



# 上置

2011  
INTERIM REPORT



SRE GROUP LIMITED  
上置集團有限公司

(Stock Code: 1207)

# Group Financial Highlights

For the six months ended  
30 June 2011

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Revenue (HK\$'000)	2,382,651
Net Profit attributable to owners of the parent (HK\$'000)	149,233
Basic earnings per share (HK cents)	3.70
Dividend per share-Interim (HK cents)	—

## Interim Results

The Board of Directors (“the Board”) of SRE Group Limited is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (“the Group”) for the six months ended 30 June 2011 together with comparative figures for the corresponding period in 2010. The unaudited interim financial statements for the six months ended 30 June 2011 have been reviewed by the Company’s Audit Committee.

# Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	2011 Unaudited	2010 Unaudited
Revenue	3	2,382,651	1,984,218
Cost of sales		(1,744,131)	(1,238,411)
<b>Gross profit</b>		<b>638,520</b>	745,807
Selling and marketing costs		(84,885)	(66,281)
Administrative expenses		(209,910)	(243,788)
Other gains/(losses) – net	4	93,556	(26,868)
<b>Operating profit</b>		<b>437,281</b>	408,870
Finance income		54,573	18,276
Finance costs		(198,104)	(121,241)
Finance costs – net		(143,531)	(102,965)
Share of profits and losses of associates		3,344	8,359
<b>Profit before tax</b>		<b>297,094</b>	314,264
Income tax expense	5	(226,735)	(279,233)
<b>Profit for the period</b>		<b>70,359</b>	35,031
Profit attributable to:			
Owners of the parent		149,233	160,771
Non-controlling interests		(78,874)	(125,740)
<b>Other comprehensive income</b>			
Exchange differences on translation of financial statements into presentation currency		271,763	107,788
<b>Other comprehensive income for the period, net of tax</b>		<b>271,763</b>	107,788

# Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	2011 Unaudited	2010 Unaudited
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>342,122</b>	142,819
Total comprehensive income attributable to:			
Owners of the parent		<b>357,366</b>	237,150
Non-controlling interests		<b>(15,244)</b>	(94,331)
		<b>342,122</b>	142,819
Earnings per share attributable to ordinary equity holders of the parent			
– Basic		<b>3.70 cents</b>	4.34 cents
– Diluted		<b>3.70 cents</b>	4.26 cents

# Interim Consolidated Statement of Financial Position

As at 30 June 2011 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

		<b>30 June</b>	31 December
		<b>2011</b>	2010
	Notes	<b>Unaudited</b>	Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,661,295</b>	2,627,299
Completed investment properties		<b>6,844,956</b>	6,624,338
Investment properties under construction		<b>114,238</b>	111,646
Prepaid land lease payments		<b>405,427</b>	399,796
Goodwill	8	<b>687,574</b>	671,979
Investments in associated companies		<b>69,003</b>	72,182
Investments in jointly-controlled entities		<b>48,341</b>	–
Derivative financial asset		<b>57,191</b>	55,894
Deferred tax assets		<b>441,652</b>	432,186
Non-current accounts receivable	9	<b>93,803</b>	109,598
Other non-current assets		<b>57,075</b>	57,974
		<b>11,480,555</b>	11,162,892
<b>Current assets</b>			
Prepaid land lease payments		<b>11,924,763</b>	11,017,446
Properties held or under development for sale		<b>6,827,591</b>	6,124,508
Land development for sale		<b>4,885,735</b>	4,416,924
Inventories		<b>79,885</b>	29,759
Amounts due from associates		–	8,113
Prepayments and other current assets		<b>845,080</b>	671,331
Other receivables		<b>1,311,021</b>	1,186,348
Accounts receivable	9	<b>243,403</b>	607,865
Prepaid income tax		<b>294,517</b>	113,854
Cash and bank balances		<b>4,100,035</b>	5,402,966
		<b>30,512,030</b>	29,579,114
<b>Total assets</b>		<b>41,992,585</b>	40,742,006

# Interim Consolidated Statement of Financial Position

As at 30 June 2011 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

		30 June 2011 Unaudited	31 December 2010 Audited
	Notes		
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital and premium		5,366,779	4,736,489
Other reserves		1,352,661	1,142,493
Retained profits		2,690,221	2,665,801
Equity attributable to owners of the parent		9,409,661	8,544,783
Non-controlling interests		2,763,300	2,782,378
<b>Total equity</b>		<b>12,172,961</b>	11,327,161
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing bank and other borrowings	12	9,578,320	8,863,028
Convertible bonds-host debts	14	380,532	354,548
Guaranteed senior notes	13	558,768	557,322
Deferred income from sale of golf club membership		636,903	632,478
Deferred tax liabilities		2,138,491	2,076,251
		<b>13,293,014</b>	12,483,627
<b>Current liabilities</b>			
Interest-bearing bank and other borrowings	12	3,266,943	3,169,554
Advances received from the pre-sale of properties under development		4,548,691	4,546,137
Accounts payable	10	2,914,422	3,358,631
Other payables and accruals		2,556,598	2,421,148
Current income tax liabilities		2,277,105	2,323,911
Deferred income arising from land development		962,851	1,111,837
		<b>16,526,610</b>	16,931,218
<b>Total liabilities</b>		<b>29,819,624</b>	29,414,845
<b>Total equity and liabilities</b>		<b>41,992,585</b>	40,742,006
<b>Net current assets</b>		<b>13,985,420</b>	12,647,896
<b>Total assets less current liabilities</b>		<b>25,465,975</b>	23,810,788

# Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

(Unaudited)

From 1 January 2011 to 30 June 2011

Attributable to owners of the parent

	Issued capital and Premium	Assets revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Equity component of			Non- controlling interests	Total Equity	
						Other reserves	convertible bonds	Retained profits			
At 31 December 2010	4,736,489	2,268	248	259,266	1,019,873	(318,523)	179,361	2,665,801	8,544,783	2,782,378	11,327,161
Total comprehensive income for the period	-	-	-	-	208,133	-	-	149,233	357,366	(15,244)	342,122
Issuance of new shares	567,000	-	-	-	-	-	-	-	567,000	-	567,000
Capital contribution from Non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	23,222	23,222
Equity-settled share options to management of a subsidiary	-	-	-	-	-	2,035	-	-	2,035	1,276	3,311
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(28,332)	(28,332)
Final 2010 dividend declared											
- Cash Dividends	-	-	-	-	-	-	-	(61,523)	(61,523)	-	(61,523)
- Script Dividends	63,290	-	-	-	-	-	-	(63,290)	-	-	-
At 30 June 2011	5,366,779	2,268	248	259,266	1,228,006	(316,488)	179,361	2,690,221	9,409,661	2,763,300	12,172,961

