately 88,903.4 sq.m. have been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) (a subsidiary of SRE Group Limited) for a term due to expire on November 29, 2047 for commercial use.

(2) According to Grant Contract of State-owned Land Use Rights No. (2007) 51 entered into between Wuxi State-owned Land Resources Bureau and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) on 16 November 2007, the land use rights of the property having a total site area of approximately 88,903.4 sq m have been granted to無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) for a term of 40 years for commercial use at a consideration of RMB138,900,000.

(3) According to a Building Ownership Certificate issued by Wuxi Real Estate Administrative Bureau on November 18, 2008, the building ownership of the property with a total gross floor area of approximately 2,916.64 sq.m. has been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) for commercial use with details as follows:

Certificate No.	Address	No. of storey	GFA *(sq.m.)*
XQ1000109757	No. 815 Zhide Avenue	3	2,916.64

(4) According to Business License No. 320200400029334 dated November 11, 2009, 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) was established with a registered capital of US$24,900,000 for an operating period from March 6, 2007 to March 5, 2057. The scope of business comprises the real estate development, public facilities development and property management in Hongshan New Town.

(5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) the State-owned Land Use Right Certificate and Building Ownership Certificate of the property are legal, valid and protected under the PRC laws and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) can lawfully enjoy the land use rights under such certificates;

(ii) 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) has performed the necessary government approval procedures and has obtained necessary documents in respect of the construction of the property;

(iii) 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) has the right to occupy, use and mortgage the land use rights and building ownership of the property during the term of such land use rights in accordance with the PRC laws; and

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled.

(6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of State-owned Land Use Rights	Yes
Building Ownership Certificate	Yes
Business License	Yes

VALUATION CERTIFICATE

Group II – Properties held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2010
5.	Various shops in Retail Street of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮風情街商舖	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises various shops and public utilities in Luodian New Town. The property was completed in 2004 and renovation works were completed in 2008. The property has a total gross floor area of approximately 72,494.23 sq.m. The property is held with land use rights for a term of 50 years from October 26, 2005 to October 25, 2055 for public facilities use.	As at the date of valuation, portion of the property was subject to various lease agreements at a total monthly rent of RMB620,583 and the last expiry date of the lease agreements was June 30, 2021. The remaining portion of the property was vacant.	RMB420,000,000 (72.63% interest attributable to the Group: RMB305,046,000)

Notes:

(1) According to Shanghai Contract for Grant of State-owned Land Use Rights (2005) No. 141 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) (the "Grantee") (a subsidiary of SRE Group Limited) on October 26, 2005, the Grantor has granted the land use rights of the land in Luonan Town, Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are, inter alia, summarized as follows:

Plot no.	:	Qiu 28/6, Jiefang 12, Luonan Town, Baoshan District
Site area	:	90,329 sq.m.
Land premium	:	RMB22,420,980
Use	:	Public facilities
Land use term	:	50 years
Plot ratio	:	Total floor area shall not be more than 74,912 sq.m.

(2) According to Shanghai Certificate of Real Estate Ownership No. (2005) 035588 dated October 27, 2005, the salient details as stipulated in the certificate are, inter alia, summarized as follows:

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.)
Location	:	Lanes 555, 689, 789, 989, Luofen Road, Luonan Town, Baoshan District
Land use	:	Public facilities
Lot no.	:	Qiu 28/6, Jiefang 12, Luonan Town, Baoshan District
Land use term	:	From October 26, 2005 to October 25, 2055 (50 years)
Site area	:	90,329 sq.m.
Year of completion	:	2004
Gross floor area	:	62,628.98 sq.m.

(3) According to Shanghai Certificate of Real Estate Ownership No. (2008) 028929 dated July 29, 2008, the salient details as stipulated in the certificate are, inter alia, summarized as follows:

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.)
Location	:	Nos. 63 to 66 in Lanes 555 Luofen Road and Nos. 86 to 88 and Basement car park in Lane 698 Luofen Road
Land use	:	Public facilities
Lot no.	:	Qiu 28/6, Jiefang 12, Luonan Town, Baoshan District
Land use term	:	From October 26, 2005 to October 25, 2055 (50 years)
Site area	:	90,329 sq.m.
Year of completion	:	2008
Gross floor area	:	10,054.01 sq.m.

(4) According to Business License No. 310000400317858 dated December 3, 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from September 26, 2002 to September 25, 2027. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) the Shanghai Certificates of Real Estate Ownership of the property are legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificates;

(ii) SGLD has performed the necessary government approval procedures and has obtained the necessary documents in respect of the construction of the property;

(iii) SGLD has the right to occupy and use the land use rights and building ownership of the property during the term of such land use rights in accordance with the PRC laws;

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled; and

(v) the property has been mortgaged to the Industrial and Commercial Bank of China Limited Huangpu Branch.

(6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificates of Real Estate Ownership	Yes
Business License	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2010
6.	Retail Street and the remaining portion of land on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮新鴻路以西的風情街商舗	The property comprises various 2 to 3-storey buildings erected on a parcel of land with a total site area of 31,715.60 sq.m. which is a portion of whole land with a total site area of approximately 88,903.40 sq.m. and is known as Retail Street of Hongshan New Town. Completed in 2008, the property comprises a total gross floor area of approximately 12,161.94 sq.m.. The property also comprises the remaining land plot of the land with a total site area of approximately 57,187.80 sq.m. As advised by the Group, the remaining phase of Retail Street will be developed on the property with a total gross floor area of approximately 51,450 sq.m. The property is held with land use rights for a term due to expire on November 29, 2047 for commercial use.	As at the date of valuation, portion of the retail street was subject to various lease agreements and the last expiry date of the lease agreements was October 14, 2015. The total monthly rent received was RMB71,999 for the leased portion. The remaining portion of the retail street was vacant. The remaining portion of land was a bare land.	RMB164,000,000 (90% interest attributable to the Group: RMB147,600,000)

Notes:

(1) According to State-owned Land Use Right Certificate No. (2008)2 issued by Wuxi Peoples' Government on January 23, 2008, the land use rights of the property having a total site area of approximately 88,903.4 sq.m. have been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) (a subsidiary of SRE Group Limited) for a term due to expire on November 29, 2047 for commercial use.

(2) According to Grant Contract of State-owned Land Use Rights No. (2007) 51 entered into between Wuxi State-owned Land Resources Bureau and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) on 16 November 2007, the land use rights of the property having a total site area of approximately 88,903.4 sq m have been granted to無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Limited) for a term of 40 years for commercial use at a consideration of RMB138,900,000.