(Unaudited)

From 1 January 2010 to 30 June 2010

Attributable to owners of the parent

	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Equity component of			Non- controlling interests	Total equity	
						Other reserves	convertible bonds	Retained profits			
At 1 January 2010	4,736,489	6,498	248	215,706	734,392	84,997	179,361	2,234,050	8,191,741	3,115,939	11,307,680
Total comprehensive income for the period	-	-	-	-	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

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2011 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	2011 (unaudited)	2010 (unaudited)
<b>Operating activities</b>			
Cash used in operations	15	(1,274,274)	(2,678,008)
Interest paid		(408,385)	(319,870)
Income tax paid		(453,987)	(122,042)
<b>Net cash flows used in operating activities</b>		<b>(2,136,646)</b>	<b>(3,119,920)</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(66,869)	(18,350)
Proceeds from disposal of property, plant and equipment		825	1,140
Construction of investment properties		(56,964)	(105,310)
Acquisition of subsidiaries, net of cash acquired		(156,000)	(139,235)
Proceeds from disposal of interest in a company		–	296,153
Purchase of shareholding in jointly-controlled companies		(47,557)	–
Increase in equity interests in a subsidiary		–	(412,753)
Dividends received from an associate		16,112	–
Interest received		13,003	9,561
<b>Net cash flows used in investing activities</b>		<b>(297,450)</b>	<b>(368,794)</b>
<b>Financing activities</b>			
Increasing in borrowings		537,462	1,910,679
Net proceeds from issue of new shares		567,000	–
Payments of expenses incurred for the listing of existing shares of a subsidiary		(4,569)	–
Cash received from the capital injection from non-controlling shareholders of subsidiaries		22,897	27,347
Dividends paid to non-controlling shareholders of subsidiaries		(28,332)	(2,996)
Dividends paid to the Company's shareholders		(61,440)	(22,423)
<b>Net cash flows generated from financing activities</b>		<b>1,033,018</b>	<b>1,912,607</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,401,078)</b>	<b>(1,576,107)</b>
<b>Effect of foreign exchange rate changes</b>		<b>98,147</b>	<b>33,343</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>3,887,304</b>	<b>4,602,822</b>
<b>Cash and cash equivalents, end of period</b>		<b>2,584,373</b>	<b>3,060,058</b>

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 2011 have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting.

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 2010.

### 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 2010, except for the adoption of new and revised standards and interpretations as of 1 January 2011, as described below:

#### *HKAS 24 (Revised): Related Party Disclosures*

The revised HKAS 24 clarifies and simplifies the definition of a related party. The revised standard also provides some relief for government-related entities to disclose details of all transactions with other government-related entities (as well as with the government itself). Currently, the revision does not have significant impact on the Group's financial statements.

#### *HKAS 32 Amendment: Classification of Rights Issues*

The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met. Currently, the amendment does not have significant impact on the Group's financial statements.

# Note to the Financial Statements

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

## 1. Basis of preparation and accounting policies (continued)

### 1.2 Significant accounting policies (continued)

#### *HKFRS 1 Amendment: Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*

HKFRS 1 Amendment relieves first-time adopters of HKFRSs from providing the additional disclosures introduced in March 2009 by Improving Disclosures about Financial Instruments (Amendments to HKFRS 7). It thereby ensures that first-time adopters benefit from the same transition provisions that Amendments to HKFRS 7 provide to current HKFRS preparers. Currently, the amendment did not have significant impact on the Group's financial statements.

#### *HK(IFRIC)-Int 14 Amendment: Prepayments of a Minimum Funding Requirement*

The 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 the future contributions is thus equal to the sum of (i) the prepayment of 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. Currently, the amendments did not have significant financial impact on the Group's financial statements.

#### *HK(IFRIC)-Int 19: Extinguishing Financial Liabilities with Equity Instruments*

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 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 recognized 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. Currently, the interpretation did not have significant financial impact on the Group's financial statements.

# Note to the Financial Statements

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

## 1. Basis of preparation and accounting policies (continued)

### 1.2 Significant accounting policies (continued)

*Improvements to HKFRSs (issued May 2010)*

In May 2010, HKICPA issued an 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 amendments resulted in certain changes to accounting policies, but did not have significant impact on the financial statements of the Group.

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 divides its businesses into different segments 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 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.

# Note to the Financial Statements

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

## 2. Operating Segment Information (continued)

Management monitors the operating results of the Group's business units separately for the purposes of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured in the same manner as operating profit or loss under the consolidated financial statements is measured. 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 2011 (unaudited)					Total
	Property development	Land development	Property leasing	Hotel operations	Corporate and other operations	
<b>Segment revenue</b>						
Sales to external customers	1,839,108	261,707	75,498	120,114	86,224	2,382,651
Intersegment sales	-	58,694	-	-	57,767	116,461
	1,839,108	320,401	75,498	120,114	143,991	2,499,112
<i>Reconciliation:</i>						
Elimination of intersegment sales						(116,461)
Revenue						2,382,651
<b>Segment profit/(loss)</b>	345,055	113,705	124,393	(51,872)	(94,000)	437,281
Finance income						54,573
Finance costs						(198,104)
Finance costs – net						(143,531)
Share of profits and losses of associates						3,344
<b>Profit before tax</b>						297,094

# Note to the Financial Statements

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

## 2. Operating Segment Information (continued)

	Six months ended 30 June 2010 (unaudited)					Total
	Property development	Land development	Property leasing	Hotel operations	Corporate and other operations	
<b>Segment revenue</b>						
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
<i>Reconciliation:</i>						
Elimination of intersegment sales						(19,638)
Revenue						1,984,218
<b>Segment profit/(loss)</b>	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
<b>Profit before tax</b>						314,264

# Note to the Financial Statements

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

## 3. Revenue

Revenues recognized during the period are as follows:

	<b>(unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
Sale of development properties	<b>1,954,504</b>	1,645,803
Revenue from land development	<b>279,857</b>	155,382
Hotel operations	<b>127,378</b>	132,159
Revenue from property leasing	<b>80,232</b>	75,097
Property management income	<b>61,128</b>	32,778
Golf operation	<b>31,997</b>	34,616
Revenue from construction of infrastructure for an intelligent network	<b>4,316</b>	2,794
Other revenues	<b>749</b>	25,302
	<b>2,540,161</b>	2,103,931
Less: Business tax and surcharges <sup>(a)</sup>	<b>(157,510)</b>	(119,713)
Total revenue	<b>2,382,651</b>	1,984,218

(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, at 20% of the revenue from golf operation 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.

# Note to the Financial Statements

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

## 4. Other Gains/(losses) – net

	(unaudited)	
	For the six months ended 30 June	
	2011	2010
Donation	–	(17,092)
Fair value gain/(loss) on investment properties	<b>89,980</b>	(865)
Loss on disposals of property, plant and equipment	–	(6,802)
Others	<b>3,576</b>	(2,109)
	<b>93,556</b>	(26,868)

## 5. Tax

	(unaudited)	
	For the six months ended 30 June	
	2011	2010
Current taxation		
– Mainland China income tax	<b>120,037</b>	130,608
– Mainland China LAT	<b>92,244</b>	121,223
	<b>212,281</b>	251,831
Deferred taxation		
– Mainland China income tax	<b>(6,494)</b>	(10,201)
– Mainland China withholding tax	<b>32,146</b>	37,603
– Mainland China LAT	<b>(11,198)</b>	–
	<b>14,454</b>	27,402
Total tax charge for the period	<b>226,735</b>	279,233

# Note to the Financial Statements

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

## 5. Tax (continued)

### (a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25%, in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group, in Mainland China, which are taxed at preferential rates of 24%.

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 2% to 5% on proceeds of the sale and pre-sale of properties.

# Note to the Financial Statements

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

## 5. Tax (continued)

### (d) Mainland China Withholding tax

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

## 6. Earnings per Share

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$149,233 thousand (2010: HK\$160,771 thousand) and the weighted average number of 4,029,502,928 ordinary shares (2010: 3,603,881,194 shares) in issue during the period. The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$149,230 thousand (2010: HK\$157,961 thousand) and the diluted weighted average number of 4,029,502,928 ordinary shares (2010: 3,603,881,194 shares) in issue during the period.

## 7. Dividend

The Board had resolved not to declare an interim dividend for the six months ended 30 June 2011 (2010: Nil).

# Note to the Financial Statements

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

## 8. Goodwill

	2011 Unaudited	2010 Audited
<b>Cost</b>		
At beginning of period/year	671,979	453,788
Acquisition of subsidiaries	–	196,069
Exchange realignment	15,595	22,122
At end of period/year	687,574	671,979
<b>Accumulated impairment</b>		
At beginning and end of period/year	–	–
<b>Net carrying amount</b>		
Balance, end of period/year	687,574	671,979
Balance, beginning of period/year	671,979	453,788

## 9. Accounts Receivable

	30 June 2011 Unaudited	31 December 2010 Audited
Accounts receivable	253,756	617,983
Less: Impairment	(10,353)	(10,118)
	243,403	607,865
Non-current accounts receivable	93,803	109,598
	337,206	717,463

# Note to the Financial Statements

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

## 9. Accounts Receivable (continued)

An aging analysis of accounts receivable is set out below:

	<b>30 June 2011 Unaudited</b>	31 December 2010 Audited
Within 6 months	<b>156,021</b>	57,294
6 months – 1 year	<b>78,197</b>	394,640
1 – 2 years	<b>45,379</b>	52,588
Over 2 years	<b>67,962</b>	223,059
	<b>347,559</b>	727,581

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 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, 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.

# Note to the Financial Statements

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

## 10. Accounts Payable

	<b>30 June 2011 Unaudited</b>	31 December 2010 Audited
Accounts payable	<b>2,914,422</b>	3,358,631

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

	<b>30 June 2011 Unaudited</b>	31 December 2010 Audited
Within 1 year	<b>2,190,395</b>	2,670,441
1 – 2 years	<b>121,860</b>	337,099
Over 2 years	<b>602,167</b>	351,091
	<b>2,914,422</b>	3,358,631

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

# Note to the Financial Statements

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

## 11. Related Party Transactions

- (a) During the period ended 30 June 2011, compensation to key management and their close family members amounted to HK\$9.4 million.
- (b) In March 2011, the controlling shareholder of the Company (SRE Investment Limited) subscribed for 700 million new shares issued by the Company at the price of HK\$0.81 per share and the number of shares in issue was thus increased to 4,303,881,194, while percentage of shares held by the the controlling shareholder and persons acting in concert with it increased to 45.76% accordingly. (Since certain shareholders elected scrip shares for 2010 dividends, the shares of the Company in issue at the end of June totaled 4,406,624,507.)
- (c) On 6 May 2011, the Company and SRE Investment Limited entered into the Convertible Note Subscription Agreement, pursuant to which the SRE Investment Limited has conditionally agreed to subscribe for and the Company has conditionally agreed to issue convertible note in the principal amount of HK\$550 million at the conversion price of HK\$1.00 per conversion share subject to the terms and conditions of the Convertible Note Subscription Agreement. The convertible note shall bear an interest rate of 2% per annum and mature on the date falling on the fifth anniversary of the date of issue of the Convertible Note. On 14 June 2011, approval has been obtained at the special general meeting of the Company. The transaction has not yet been completed as of 30 June 2011.

# Note to the Financial Statements

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

## 12. Interest-bearing Bank and Other Borrowings

As at 30 June 2011, the aggregate bank and other borrowings of the Group amounted to approximately HK\$12,845 million (31 December 2010: approximately HK\$12,033 million) approximately HK\$12,365 million (31 December 2010: approximately HK\$11,642 million) of which were secured by mortgage of the Group's leasehold land, investment properties, property, plant and equipment and properties held or under development for sale, or by pledge of equity interest in subsidiaries and bank deposits.

As at 30 June 2011, bank deposits of approximately HK\$1,564 million (31 December 2010: approximately HK\$1,098 million), leasehold land of approximately HK\$6,136 million (31 December 2010: approximately HK\$3,659 million), investment properties of approximately HK\$6,743 million (31 December 2010: approximately HK\$6,414 million), properties held or under development for sale of approximately HK\$3,391 million (31 December 2010: approximately HK\$2,939 million), and property, plant and equipment of approximately HK\$1,765 million (31 December 2010: approximately HK\$1,361 million) and 100% equity interest in Bairun with a cost of approximately HK\$60 million (31 December 2010: approximately HK\$59 million) and 95% equity interest in Jinwu with a cost of approximately HK\$505 million (31 December 2010: approximately HK\$494 million) were pledged as collateral for the Group's long-term borrowings and banking facilities.