(3) According to ten Building Ownership Certificates all issued by Wuxi Real Estate Administrative Bureau on November 18, 2008, the building ownership of the property with a total gross floor area of approximately 12,161.94 sq.m. has been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) for commercial use with details as follows:

Certificate No.	**Address**	**No. of storey**	**GFA** *(sq.m.)*
XQ1000109808-1	No. 803-1 to 803-6 Zhide Avenue	2	976.30
XQ1000109808-2	No. 803-1 to 803-6 Zhide Avenue	2	185.01
XQ1000109809	No. 811 Zhide Avenue	2	2,039.23
XQ1000109805	No. 807-1 to 807-4 Zhide Avenue	2	2,377.02
XQ1000109806	No. 809-1 to 809-2 Zhide Avenue	3	804.30
XQ1000109811	No. 813-1 to 813-2 Zhide Avenue	2	2,361.79
XQ1000109810-1	No. 805-1 to 805-13 Zhide Avenue	2	855.47
XQ1000109810-2	No. 805-1 to 805-13 Zhide Avenue	2	1,063.80
XQ1000109810-3	No. 805-1 to 805-13 Zhide Avenue	2	393.11
XQ1000109807	No. 801-1 to 801-5 Zhide Avenue	2	1,105.91
Total:			12,161.94

(4) According to Business License No. 320200400029334 dated November 11, 2009, 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) was established with a registered capital of US$24,900,000 for an operating period from March 6, 2007 to March 5, 2057. The scope of business comprises the real estate development, public facilities development and property management in Hongshan New Town.

(5) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) the State-owned Land Use Right Certificate and Building Ownership Certificates of the property are legal, valid and protected under the PRC laws and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) can lawfully enjoy the land use rights under such certificate;

(ii) 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) has performed the necessary government approval procedures and has obtained the necessary documents in respect of the construction of the property;

(iii) 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) has the right to occupy, use and mortgage the land use rights and building ownership of the property; and

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled.

(6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificate	Yes
Grant Contract of State-owned Land Use Rights	Yes
Building Ownership Certificates	Yes
Business License	Yes

VALUATION CERTIFICATE

Group III – Property held by the Group for investment and under construction in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2010
7.	Retail portion of Transport Center of Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮交通樞紐的商舖部份	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises the retail portion of Transport Center in Luodian New Town. As advised by the Group, the property is scheduled to be completed in the end of 2010. The property has a total above ground gross floor area of approximately 20,977.90 sq.m. and a total under ground gross floor area of approximately 10,277 sq.m. The property is held with land use rights for terms of 50 years and 40 years from December 15, 2009 for transport use and commercial use respectively.	As at the date of valuation, the property was under construction.	RMB187,000,000 (72.63% interest attributable to the Group: RMB135,818,100)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2010) 019799 dated April 29, 2010, the salient details as stipulated in the certificate are, inter alia, summarized as follows:

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.)
Location	:	Qiu 93/20, Jiefang 10, Luonan Town, Baoshan District
Land use	:	Other commercial use
Land use term	:	From December 15, 2009 to December 14, 2059 (50 years for public transport use) From December 15, 2009 to December 14, 2049 (40 years for commercial use)
Site area	:	17,969.20 sq.m.

(2) According to Contract for Grant of State-owned Land Use Rights No. (2009) 84 entered into between 上海市寶山區規劃和土地管理局 (Planning and Land Administrative Bureau of Baoshan District of Shanghai Municipality) (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian

Development Co., Ltd.) (the "Grantee") (a subsidiary of SRE Group Limited) on November 24, 2009, the Grantor has granted the land use rights of a parcel of commercial land to the Grantee with details as follows:

(i)	Location	:	west of Hutai Road
(ii)	Site area	:	17,969.2 sq.m.
(iii)	Use	:	Other commercial use
(iv)	Consideration	:	RMB59,400,000
(v)	Land use term	:	50 years for transport use and 40 years for commercial use

(3) According to Planning Permit of Construction Use of Land No. (2009) EA31011320091523 issued by 上海市寶山區規劃和土地管理局 (Planning and Land Bureau of Baoshan District of Shanghai Municipality) on December 10, 2009, the construction site of the property for transport and commercial uses with a site area of 17,969.20 sq.m. is in compliance with the urban planning requirements.

(4) As advised by the Group, the total expended construction cost for the property as at the date of valuation was RMB187,000,000 whilst the outstanding construction cost for completion of the property as at the date of valuation was RMB3,000,000. We have taken into account such amounts in our valuation.

(5) The capital value when completed of the proposed development as at the date of valuation was in the sum of RMB190,000,000.

(6) According to Business License No. 310000400317858 dated December 3, 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from September 26, 2002 to September 25, 2027. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(7) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificate;

(ii) 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) (SGLD) has performed the necessary government approval procedures and has obtained the necessary documents from the government in respect of the construction of the property;

(iii) SGLD has the right to occupy, use and mortgage the land use rights and building ownership of the property; and

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled.

(8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Business License	Yes

VALUATION CERTIFICATE

Group IV – Property held by the Group for sale and under construction in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2010
8.	The office portion of Transport Center of Luodian North European New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區羅店新鎮交通樞紐的辦公樓部份	Luodian North European New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises the office portion of Transport Center which is under construction in Luodian North European New Town. As advised by the Group, the property is scheduled to be completed in the end of 2012. Upon completion, the property has a total planned above ground gross floor area of approximately 41,200 sq.m. and a total under ground gross floor area of approximately 10,700 sq.m. The property is held with land use rights for terms of 50 years and 40 years from the date of delivery of the land for transport use and commercial use respectively.	As at the date of valuation foundation works was undertaken.	RMB200,000,000 (72.63% interest attributable to the Group: RMB145,260,000)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2010) 019799 dated April 29, 2010, the salient details as stipulated in the certificate are, inter alia, summarized as follows:

Owner	:	上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.)
Location	:	Qiu 93/20, Jiefang 10, Luonan Town, Baoshan District
Land use	:	Other commercial use
Land use term	:	From December 15, 2009 to December 14, 2059 (50 years for public transport use) From December 15, 2009 to December 14, 2049 (40 years for commercial use)
Site area	:	17,969.20 sq.m.