## 13. 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.

# Note to the Financial Statements

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

## 14. 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 and with a fixed exchange rate applicable to the conversion of RMB0.8818 = HK\$1.00 (subject to certain anti-dilutive adjustments). The coupon interest rate is 6% per annum, payable semi-annually 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 day 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 has the option to redeem at par all of the remaining CB4 if at least 90% of the 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 at 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.

# Note to the Financial Statements

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

## 15. Notes to the Consolidated Statement of Cash Flows

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

	<b>For the six months ended 30 June</b>	
	<b>2011 (unaudited)</b>	<b>2010 (unaudited)</b>
Profit for the period	<b>297,094</b>	314,264
Adjustments for:		
Depreciation of property, plant and equipment	<b>87,530</b>	82,737
Amortisation of prepaid land lease payments	<b>5,246</b>	7,307
(Gain)/loss on disposal of property, plant and equipment	<b>(383)</b>	6,801
Share of profits and losses of associates	<b>(3,344)</b>	(8,359)
Fair value (gain)/loss on investment properties	<b>(95,753)</b>	698
Fair value loss on investment properties under construction	<b>5,773</b>	166
Loss on dispose of the interest in a company	–	725
Management share option expense	<b>3,310</b>	1,864
Finance income	<b>(54,573)</b>	(18,276)
Finance cost	<b>198,104</b>	121,241
	<b>443,004</b>	509,168
Increase in leasehold land	<b>(811,105)</b>	(693,631)
Increase in properties held or under development for sale	<b>(341,556)</b>	(1,110,479)
Increase in inventories	<b>(48,877)</b>	(17,754)
Decrease in investment property	<b>44,513</b>	–
(Increase)/decrease in prepayments and other current assets	<b>(147,569)</b>	120,489
Increase in other receivables	<b>(102,649)</b>	(241,635)
Decrease in accounts receivable	<b>394,902</b>	112,397
Decrease in accounts payable	<b>(466,801)</b>	(904,167)
Increase/(decrease) in other payables and accruals	<b>227,472</b>	(457,601)
Decrease in amount due to associates	–	(11,153)
Decrease in advance received from pre-sale of properties under development	<b>(101,791)</b>	(36,108)
Decrease in deferred income from sale of golf club membership	<b>(10,138)</b>	(15,988)
(Decrease)/increase in deferred income arising from construction of ancillary public facilities	<b>(11,210)</b>	68,454
Increase in current income tax payable	<b>6,793</b>	–
Increase in land development for sale	<b>(349,262)</b>	–
<b>Cash used in operations</b>	<b>(1,274,274)</b>	(2,678,008)

# Note to the Financial Statements

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

## 16. Commitments

	<b>30 June</b>	31 December
	<b>2011</b>	2010
	<b>Unaudited</b>	Audited
<b>Contracted, but not provided for</b>		
Investment property under construction	<b>28,973</b>	4,583
Land development for sale	<b>2,053,265</b>	2,423,583
Properties held or under development for sale	<b>2,293,340</b>	2,107,673
Property, plant and equipment and leasehold land	<b>478,169</b>	366,928
Investment in jointly-controlled entities	<b>144,300</b>	–
	<b>4,998,047</b>	4,902,767
<b>Authorised, but not contracted for</b>		
Investment property under construction	<b>175,035</b>	170,284
Land development for sale	<b>5,697,649</b>	5,618,624
Properties held or under development for sale	<b>1,324,902</b>	1,737,764
Property, plant and equipment and leasehold land	<b>2,891,801</b>	3,395,176
	<b>10,089,387</b>	10,921,848
	<b>15,087,434</b>	15,824,615

## 17. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2011.

## Financial Review

During the period under review, the Group recorded a net revenue of approximately HK\$2,383 million (2010: HK\$1,984 million), an increase of approximately 20% compared with that of the corresponding period of last year. The increase in net revenue was mainly due to the increase in property sales which is expected to further increase for the second half of the year. Profit attributable to owners of the parent amounted to approximately HK\$149.2 million (2010: approximately HK\$160.7 million), a decrease of approximately 7% compared with that of the corresponding period of last year.

## Liquidity and Financial Resources

The Group's liquidity position remains sound. Cash and bank balances amounted to approximately HK\$4,100 million as at 30 June 2011 (31 December 2010: approximately HK\$5,403 million). Working capital (net current assets) of the Group as at 30 June 2011 amounted to approximately HK\$13,985 million (31 December 2010: approximately HK\$12,648 million), an increase of approximately 10.6%. Current ratio was at 1.85x (31 December 2010: 1.75x).

As at 30 June 2011, the gearing ratio, being the Group's net borrowings (total borrowings minus cash and bank balance) to total capital (equity plus net borrowings), was 44% (31 December 2010: 40%).

## Charges on Assets and Contingent Liabilities

As at 30 June 2011, bank and other borrowings of approximately HK\$12,365 million (31 December 2010: approximately HK\$11,642 million) were secured by mortgage of the Group's leasehold land, investment properties, property, plant and equipment and properties held or under development for sale, or by pledge of equity interest in subsidiaries and bank deposits.

As at 30 June 2011, the Group had no contingent liabilities (31 December 2010: nil) in respect of guarantees to assist home buyers to obtain mortgage loans from banks and complete mortgage procedures.

## Management Discussion and Analysis

Under the relevant PRC Laws, Shanghai Shangzhi Real Estate Development Co., Ltd is jointly liable for all outstanding debts and amounts payable to creditors of Shanghai Meng Shan Real Estate Co., Ltd 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 2011 amounted to approximately HK\$0.6 million.

### Business Review

In 2011, with state and local governments promulgating and implementing a series of macro-economic control policies, real estate prices and transaction volume have softened to varying degrees in different localities, and the real estate market has gradually become more rational and stable.

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

### Real Estate Development

#### Progress in Sales

In the first half of 2011, the Group's major projects up for sale included Cedar Villa Original, Wuxi Jiangnan Rich Gate, Lake Malaren Garden, Haikou Bund Centre and Shenyang Albany and Central-Ring Centre.