(2) According to Grant Contract of State-owned Land Use Rights No. (2009) 84 entered into between 上海市寶山區規劃和土地管理局 (Planning and Land Administrative Bureau of Baoshan District of Shanghai Municipality) (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian

Development Ltd.) (the "Grantee") (a subsidiary of SRE Group Limited) on 24 November 2009, the Grantor has granted the land use rights of a parcel of commercial land to the Grantee with details as follows:

(i)	Location	:	west of Hutai Road
(ii)	Site area	:	17,969.20 sq.m.
(iii)	Use	:	commercial
(iv)	Consideration	:	RMB59,400,000
(v)	Land use term	:	50 years for transport use and 40 years for commercial use

(3) According to Planning Permit of Construction Use of Land No. (2009) EA31011320691528 issued by 上海市寶山區規劃和土地管理局 (Planning and Land Bureau of Baoshan District of Shanghai Municipality) on December 10, 2009, the construction site of the property for transport and commercial uses with a site area of 17,969.20 sq.m. is in compliance with the urban planning requirements.

(4) As advised by the Group, the total expended construction cost for the property as at the date of valuation was RMB92,900,000 whilst the outstanding construction cost for completion of the property as at the date of valuation was RMB262,600,000. We have taken into account such amounts in our valuation.

(5) The capital value when completed of the proposed development as at the date of valuation was in the sum of RMB494,000,000.

(6) According to Business License No. 31000040317858 dated December 3, 2009, 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Ltd.) was established with a registered capital of RMB548,100,000 for an operating period from 26 September 2002 to 25 September 2027. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(7) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificate;

(ii) SGLD has performed the necessary government approval procedures and has obtained the necessary documents in respect of the construction of the property;

(iii) SGLD has the right to occupy, use and mortgage the land use rights and building ownership of the property; and

(iv) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled.

(8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Business License	Yes

VALUATION CERTIFICATE

Group V – Properties held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2010
9.	A parcel of land beside Crowne Plaza Lake Malaren Shanghai Hotel in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區 羅店新鎮 上海美蘭湖 皇冠假日酒店 旁邊土地	Luodian New Town is a comprehensive development comprising retail shops, convention center complex, golf course, clubhouse, driving range, hotel and various land parcels planned for residential developments. The property comprises a parcel of land which, together with the sites on which a hotel, and clubhouse are erected, has a site area of approximately 336,491 sq.m. in Luodian New Town. The Group cannot provide evidence to ascertain a separate site area for the portion of land excluding the site area occupied by hotel and clubhouse but advises that the total above ground gross floor area of the hotel and clubhouse is 37,477.35 sq.m. Based on the information in the Grant Contract, the remaining unexpended potential of permissible gross floor area on the property is estimated to be approximately 97,119.05 sq.m. (134,596.40 sq.m. less 37,477.35 sq.m.). As advised by the Group, it is expected that the date of commencement of construction is within first quarter of 2011 pending the issue of relevant permit for construction. The property is held with land use rights for a term of 40 years from July 18, 2003 to July 17, 2043 for commercial use.	As at the date of valuation, the property was a bare land	RMB291,000,000 (72.63% interest attributable to the Group: RMB211,353,300)

Notes:

(1) According to Shanghai Contract for Grant of State-owned Land Use Rights (2003) No. 14 entered into between Shanghai Baoshan District Housing and Land Administrative Bureau (the "Grantor") and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd.) (the "Grantee") (a subsidiary of SRE Group Limited) on July 18, 2003, the Grantor has agreed to grant the land use rights of the land located on the east side of Fuyuan Road, the south side of Malu River and the west side of Panjing Road, Luonan Town, Baoshan District, Shanghai to the Grantee. The salient conditions as stipulated in the contract are, inter alia, summarized as follows:

Location	:	on the east side of Fuyuan Road, the south side of Malu River and the west side of Panjing Road, Luonan Town, Baoshan District, Shanghai
Site area	:	336,491 sq.m.
Land premium	:	RMB47,108,740
Uses	:	Commercial and service
Land use term	:	40 years
Plot ratio	:	Not more than 0.4 (Total floor area shall not be more than 134,596.4 sq.m.)

(2) According to Shanghai Certificate of Real Estate Ownership No. (2007) 040750 dated October 28, 2007 issued by Shanghai Municipal Building and Land Administrative Bureau, the ownership of the property has been vested in Shanghai Golden Luodian Development Co., Ltd as follows:

Owner	:	Shanghai Golden Luodian Development Co., Ltd.
Location	:	Qiu 88/8, Jiefang 5, Luonan Town, Baoshan District
Land use	:	Commercial
Land use term	:	From July 18, 2003 to July 17, 2043 (40 years)
Site area	:	336,491 sq.m.

(3) As advised by the Group, there are a hotel and a golf club house building located on the land. The Group cannot provide evidence to ascertain a separate site area for the portion of land occupied by the hotel and clubhouse but advises that the total above ground gross floor area of the hotel and clubhouse is 37,477.35 sq.m.. Based on the information in the Grant Contract, the remaining unexpended potential of permissible gross floor area on the property is estimated to be approximately 97,119.05 sq.m. (i.e. 134,596.40 sq.m. less 37,477.35 sq.m.).

(4) According to Planning Permit for Construction Use of Land No. (2002) 0275 issued by Planning Administrative Bureau of Baoshan District on December 31, 2002, the construction project of 羅店新鎮高爾夫俱樂部、練習場 (Driving range of golf club of Luodian New Town) on the land parcel situated on the west side of Panjing Road, with a site area of 340,000 sq.m. is in compliance with the urban planning requirements.

(5) According to Business License No. 310000400317858 dated December 3, 2009, Shanghai Golden Luodian Development Co., Ltd. was established with a registered capital of RMB548,100,000 for an operating period from September 26, 2002 to September 25, 2027. The scope of business comprises land development in the Luodian New Town area, real estate development for the land obtained by the process of transfer of state-owned land with consideration, provision of public utilities services and construction of municipal facilities, related property management, operation of golf course, driving range, hotel, food and beverage outlets, ancillary shopping arcades (with cigarettes and alcohol), swimming pool, tennis court, yacht berth and convention center.

(6) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) the Shanghai Certificate of Real Estate Ownership of the property is legal, valid and protected under the PRC laws and 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co., Ltd) (SGLD) can lawfully enjoy the land use rights under such certificate;

(ii) SGLD has the right to occupy, use and mortgage the land use rights of the property;

(iii) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled; and

(iv) the property has been mortgaged to the Agricultural Bank of China Limited Baoshan Branch.