From January to June 2011, contract sales amounted to approximately RMB1,018.92 million, with GFA totalling 59,418 m<sup>2</sup>. In which:

#### *Cedar Villa Original*

The Cedar Villa Original rests on Lake Malaren, Luodian Nordic New Town, Baoshan District, Shanghai. It boasts the benefits of proximity to Lake Malaren and high-end facilities including a golf course, featuring a golden Tuscan style of authentic Italian origin. The Land for Cedar Villa Original was purchased in April 2009, and pre-sale commenced after only twelve months, i.e. in May of 2010, and enjoyed a favorable market response. A total of 103 units were sold in the first half of 2011, with a total area of 12,720 m<sup>2</sup>, yielding revenue of RMB312.16 million (an average of RMB24,541 per m<sup>2</sup>).

### *Wuxi Jiangnan Rich Gate*

Wuxi Jiangnan Rich Gate resides in the northeastern part of Wuxi New District. Being another high-end product of SRE Group, the project builds exquisite townhouses in Wuxi. Sale commenced in October of 2010, and has been enjoying a favorable response. A total of 21 villas were sold in the first half of 2011, with a total area of 6,228 m<sup>2</sup>, yielding revenue of RMB92.77 million (an average of RMB14,894 per m<sup>2</sup>).

### *Lake Malaren Garden*

Lake Malaren Garden resides in Luodian Nordic New Town, Baoshan District, Shanghai. These golf club garden villas feature eclectic European architecture, a palatable harmony with the natural beauty, the architectural features and the cultural environment of the Nordic New Town. These coupled with the Rich Gate brand have attracted much attention. A total of 17 villas were sold in the first half of 2011, with a total area of 3,143 m<sup>2</sup>, yielding revenue of RMB85.30 million (an average of RMB27,144 per m<sup>2</sup>).

### *Haikou Bund Centre*

In 2010 and in the first half of 2011, Hainan's real estate market first witnessed vigorous sales, brought on by the central government's policy of positioning the province as an International Tourism Island, then the subsequent cooling off as a result of the strict macro-control measures by both the central and local governments. The Haikou Bund Centre project managed to adjust its strategies proactively, aptly and swiftly, selling 15 residential units of the Bund Centre (phase-1) from January to June 2011, with a total area of 2,085 m<sup>2</sup>, for RMB40.27 million (averaging RMB19,316 per m<sup>2</sup> – an increase of 33% from 2010). Sales proceeds actually received during this period amounted to RMB67.50 million.

### *Shenyang Albany*

Shenyang Albany was first featured in the Spring Housing Fair of Shenyang held on 26 March 2010, with the sales office opened on 9 April and sale for phase-1 of the project commencing on 29 May 2010. In the first half of 2011, a total of 206 units were sold for RMB163.77 million, with a total area of 18,154 m<sup>2</sup> (averaging RMB9,021 per m<sup>2</sup>).

# Management Discussion and Analysis

## *Central-Ring Centre*

As a landmark of the Shanghai Central Ring business district with all qualities of Grade 5A office buildings and well equipped with all sorts of facilities, the Central-Ring Centre has attracted an increasing number of companies. In the first half of 2011, the sale of the office Tower recorded satisfactory results. A total of 44 units measuring a total area of 7,208 m<sup>2</sup> were sold for RMB210.36 million, (averaging RMB29,185 per m<sup>2</sup>).

## Progress in Construction

Adhering to development plans and construction timelines delineated at the beginning of 2011, the Group and its subsidiary companies have been carrying out construction works in an orderly and standardized fashion, while making every effort to uphold our high standard of quality. Major projects under construction:

### *Cedar Villa Original*

Construction of Cedar Villa Original is divided into 2 tenders: Tender I: As of 30 June 2011, exterior walls insulation 80% completed, roof surface 90% completed, the plastering of interior walls 95% completed, the main structure, plastering and installation of the underground garage entirely completed. Tender II: On June 22, the owners' committee has examined and accepted the completion of construction and the site is handed over to the contractor for decoration works.

### *Albany Oasis Garden*

In June 2011, foundation construction for B1 floor of the basement under the public lawn of Zhongxing Road was virtually completed, and foundation construction for B2 floor was 30% completed; insulation for staircases and walls of B1 floor was completed, and equipment foundation work was completed.

### *Lake Malaren Garden*

In June 2011, the construction of the buildings for Lake Malaren Garden (Phase III) was 90% completed. The installation of door frames and window frames was completed, the installation of glasses was 90% completed, decoration of exterior walls and the installation of railings were 75% completed, brick pasting on the exterior walls was 90% completed and construction of surrounding walls was 90% completed. Decoration works are about to commence.

# Management Discussion and Analysis

## *Central-Ring Centre*

Construction of Building No.6 for Central-Ring Centre commenced on 4 March 2011. As of the end of June 2011, the piling and foundation work have been completed.

## *Rich Gate Sea View*

In the first half of 2011, the greenery work for Rich Gate Sea View had ended. For the relocation of integrated pipelines and wires to Long'an Road East, the laying of sewage and gas pipelines was virtually completed and that of the telecommunications and broad band networks was also completed. The widening of Long'an Road outside the estate is underway, which will help ease the traffic when the high-speed rail commences its operation by the end of the year.

## *Shenyang Albany*

The construction of the substructures and superstructures for Shenyang Albany Phase I was fully completed in the first half of 2011. Painting of exterior walls was virtually completed and stone works for the exterior wall was 98% completed. Interior decoration has already commenced. The whole project is slated for completion by October of this year.

## Progress in Relocation

### *Albany Oasis Garden*

Relocation for phase III development is underway. As at the end of June 2011, 1,013 relocation contracts were signed, with 589 households remaining, and relocation was about 62% completed.

### *Huangpu Bairun*

As of the end of June 2011, Bairun Huangpu Project has signed 257 relocation contracts, including 240 households (thus 68% completed), 8 self-employed merchants (thus 57% completed), 9 enterprises (thus 82% completed), and there remained 115 households, 6 self-employed merchants and 2 enterprises to be relocated.

# Management Discussion and Analysis

## *Shenyang Albany*

As of the end of June 2011, Shenyang Albany has signed 1,285 relocation contracts with different households, 1,027 of which were compensated by cash payments and 258 were provided substitution flats and the task is 86% completed; As enterprises are concerned, 10 contracts have been signed and the task is 40% completed. There are still approximately 215 households, 15 enterprises and one school pending.

## Land Development

In the first half of 2011, China New Town Development Limited successfully assigned one parcel of land of Luodian Project through public tender by Shanghai Municipal Planning and Land Resources Management Bureau. On 21 January 2011, the right to use the A1-3 land in Luodian Project was assigned to Sino-Ocean Land (Shanghai) Limited at a price of RMB538 million. With a site area of approximately 35,642 m<sup>2</sup>., the land was sold at approximately RMB15,102 per m<sup>2</sup>., marking a new record for Luodian Project.

## Commercial Properties

During the first half of 2011, to cope with changes in market conditions and opportunities arising, we continued to enhance management and operation of our commercial properties, adapt our business strategies for such changes, and leverage on our brand name advantages and management capabilities. As we continued to accumulate knowledges through experiences, we were able to gradually improve our operating results. Details include the following:

### *Shops at Shanghai Rich Gate*

Shanghai Rich Gate Shops achieved full occupancy for the first time from the end of 2009 to the beginning of 2010. Meanwhile, we emphatically continue to build our “Rich Gate” brand. By upholding targets of well servicing our tenants, displaying and selling only premium quality products and promoting a culture for classic things, the Rich Gate Shops will contribute to the cause, and the Rich Gate Shops and the “Rich Gate” brand will forcefully complement each other, seamlessly integrating quality community, quality properties and quality commercial tastes. From January to June 2011, rental income totaled RMB27.51 million.

## Management Discussion and Analysis

### *Shanghai Pullman Skyway Hotel*

In 2011, capitalizing on the good opportunities of Expo, Shanghai Pullman Skyway Hotel improved its management, enhanced quality of its services and effectively controlled costs. For the first six months of 2011, the hotel recorded revenue of RMB85.84 million, composed of room revenue of RMB46.72 million and revenue from food and beverages of RMB36.71 million. Gross profit amounted to approximately RMB18 million and the occupancy rate was about 58%.

### *Shenyang Rich Gate Shopping Mall*

Shenyang Rich Gate Shopping Mall combines a wide range of functions, such as shopping, fine food, leisure, entertainment, culture, sports & recreation and services. During the first half of 2011, the Mall adjusted and rationalized its mode of operation and rent structure as well as upgraded the shop exteriors. As of the end of June 2011, leases were entered for a total area of approximately 93,647 m<sup>2</sup>, accounting for 83% of the rentable area, and shops occupying a total area of 49,799 m<sup>2</sup> have opened for business. From January to June 2011, rental income totaled RMB25.04 million.

### *Central-Ring Centre*

During the first half of 2011, Central-Ring Centre doubled its efforts to lure leasees. Currently, commercial area of 30,000 m<sup>2</sup>, office space of 23,600 m<sup>2</sup> as well as an underground parking garage of 60,000 m<sup>2</sup> are retained as investment properties. For the six months till the end of June 2011, rental income totalled RMB18.24 million, RMB16.97 million of which was lease income while parking fee income totalled RMB1.19 million.

## Capital Market activities

In March 2011, the controlling shareholder of the Company (SRE Investment Limited) subscribed for 700 million new shares issued by the Company at the price of HK\$0.81 per share and the number of shares in issue was thus increased to 4,303,881,194, while percentage of shares held by the controlling shareholder and persons acting in concert with it increased to 45.76% accordingly. (Since certain shareholders elected scrip shares for 2010 dividends, the shares of the Company in issue at the end of June totalled 4,406,624,507.)

## Management Discussion and Analysis

On 6 May 2011, the Company and SRE Investment Limited entered into the Convertible Note Subscription Agreement, pursuant to which the SRE Investment Limited has conditionally agreed to subscribe for and the Company has conditionally agreed to issue convertible note in the principal amount of HK\$550 million at the conversion price of HK\$1.00 per conversion share subject to the terms and conditions of the Convertible Note Subscription Agreement. The convertible note shall bear an interest rate of 2% per annum and mature on the date falling on the fifth anniversary of the date of issue of the Convertible Note. On 14 June 2011, approval has been obtained at the special general meeting of the Company. The transaction has not yet been completed as of 30 June 2011.

### Business Outlook

In 2011, China continued to intensify its control over the real estate industry. Both the central and local governments broaden and deepen a number of control policies over commodity houses and affordable houses. In the first quarter of this year, the State Council promulgated what has been hailed as the most severe property control policy ever, the “New Eight Rules by State Council”, which aimed at gradually balancing the market supply and demand of houses and directing the real estate market toward a healthy and steady development.

For financial and monetary policies, the Central Bank raised the required reserve ratio six times in the first half of this year. The increase of the required reserve ratio and interest rates for deposit and lending resulted in a credit squeeze, thus making it more difficult for real estate enterprises to have access to capital and for buyers to get mortgages. As a result, the cost for purchasing homes increased and the “wait and see” sentiment of the market gained momentum.

According to the statistics published by the China National Statistics Bureau, total investment in real estate development in the first half of 2011 amounted to RMB2.6250 trillion, an increase of 32.9% over the same period last year. Out of this total amount, investment in residential building development accounted for RMB1.8641 trillion, an increase of 36.1% over the same period of last year. Despite the crushing pressure from the control policies, real estate investment still maintained a high growth momentum. During the same period, the national growth rates of both sales of commodity housing and number of start-up projects slowed down, but was still in the positive zone. However, encumbered by the purchase restrictions, sales in tier one and tier two cities slowed down and even declined by varying degrees.

## Management Discussion and Analysis

Under such a backdrop of further tightening of the macro-control policies over the real estate sector, we will proactively and prudently explore new financing channels in order to source the needed capital for our future development. In addition, we will continue to optimise the operation and management of commercial properties and office buildings held by the Group, and increase our investment in the development of real-estate projects in tier two and tier three cities so as to ensure a stable cash inflow, which we believe is conducive to a sustainable and sound development of the Group.