(7) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
Shanghai Certificate of Real Estate Ownership	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	No
Business License	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2010
10.	A parcel of land on the west side of Xinhong Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮新鴻路以西的一塊土地	The property comprises a parcel of land with a total site area of approximately 69,212.40 sq.m. As advised by the Group, a proposed residential development will be developed on the property with a total gross floor area of approximately 83,054.88 The property is held with land use rights for terms of 40 years for commercial use, 70 years for residential use an 50 years for other uses.	As at the date of valuation, the property was a bare land.	RMB175,000,000 (90% interest attributable to the Group: RMB157,500,000)

Notes:

(1) According to Contract for Grant of State-owned Land Use Rights No. (2008) 41 entered into between 無錫市國土資源局 (Land Resources Bureau of Wuxi Municipality) (the "Grantor") and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) (the "Grantee") (a subsidiary of SRE Group Limited) on May 6, 2008, the Grantor has granted the land use rights of a parcel of land to the Grantee with details as follows:

(i)	Location	:	west side of Xinhong Road
(ii)	Site area	:	69,212.40 sq m
(iii)	Use	:	residential
(iv)	Consideration	:	RMB125,000,000
(v)	Land use term	:	40 years for commercial use, 70 years for residential use and 50 years for other uses
(vi)	Plot ratio	:	1.05 to 1.2

According to Supplemental Contract to the Contract for Grant of State-owned Land Use Rights No. (2008) 41 entered into between the Grantor, the Grantee and 無錫鴻慶房地產開發有限公司 (Wuxi Hongqing Real Estate Development Co. Ltd.) on June 7, 2010 (the "Supplemental Contract"), the grantee under the contract was changed from 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) to Wuxi Hongqing Real Estate Development Co. Ltd. The date of commencement of construction works has been extended to August 30, 2010 and the date of completion of construction of works has been extended to February 28, 2013.

(2) As advised by the Group, 無錫鴻慶房地產開發有限公司 (Wuxi Hongqing Real Estate Development Co. Ltd.) has no legal impediment to obtain the State-owned Land Use Rights Certificate.

(3) According to Business License No. 320213000131430 dated April 27, 2010, 無錫鴻慶房地產開發有限公司 (Wuxi Hongqing Real Estate Development Co. Ltd.) was established with a registered capital of RMB8,000,000. The scope of business comprises the real estate development and operation.

(4) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) The Contract for Grant of State-owned Land Use Rights of the property is legal, valid and protected under the PRC laws;

(ii) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled; and

(iii) according to the Supplemental Contract, construction of the property is required to commence prior to August 30, 2010 but Wuxi Hongqing Real Estate Development Co. Ltd. has not yet obtained the relevant approval documents in respect of the construction of the property and construction of the property and has not yet commenced. Pursuant to the Contract for Grant of State-owned Land Use Rights No. (2008) 41, the Grantor may impose a fine on Wuxi Hongqing Real Estate Development Co. Ltd. of less than 20% of the land premium payable if construction failed to commence within one year of the construction commencement date prescribed under the Contract for Grant of State-owned Land Use Rights and may take back the land use rights if construction failed to commence within two years of the construction commencement date prescribed under the Contract for Grant of State-owned Land Use Rights.

(5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificate	No
Contract for Grant of State-owned Land Use Rights	Yes
Supplementary Contract for Grant of State-owned Land Use Rights	Yes
Business License	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at October 31, 2010
11.	A parcel of land on the north side of Xixian Road, Hongshan New Town, New District, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市新區鴻山新鎮錫賢路北側的一塊土地	The property comprises a parcel of land with a total site area of approximately 74,762.9 sq.m. As advised by the Group, a proposed hotel and convention center development will be developed on the property with a total gross floor area of approximately 82,239.19 sq.m. The property is held with land use rights for a term due to expire on February 3, 2050 for commercial use.	As at the date of valuation, the property was a bare land.	RMB170,000,000 (90% interest attributable to the Group: RMB153,000,000)

Notes:

(1) According to Contract for Grant of State-owned Land Use Rights No. (2008) 20 entered into between 無錫市國土資源局 (Land Resources Bureau of Wuxi Municipality) (the "Grantor") and 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) (the "Grantee") (a subsidiary of SRE Group Limited) on January 25, 2008, the Grantor has granted the land use rights of a parcel of land to the Grantee with details as follows:

(i)	Location	:	north side of Xixian Road
(ii)	Site area	:	74,762.9 sq m
(iii)	Use	:	commercial
(iv)	Consideration	:	RMB121,900,000
(v)	Land use term	:	40 years for commercial use
(vi)	Plot ratio	:	1.0 to 1.1

According to Supplemental Contract to the Contract for Grant of State-owned Land Use Rights No. (2008) 20 entered into between the Grantor and the Grantee on May 21, 2010, the date of commencement of construction works has been extended to May 30, 2010 and the date of completion of construction of works has been extended to May 30, 2012.

As advised by the Group, the Group is waiting for the relevant authorities issuing relevant permit for construction and no penalty is arisen presently due to the delay of commencement of construction works.

(2) According to State-owned Land Use Rights Certificate No (2010) 014 dated July 12, 2010, the property has been vested in 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co., Ltd.) for a term due to expire on February 3, 2050 for commercial use.

(3) According to Business License No. 320200400029334 dated November 11, 2009, 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co. Ltd.) was established with a registered capital of US$24,900,000 for an operating period from March 6, 2007 to March 5, 2057. The scope of business comprises the real estate development, public facilities development and property management in Hongshan New Town.

(4) We have been provided with a Legal Opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

(i) The state-owned Land Use Rights Certificate and Contract for Grant of State-owned Land Use Rights of the property are legal, valid and protected under the PRC laws;

(ii) 無錫鴻山新城開發有限公司 Wuxi, Hongshan New Town Development Co., Ltd.) has the right to use, occupy, and mortgage the land use rights of the property; and

(iii) all land premium stated in the Contract for Grant of Stated-owned Land Use Rights have been paid and settled.