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

As at 30 June 2011, 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 made known 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 taken 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 made known 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 of the Company

Name of Director	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of shareholding
Shi Jian	7,246,991	2,324 (Note 1)	2,590,127,604 (Note 2)	2,597,376,919	58.94%
Li Yao Min	5,172,324	–	–	5,172,324	0.12%
Yu Hai Sheng	6,236,091	–	–	6,236,091	0.14%
Zhuo Fumin	–	140,000 (Note 3)	–	140,000	0.004%

# Management Discussion and Analysis

Notes:

1. These Shares were held by Md. Si Xiao Dong, the spouse of Mr. Shi Jian.
2. These Shares comprised 1,890,127,604 Shares held by SRE Investment Holding Limited (“SRE Investment”), the Lent Shares (being 150,000,000 Shares, representing approximately 3.4% of the issued share capital of the Company as at 30 June 2011) and 550,000,000 Shares which SRE Investment is deemed interested in under the SFO by virtue of it having entered into the Convertible Note Subscription Agreement.
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	61.46%
Li Yao Min	2,666,250	–	–	2,666,250	0.07%
Yue Wai Leung, Stan	2,073,750	–	–	2,073,750	0.05%

Note: These 2,396,781,817 shares were held by Sinopower Investment Limited which is a wholly-owned subsidiary of the Company. SRE Investment is the 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 SRE Investment, Mr. Shi is therefore taken to be interested in these 2,396,781,817 shares under the SFO.

## Management Discussion and Analysis

(iii). Long position in options granted pursuant to the Management Grant of CNTD

<b>Name of Director</b>	<b>No. of shares awarded but not yet exercisable under the Management Grant of CNTD</b>	<b>Approximate percentage of shareholding of CNTD</b>
Li Yao Min	3,258,750	0.08%
Yue Wai Leung, Stan	3,258,750	0.08%

### Directors' Interest in Contracts

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Company's directors had a material interest, either directly or indirectly, subsisted at the end of the period or at any time during the period.

### Directors' Rights to Acquire Shares

As at 30 June 2011, none of the directors had been granted any options or exercised any options of the Company.

Saved as disclosed in the section "Share option scheme" below, at no time during the period was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

# Management Discussion and Analysis

## Substantial Shareholders' Interests

As at 30 June 2011, so far as is known to any Director or chief executives of the Company, the following persons, other than a Director or chief executives of the Company, had interests of the Company or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under the Section 336 of Part XV of the SFO:

### Long positions in Shares

Name of Shareholder	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of shareholding
Si Xiao Dong	Beneficial owner, spouse and corporate interest	2,597,376,919 (L) (Note 2)	58.94%
SRE Investment	Beneficial owner	2,590,127,604 (L) (Note 3)	58.78%
Deutsche Bank Aktiengesellschaft	Beneficial owner and person having a security interest in shares	235,251,864 (L) 120,263,747 (S) 646,000 (P)	5.46% 2.79% 0.01%

Notes:

- (1) "L" represents long positions in Shares, "S" represents short positions in Shares and "P" represents lending pool.
- (2) These Shares comprised 2,324 Shares held by Md. Si Xiao Dong, 7,246,991 Shares held by her spouse – Mr. Shi Jian and 2,590,127,604 Shares which SRE Investment was interested in. Such 2,590,127,604 Shares comprised 1,890,127,604 Shares held by SRE Investment, the 150,000,000 Lent Shares and 550,000,000 Shares which SRE Investment is deemed interested in under the SFO by virtue of it having entered into the Convertible Note Subscription Agreement.
- (3) These Shares comprised 1,890,127,604 shares held by SRE Investment, the 150,000,000 Lent Shares and 550,000,000 Shares which SRE Investment is deemed interested in under the SFO by virtue of it having entered into the Convertible Note Subscription Agreement..

## Management Discussion and Analysis

Save as disclosed above, 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.

### Employees

As at 30 June 2011, the Group had retained 3,490 employees in Hong Kong and the PRC. Total staff costs of the Group excluding directors' remuneration for the period under review amounted to approximately HK\$97.5 million. Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employee.

### Share Option Scheme

No share options of the Company have been granted, exercised, cancelled or lapsed during the six months ended 30 June 2011.

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

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

	<b>2011</b> <b>Number of</b> <b>CNTD's share</b>	2010 Number of CNTD's shares (after the share split)
Outstanding at the beginning of the period	<b>18,393,750</b>	24,772,500
Forfeited during the period	–	(2,250,000)
Exercised during the period	<b>(4,905,000)</b>	(4,128,750)
Outstanding at the end of the period	<b>13,488,750</b>	18,393,750
Exercisable at the end of the period	<b>6,131,250</b>	4,905,000

# Management Discussion and Analysis

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

In March 2011, the controlling shareholder of the Company (SRE Investment Limited) subscribed for 700 million new shares issued by the Company at the price of HK\$0.81 per share and the shares of the Company in issue was thus increased to 4,303,881,194. Since certain shareholders elected scrip shares for 2010 dividends, the shares of the Company in issue at the end of June totaled 4,406,624,507.

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

## Directors' Compliance with the Code for Securities Transactions by Directors

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

## Audit Committee

The Company established an audit committee on 12th November 2001 with terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee has five members comprising the two non-executive Directors and the three independent non-executive Directors. The unaudited interim financial statements for the period ended 30 June 2011 has been reviewed by the Audit Committee.

## Corporate Governance

In April 2005 the Company adopted its own code on corporate governance practices which incorporates all the code provisions in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. Throughout the period, the Company complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 except for Code provisions E.1.2, which stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board of Directors did not attend the annual general meeting for the year 2011 due to other business commitment.

# Management Discussion and Analysis

## Disclosure of Information on the Website of the Stock Exchange

The interim report for 2011 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the Stock Exchange website (<http://www.hkex.com.hk>) in due course.