(5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

State-owned Land Use Rights Certificate	Yes
Contract for Grant of State-owned Land Use Rights	Yes
Supplementary Contract for Grant of State-owned Land Use Rights	Yes
Business License	Yes

VALUATION CERTIFICATE

Group VI – Properties leased and occupied by the Group in the PRC

	Property	Description and tenure	Capital value in existing state as at October 31, 2010
12.	A portion of building at No. 4 Zhenxing Road, Hongshan Town, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市鴻山鎮振興路4號房屋部份	The property comprises a portion of building. The property has a total gross floor area of approximately 1,922.58 sq.m. and is occupied by the Group as office. The property is leased from an independent third party to 無錫鴻山新城鎮開發有限公司 (Wuxi Hongshan New Town Development Co., Ltd.) (a subsidiary of SRE Group Limited) for a term from March 1, 2009 to March 2, 2011 at an annual rent of RMB250,000. According to the PRC legal opinion, the lessor has provided the Building Ownership Certificate of the property and is entitled to lease the property. The tenancy is valid, legally binding and enforceable.	No commercial value
13.	A portion of building at No. 4-1 Zhenxing Road, Hongshan Town, Wuxi, Jiangsu Province, the PRC 中國江蘇省無錫市鴻山鎮振興路4-1號房屋部份	The property comprises a portion of building. The property has a total gross floor area of approximately 1,922.58 sq.m. and is occupied by the Group as office. The property is leased from an independent third party to 無錫鴻山新城鎮綠化環保建設有限公司 (Wuxi Hongshan New Town Virescence Environmental Protection Construction Co., Ltd.) (a subsidiary of SRE Group Limited) for a term from July 1, 2009 to June 30, 2011 at an annual rent of RMB250,000. According to the PRC legal opinion, the lessor has provided the Building Ownership Certificate of the property and is entitled to lease the property. The tenancy is valid, legally binding and enforceable.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at October 31, 2010
14.	Golf courses in Luodian New Town, Baoshan District, Shanghai, the PRC 中國上海市寶山區 羅店新鎮 高爾夫球場	The property comprises an existing 36-hole international golf course occupying a site area of approximately 1,146,081 sq.m. (1,719 mu), in Luodian New Town, Baoshan District. The 36-hole international golf course comprises two 18– hole golf courses named the South Lake Course and the North Forest Course. The 18-hole South Lake Course commenced operation in August 2004 and measures 7,248 yards in length and is par 72. The 18-hole North Forest Course, which commenced operation in September 2005 and measures 7,266 yards in length and is par 72. The property is currently under the operation of and managed by 上海美蘭湖高爾夫俱樂部有限公司 (Shanghai Lake Malaren Golf Club Co. Ltd.) (a subsidiary of SRE Group Limited). The property is leased from Luodian Town Government to 上海金羅店開發有限公司 (Shanghai Golden Luodian Development Co. Ltd.) ("SGLD") for a term of 40 years from October 23, 2003. During the lease term, SGLD is exempt from payment of rent but should bear the charge of maintenance of the course, and should pay the business tax related to the operation of the golf course to Luodian Town finance. According to the PRC legal opinion, the lease agreement is binding upon the lessor and lessee. Upon the inquiry of the Group, Luodian Town Government, as the lessor of golf course, failed to provide the land use right documents of the golf course. If SGLD could not use the golf course according to the lease agreement due to the land use right disputes of the golf course, SGLD is entitled to claim the compensation in accordance with the lease agreement.	No commercial value

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular other than that in respect of the Subscriber and persons acting in concert with it and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular other than opinions expressed by the Subscriber and persons acting in concert with it have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Further, the Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The information contained in this circular relating to the Subscriber and persons acting in concert with it has been supplied by the directors of the Subscriber who collectively and individually accept full responsibility for the accuracy of the information contained in this circular relating to the Subscriber and persons acting in concert with it and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular other than opinions expressed by the Company have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

(1) Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:

8,000,000,000	Shares	HK$800,000,000.00

Issued and fully paid up or credited as fully paid up:

3,603,881,194	Shares	HK$360,388,119.40

All of the Shares rank pari passu in all respects, including as to dividends, voting and capital.

The Shares are listed on and traded on the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

There has been no alteration to the authorised share capital of the Company since the end of its last financial year, being 31 December 2009 and there has been no increase in the issued share capital of the Company since 31 December 2009 and up to the Latest Practicable Date.

(2) Share options

The Company adopted a share option scheme on 23 May 2002. Pursuant to such scheme, the maximum number of Shares upon which options may be granted when aggregated with those granted under any other share option scheme of the Company in issue may not exceed 82,963,000 Shares, representing approximately 2.30% of the issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, there were no outstanding options to subscribe for Shares.

(3) Convertible bonds

The Company had on 24 July 2009 issued the Convertible Bonds. As at the Latest Practicable Date, the outstanding amount of the Convertible Bonds was convertible into a maximum of 511,074,068 Shares based on the current conversion price.

Save as disclosed in the section headed "Share Capital, Share Options and Convertible Bonds" in this Appendix, there were no options, warrants or conversion rights affecting the Shares outstanding as at the Latest Practicable Date.

3. MARKET PRICES OF SHARES

The closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the calendar months during the 6 months immediately preceding 9 December 2010, being the date of the Announcement and ending on the Latest Practicable Date; (ii) on 8 December 2010, being the last business day immediately preceding the date of the Announcement; (iii) the Last Trading Day and (iv) on the Latest Practicable Date were as follows:

Date	Closing price of the Shares
30 June 2010	HK$0.77
30 July 2010	HK$0.86
31 August 2010	HK$0.77
30 September 2010	HK$0.80
29 October 2010	HK$0.79
30 November 2010	HK$0.77
8 December 2010	HK$0.77
Last Trading Day	HK$0.76
31 December 2010	HK$0.78
Latest Practicable Date	HK$0.82

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing 6 months preceding 9 December 2010, being the date of the Announcement, and ending on the Latest Practicable Date were HK$0.89 on 2 August 2010 and HK$0.68 on 9 and 10 June 2010.

4. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, the interests and short positions of each Director and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, to be notified to the Company and Stock Exchange; or (iv) which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

(i). Long position 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%
Zhuo Fumin	–	140,000 *(Note 3)*	–	140,000	0.004%

Notes:

1. These Shares were held by Md. Si Xiao Dong, the spouse of Mr. Shi Jian.

2. These Shares comprised 1,098,400,938 Shares held by the Subscriber and the Lent Shares (being 150,000,000 Shares, representing approximately 4.16% of the issued share capital of the Company as at the Latest Practicable Date).

3. These Shares were held by Md. He Pei Pei, the spouse of Mr. Zhuo Fumin.

(ii). Long position in shares of CNTD

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Shi Jian	–	–	2,396,781,817 *(Note)*	2,396,781,817	61.54%
Li Yao Min	1,481,250	–	–	1,481,250	0.04%
Yue Wai Leung, Stan	888,750	–	–	888,750	0.02%

Note: These 2,396,781,817 shares were held by Sinopower Investment Limited which is a wholly-owned subsidiary of the Company. The Subscriber is a controlling shareholder of the Company interested in more than 30% of the issued share capital of the Company. As Mr. Shi Jian and his spouse, Md. Si Xiao Dong together beneficially own 63% of the issued share capital of the Subscriber, Mr. Shi is therefore taken to be interested in these 2,396,781,817 shares under the SFO.

(iii). Long position in options granted pursuant to the Management Grant of CNTD

Name of Director	No. of shares exercisable under the Management Grant of CNTD	No. of shares awarded but not yet exercisable under the Management Grant of CNTD	Total	Approximate percentage of shareholding of CNTD
Li Yao Min	1,185,000	3,258,750	4,443,750	0.11%
Yue Wai Leung, Stan	1,185,000	3,258,750	4,443,750	0.11%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any 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 Companies as contained in the Listing Rules to be notified to the Company and the Stock Exchange, or which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

(b) As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) or corporations had an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of issued ordinary shares held *(Note 1)*	Approximate percentage of shareholding
Si Xiao Dong	Beneficial owner, spouse and corporate interest	1,255,650,045 (L) *(Note 2)*	34.84%
The Subscriber	Beneficial owner	1,248,400,938 (L) *(Note 3)*	34.64%
Deutsche Bank Aktiengesellschaft	Beneficial owner and person having a security interest in shares	208,902,123 (L) 104,818,000 (S)	5.79% 2.90%

Notes:

(1) "L" represents long positions in Shares and "S" represents short positions in Shares.

(2) These Shares comprised 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 the Subscriber is interested in. Such 1,248,400,938 Shares comprise 1,098,400,938 Shares held by the Subscriber and the Lent Shares.

(3) These Shares comprised 1,098,400,938 Shares held by the Subscriber and the Lent Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive 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.

(c) As at the Latest Practicable Date, the following Directors are also directors of the Subscriber:

Name of Director	Position held in the Subscriber
Mr. Shi Jian	director
Mr. Li Yao Min	director

(d) Mr. Cheung Wing Yui, a non-executive Director, is a consultant of Woo, Kwan, Lee & Lo, the Company's legal advisers on Hong Kong law in relation to the Subscription and the Whitewash Waiver. Woo, Kwan, Lee & Lo will receive normal fees for professional services rendered in connection therewith.

5. SHAREHOLDINGS AND DEALINGS

(A) Shareholdings and dealings in the shares and the convertible securities, warrants, options and derivatives in respect of the shares of the Subscriber (the "Subscriber Securities")

(a) As at the Latest Practicable Date:

(i) the Company was not interested in any Subscriber Securities;

(ii) save as disclosed in Note 1 and Note 2 to the table set out in the section headed "Effect of the Subscription" in the Letter from the Board in this circular:

(1) none of the directors of the Subscriber or the Directors was interested in any Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(2) none of the persons acting in concert with the Subscriber owned or controlled any Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and

(3) none of the Subscriber nor any persons acting in concert with it had borrowed or lent any Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(b) None of the Company nor the Directors had dealt for value in the Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period beginning 6 months prior to 9 December 2010, being the date of the Announcement, and ending on the Latest Practicable Date.

(c) None of the Subscriber, its directors nor persons acting in concert with the Subscriber had dealt for value in the Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period beginning 6 months prior to 9 December 2010, being the date of the Announcement, and ending on the Latest Practicable Date.

(B) Shareholdings and dealings in the Shares and the convertible securities, warrants, options and derivatives in respect of the Shares (the "Company Securities")

(a) As at the Latest Practicable Date:

(i) the Subscriber was interested in 1,248,400,938 Shares (including the 150,000,000 Lent Shares);

(ii) save as disclosed in the table set out in the section headed "Disclosure of Interests" in this Appendix, none of the Directors was interested in any Company Securities;

(iii) none of the Company nor the Directors had borrowed or lent any Company Securities; and

(iv) none of the Subscriber nor any persons acting in concert with the Subscriber had borrowed or lent any Company Securities, save for the Lent Shares.

(b) The Subscriber and the Directors had not dealt for value in any Company Securities during the period beginning 6 months prior to 9 December 2010, being the date of the Announcement, and ending on the Latest Practicable Date.

(c) No Subscription Shares will be transferred, charged or pledged to any other persons upon completion of the Subscription.

6. VOTING ON THE WHITEWASH WAIVER

(a) As at the Latest Practicable Date, no person had, prior to the Subscription and the posting of this circular, irrevocably committed themselves to vote for or against the Whitewash Waiver.

(b) As at the Latest Practicable Date, Mr. Shi Jian, Mr. Li Yao Min and Mr. Yu Hai Sheng were the only Directors who hold Shares, but being persons acting in concert with the Subscriber, they will abstain from voting on the resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

(c) The Subscriber and persons acting in concert with it (including Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Md. Si Xiao Dong, Mr. Shi Jian Dong and Md. He Pei Pei), their respective associates and those involved or interested in the Subscription and the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolutions to approve the Subscription and the Whitewash Waiver.

7. DIRECTORS' SERVICE CONTRACTS

(a) Service contracts/appointment letters with the Company

As at the Latest Practicable Date, each of the following executive Directors had entered into service contracts with the Company and each of the following non-executive Directors and independent non-executive Directors had entered into appointment letters with the Company, the terms and conditions of which are summarized below:

Name of Director	Date of service contract/ appointment letter	Term	Prevailing fixed annual remuneration	Termination notice period or payment in lieu of notice
Executive Directors				
Shi Jian	2 June 2010	1 July 2010 to 30 June 2013	HK$2,000,000	6 months' written notice
Li Yao Min	2 June 2010	1 July 2010 to 30 June 2013	HK$1,500,000	6 months' written notice
Yu Hai Sheng	2 June 2010	1 July 2010 to 30 June 2013	HK$2,500,000	6 months' written notice
Jiang Xu Dong	2 June 2010	1 July 2010 to 30 June 2013	HK$2,000,000	6 months' written notice
Shi Pin Ren	2 June 2010	2 June 2010 to 1 June 2013	HK$2,000,000	6 months' written notice
Yue Wai Leung, Stan	3 June 2009	3 June 2009 to 2 June 2012	HK$2,200,000	6 months' written notice
Non-executive Directors				
Jin Bing Rong	2 June 2010	1 July 2010 to 30 June 2012	HK$330,000	1 month's written notice
Cheung Wing Yui	2 June 2010	1 July 2010 to 30 June 2012	HK$360,000	1 month's written notice
Independent non-executive Directors				
Jiang Xie Fu	2 June 2010	1 July 2010 to 30 June 2012	HK$330,000	1 month's written notice
E. Hock Yap	2 June 2010	1 July 2010 to 30 June 2012	HK$330,000	1 month's written notice
Zhuo Fumin	30 November 2010	30 November 2010 to 29 November 2012	HK$360,000	1 month's written notice

The fixed annual remuneration of the executive Directors after the first anniversary of the term of the service agreement is to be determined by the Board or the remuneration committee of the Board (as the case may be). Each executive Director is also entitled to an annual management bonus under the relevant service contract, the amount of which is to be determined by the Board from time to time, provided that the aggregate management bonus payable to all executive Directors for a financial year shall not be more than 10% of the Company's net profit after taxation and minority interests as shown in the audited consolidated financial statements of the Company for the relevant year.

(b) Service contracts/appointment letters with CNTD

As at the Latest Practicable Date, each of Mr Shi Jian and Mr Li Yao Min had also entered into service contracts with CNTD and Mr Yue Wai Leung Stan had entered into an appointment letter with CNTD, a subsidiary of the Company, the terms and conditions of which are summarized below:

Name of Director	**Date of service contract/ appointment letter**	**Term**	**Prevailing fixed annual remuneration**	**Termination notice period or payment in lieu of notice**
Shi Jian	7 October 2010	22 October 2010 to 21 October 2013	HK$1,000,000	6 months' written notice or payment in lieu of notice
Li Yao Min	7 October 2010	22 October 2010 to 21 October 2013	HK$2,000,000	6 months' written notice or payment in lieu of notice
Yue Wai Leung Stan	7 October 2010	22 October 2010 to 21 October 2013	HK$240,000, unless otherwise determined by the board of directors of CNTD	1 month's written notice

The fixed annual remuneration of Mr Shi Jian and Mr Li Yao Min as referred to above is subject to review from time to time by the board of CNTD and the remuneration committee of CNTD. Each of Mr Shi Jian and Mr Li Yao Min is also entitled to a discretionary performance bonus as may be determined by the board of CNTD.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation), nor has any of the Directors entered into any service contract with any member of the Group or associated companies which are in force and are fixed term contracts and which have more than 12 months to run irrespective of the notice period or which are continuous contracts with a notice period of 12 months or more, or which has been entered into or amended within 6 months prior to 9 December 2010, being the date of the Announcement.

8. LITIGATION

As at the Latest Practicable Date, there is no material litigation to which the Company or any of its subsidiaries is, or may become, a party.

9. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

10. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up.

11. INTEREST IN CONTRACTS AND ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

12. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group after the date of two years preceding the date of the Announcement and up to and including the date of issue of this circular and which are or may be material:

(a) The subscription agreement dated 5 March 2009 entered into between the Company's subsidiary Sinopower Investment Limited ("**Sinopower**") and CNTD in relation to the subscription of 680,000,000 ordinary shares of no par value in CNTD ("**CNTD Shares**") at S$0.051 per share by Sinopower.

(b) The placing and subscription agreement dated 29 June 2009 entered into between the Company, the Subscriber as vendor, Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch as placing agents (the "**Placing Agents**") in relation to the placing of up to 520,000,000 then existing Shares (the "**Placing Shares**") by the Placing Agents (the "**Placing**") at HK$0.96 per Share and the subscription by the Subscriber for the same number of new Shares as the Placing Shares successfully sold at the completion date of the Placing at the subscription price of HK$0.96 per Share.

(c) The subscription agreement dated 29 June 2009 entered into between the Company and Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch as joint bookrunners in respect of the subscription of the Convertible Bonds to be issued at 100% of the aggregate principal amount of the Convertible Bonds.

(d) The subscription agreement dated 2 July 2009 entered into between the Company's subsidiary CNTD as the issuer and Sinopower as the subscriber in relation to the issue of up to 293,795,512 new CNTD Shares at S$0.07872 per share.

(e) The subscription agreement dated 28 July 2009 entered into between the Company's subsidiary CNTD as the issuer and Sinopower as the subscriber in relation to the subscription of up to RMB300,000,000 in aggregate principal amount of 2% convertible bonds of CNTD due 2016 to be issued at 100% of the aggregate principal amount of the such convertible bonds.

(f) The sale and purchase agreement dated 28 October 2009 entered into between Mr. Ng Chi Ming Ken ("**Mr. Ng**") as the vendor and the Company's subsidiary Konmen Investment Limited as the purchaser in relation to the sale and purchase of (i) the entire issued share capital of Goldjoy Investment Limited（金怡投資有限公司）("**Goldjoy**") and (ii) an interest free shareholder's loan in the sum of HK$38,961,230.61 with no designated term of repayment owing by Goldjoy at the total consideration of HK$750,000,000.

(g) The agreement dated 10 February 2010 entered into between the Subscriber, the Company's subsidiary Sinopower and the Company to terminate the sale and purchase agreement dated 21 January 2010 entered into between the Subscriber, Sinopower and the Company in relation to the sale and purchase of the entire issued share capital of, and the shareholders' loan to, Gao Feng Limited from the Subscriber.

(h) The sale and purchase agreement dated 10 February 2010 entered into between Md. Li De E as the vendor and the Company's subsidiary Sinopower as the purchaser in relation to the sale and purchase of (i) the entire issued share capital of Big Prime Limited ("**Big Prime**") and (ii) an interest free shareholder's loan in the sum of US$2,874,257 owing by Big Prime to Ms. Li De E at the total consideration of RMB$305,000,000.

(i) The agreement dated 26 March 2010 entered into between the Company's subsidiary 上海金羅店開發有限公司 (Shanghai Golden Loudian Development Co., Ltd.) ("SGLD"), the Company's subsidiary 上海美蘭湖高爾夫俱樂部有限公司 (Shanghai Lake Malaren Golf Club Co., Ltd.) ("SLMGC") and the Company's subsidiary 上海上置物業管理有限公司 (Shanghai Good Property Management Co., Ltd.) ("SGPM") pursuant to which SGLD and SLMGC agreed to sell their respective 52% and 48% equity interest in 上海美蘭湖物業管理有限公司 (Shanghai Lake Malaren Property Management Co., Ltd.) to SGPM for the consideration of RMB1,580,000 and RMB1,459,200 respectively.

(j) The sale and purchase agreement dated 6 December 2010 entered into between Mr. Pau Shing Kwan as the vendor and the Company's subsidiary Sinopower as the purchaser in relation to the sale and purchase of (i) the entire issued share capital of Cheswing Limited ("Cheswing") and (ii) an interest free shareholder's loan in the sum of US$25,799,999 owing by Cheswing to Mr. Pau Shing Kwan at the total consideration of US$36,000,000.

(k) The Subscription Agreement.

13. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009 (being the date to which the latest published audited accounts of the Group were made up).

14. QUALIFICATIONS AND CONSENTS OF EXPERTS

(a) The following is the qualification of the experts who have given opinion or advice which is contained or referred to in this circular:

Name	Qualification
OSK Capital Hong Kong Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Subscription IBC, the Whitewash IBC and the Independent Shareholders on the Subscription and the Whitewash Waiver
DTZ Debenham Tie Leung Limited	property valuer
Jones Lang LaSalle Sallmanns Limited	property valuer
Yan Yiming Law Firm	PRC lawyers

(b) As at the Latest Practicable Date, none of OSK Capital, DTZ Debenham Tie Leung, Jones Lang LaSalle Sallmann and Yan Yiming Law Firm had any direct or indirect shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

(c) As at the Latest Practicable Date, none of OSK Capital, DTZ Debenham Tie Leung, Jones Lang LaSalle Sallmanns and Yan Yiming Law Firm had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up.

(d) Each of OSK Capital, DTZ Debenham Tie Leung, Jones Lang LaSalle Sallmanns and Yan Yiming Law Firm has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, reports and/or valuation certificates (as the case may be) and references to its name in the form and context in which it is included.

15. GENERAL

(a) The Subscriber is a controlling Shareholder beneficially interested in approximately 34.64% of the issued share capital of the Company as at the Latest Practicable Date. The registered office of the Subscriber is at Pasea Estate, Road Town, Tortola, British Virgin Islands. The directors of the Subscriber are Mr. Shi Jian, Md. Si Xiao Dong, Mr. Li Yao Min and Mr. Shi Jian Dong and its controlling shareholders are Mr. Shi Jian and Md. Si Xiao Dong holding 33% and 30% interests in the Subscriber respectively.

(b) Principal members of the persons acting in concert with the Subscriber are Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Shi Jian Dong and Md. Si Xiao Dong and their correspondence address is Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

(c) No benefit will be given to any Director as compensation for loss of office or otherwise in connection with the Subscription and the Whitewash Waiver (other than statutory compensation).

(d) As at the Latest Practicable Date, there was no agreement or arrangement existed between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription and the Whitewash Waiver or otherwise connected therewith.

(e) Save for the stock borrow agreements in relation to the Lent Shares, in which each of Mr. Shi Jian, Mr. Li Yao Min and Mr. Yu Hai Sheng was deemed to have material personal interest by virtue of being a shareholder of the Subscriber holding 5% or more interest, as at the Latest Practicable Date, there was no material contract entered into by the Subscriber in which any Director has a material personal interest.

(f) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any persons acting in concert with it and any of the Directors or recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Whitewash Waiver.

(g) As at the Latest Practicable Date, no subsidiary of the Company, pension fund of the Company or of any subsidiary of the Company, or any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code owned or controlled any Company Securities.

(h) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code.

(i) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Subscriber or any person acting in concert with the Subscriber.

(j) The principal place of business of KBC Bank N.V. Hong Kong Branch is situated at 39/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. KBC Bank N.V. Hong Kong Branch has given and has not withdrawn its written consent to the issue of this circular with all references to its name in the form and context in which they appear in this circular.

(k) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

(l) There will not be any change in the composition of the Board as a result of Completion.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (i) Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekday, except public holidays, (ii) on the Company's website at www.sre.com.cn and (iii) on the website of SFC at www.sfc.hk from the date of this circular up to and including 27 January 2011:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum and articles of association of the Subscriber;

(c) the letter from the Subscription IBC, the text of which is set out in this circular;

(d) the letter from the Whitewash IBC, the text of which is set out in this circular;

(e) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(f) the letters and valuation certificates from Jones Lang LaSalle Sallmanns and DTZ Debenham Tie Leung, the text of which are set out in Appendices II and III of this circular;

(g) the service contracts and appointment letters referred to in the section headed "Directors' Service Contracts" in paragraph 7 of this Appendix;

(h) the contracts referred to in the section headed "Material Contracts" in paragraph 12 of this Appendix;

(i) the written consents referred to in the section headed "Qualifications and Consents of Experts" in paragraph 14 of this Appendix;

(j) the written consent from KBC Bank N.V. Hong Kong Branch referred to in paragraph 15(j) of this Appendix; and

(k) the audited accounts of the Group for each of the two financial years ended 31 December 2008 and 2009.

SRE GROUP LIMITED
上置集團有限公司*

SRE GROUP LTD.

(Incorporated in Bermuda with limited liability)
(Stock Code: 1207)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of SRE Group Limited (the "**Company**") will be held at Room 2501, 25th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 27 January, 2011 at 10:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the conditional subscription agreement dated 9 December 2010 between SRE Investment Holding Limited (the "Subscriber") and the Company (the "Subscription Agreement", a copy of which is produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified;

(b) the allotment and issue to the Subscriber of 700,000,000 shares of HK$0.10 each in the capital of the Company (the "Subscription Shares") for cash at HK$0.81 per share in accordance with the terms and conditions of the Subscription Agreement be and is hereby approved; and

(c) any one director of the Company or any other person authorized by the board of directors of the Company from time to time, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do such acts or things as he or she or they may in his or her or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or give effect to the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares) or to be incidental to, ancillary to or in connection with the matter contemplated under the Subscription Agreement (including the allotment and issue of the

* *For identification purpose only*

Subscription Shares), including agreeing and making any modifications, amendments, waivers, variations or extensions of the Subscription Agreement and/or the transactions contemplated thereunder."

2. "**THAT** subject to and conditional on the passing of resolution no.1 as set out in the notice of this meeting, the waiver granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate thereof pursuant to Note 1 on Dispensations from Rule 26 of the Code on Takeovers and Mergers ("Takeovers Code") to the Subscriber and persons acting in concert with it from the obligation to make a mandatory offer for all the securities of the Company not already owned or agreed to be acquired by them which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of the Subscriber being allotted and issued the Subscription Shares (as defined in resolution no.1 as set out in the notice of this meeting) be and is hereby approved."

By order of the Board
SRE Group Limited
Shi Jian
Chairman

Hong Kong, 10 January 2011

Notes:

(1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.

(2) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or any adjournment thereof, as the case may be).

(3) Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.

(4) The ordinary resolutions as set out above will be voted by way of a poll.

(5) As at the date of this notice, the board of directors of the Company comprises eleven directors, six of whom are executive directors, namely, Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong, Mr. Shi Pin Ren and Mr. Yue Wai Leung Stan; two of whom are non-executive directors, namely, Mr. Cheng Wing Yui and Mr. Jin Bing Rong and three of whom are independent non-executive directors, namely, Mr. Jiang Xie Fu, Mr. E. Hock Yap and Mr. Zhuo Fumin.