On behalf of the Board

**SRE Group Limited**

**Shi Jian**

*Chairman*

Hong Kong, China, 30 August 2011

## Property Details

Details of projects under development:

Project	Land Use	GFA (Sqm)	Expected Date of Completion	Completion Rate	Group's Equity Interest (%)
The Bund Center Haikou	Residential Phase I	84,914	2011	90%	79%
	Hotel	46,393	2012	25%	79%
	Commercial Phase I	2,000	2011	100%	79%
	Residential Phase II	220,400	2014	0%	79%
	Commercial Phase II	19,540	2014	0%	79%
	Residential Phase III	197,640	2016	0%	79%
	Commercial Phase III	20,000	2016	0%	79%
	Residential Phase IV	100,000	2018	0%	79%
	Commercial Phase IV	30,250	2018	0%	79%
	Office & Hotel Phase IV	184,030	2018	0%	79%
Minhang Project	Residential	103,164	2014	0%	27.70%
Albany Oasis Garden	Residential Phase III	150,000	2014	0%	100%
	Residential Phase IV	60,800	2014	0%	100%
	Commercial	50,000	2016	0%	100%
	Office	106,500	2016	0%	100%
Oasis Central Ring Center	Office	42,000	2012	10%	95.79%
Lake Malaren Garden	Residential Phase II	22,997	2011	80%	99%
	Residential Phase III	29,162	2011	75%	99%
	Commercial	1,086	2010	100%	99%
	Car Park	16,508	2011	60%	99%

## Property Details

Project	Land Use	GFA (Sqm)	Expected Date of Completion	Completion Rate	Group's Equity Interest (%)
Cedar Villa Original	Residential	112,745	2012	69%	98.75%
Shengyang Albany	Residential Phase I	123,829	2011	80%	90%
	Commercial Phase I	4,429	2011	80%	90%
	Residential Phase II	119,820	2015	0%	90%
	Commercial Phase II	2,281	2015	0%	90%
	Residential Phase III	50,900	2015	0%	90%
	Residential Phase IV	16,618	2017	0%	90%
	Residential Phase V	160,940	2016	0%	90%
	Office/Commercial	465,354	2017	0%	90%
Jiang Nan Rich Gate Wuxi	Residential	50,465	2012	60%	98.75%
Pudong Project	Residential	48,288	not start	0%	98.75%
Bairun Project	Residential	28,645	2013	In the process of relocation	50.36%
	Commercial	5,000	2013	In the process of relocation	50.36%
	Facilities	7,000	2013	In the process of relocation	50.36%
Rich Gate I Qinhai Oasis Garden	Residential Phase I	70,693	2014	In the process of relocation	100%
	Residential Phase II	30,297	2015	In the process of relocation	100%
	Commercial Phase I	41,939	2014	In the process of relocation	100%
	Commercial Phase II	10,800	2015	In the process of relocation	100%

## Property Details

Project	Land Use	GFA (Sqm)	Expected Date of Completion	Completion Rate	Group's Equity Interest (%)
Rich Gate Seaview	Residential	51,420	2011	100%	98.75%
	Retail	13,529	2011	100%	98.75%
	Office	26,429	2011	100%	98.75%
Shenyang Yosemite Oasis Community	Town House Phase I	162,386	2010	100%	98.95%
	Town House Phase II	69,985	2010	100%	98.95%
	Residential Phase III	256,985	2013	0%	98.95%
Jiaxing Project	Residential and Commercial – land parcel No. 5	97,905	2012	50%	98.96%
	Residential and Commercial – land parcel No. 1	137,516	2013	5%	98.96%
Wuxi Project	Residential	204,219	2013	0%	98.75%
SOHO	Residential and Commercial	39,317	2013	43.89%	44.70%
Lake Malaren Silicon Valley	Commercial	97,000	2015	23.62%	44.70%
Wuxi Hongqing	Residential	83,055	2012	0%	55.38%
Chengdu Pixian	Residential	215,202	2013	50.87%	44.70%

## Property Details

### Details of completed investment properties:

Project	Land Use	GFA (sqm)	Group's Equity	
			Interest (%)	
Shanghai Rich Gate	Retail	11,330	100%	
Unit 2605, 2606, 26(3A), 2803, 2806 and 28(3A) of Universal Mansion	Office	732	98%	
Shenyang Rich Gate	Commercial	245,252	60%	
Oasis Central Ring Center	Retail	32,143	95.79%	
Oasis Central Ring Center	Office (2#)	23,679	95.79%	
Oasis Central Ring Center	Car Park	57,045	95.79%	
Scandinavia Street, Shanghai, PRC	Retail	72,494	44.70%	
Retail Street in Wuxi Project	Retail	12,162	55.38%	
Shanghai supermarket shopping mall	Supermarket	21,356	44.70%	

### Details of hotels:

Project	Land Use	GFA (sqm)	Group's Equity	
			Interest (%)	
Crowne Plaza Lake Malaren Shanghai Hotel	Hotel	38,240	44.70%	
Shanghai Skyway Pullman Hotel	Hotel	101,047	56.00%	

### Details of the Land infrastructure under development for sale:

Project	Site area (sqkm)	Land Available for sale (sqm)	Completion Rate of Construction	Group's Equity	
				Interest (%)	
Shanghai Luodian New Town	6.8	866,082	91.09%	44.70%	
Wuxi Hongshan New Town	8.68	3,170,000	51.69%	55.38%	
Shenyang Lixiang New Town	20	11,840,000	45.42%	55.38%	

# Corporate Information

## Board of Directors

Shi Jian (*Chairman*)

Li Yao Min (*Vice-Chairman*)

Yu Hai Sheng (*Co-Chairman & Chief Executive Officer*)

Jiang Xu Dong (*Chief Operation Officer*)

Shi Pin Ren

Yue Wai Leung, Stan

(*Co-Chief Executive Officer*)

(*Resigned on 1 July 2011*)

Cheung Wing Yui\*

Jing Bing Rong\*

Jiang Xie Fu\*\*

E. Hock Yap\*\*

Zhuo Fumin\*\*

Yuan Pu\*\* (*Appointed on 1 July 2011*)

\* Non-executive Directors

\*\* Independent Non-executive Directors

## Authorized Representatives

Shi Jian

Li Yao Min

## Company Secretary

Lee Kwok Wah

## Legal Adviser

Woo, Kwan, Lee & Lo

## Auditor

Ernst & Young

## Principal Bankers

Hong Kong: The Agricultural Bank of China  
CITIC Ka Wah Bank Limited

PRC: The Agricultural Bank of China  
The Industrial and Commercial  
Bank of China  
The Bank of China  
Shanghai Pudong Development Bank  
China Minsheng Bank

## Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

## Hong Kong Office

Room 2501, 25th Floor,

Office Tower, Convention Plaza,

1 Harbour Road

Wanchai, Hong Kong

## Principal Registrar and Transfer Office

Butterfield Corporate Service Ltd

Rose Bank Centre

11 Bermudiana Road

Pembroke, Bermuda

## Hong Kong Branch Registrar and Transfer Office

Tricor Tengis Limited

Share Registration

26/F, Tesbury Centre,

28 Queen's Road East, Wanchai, Hong Kong

## Stock Code

1207

## Internet Web Site

[www.sre.com.cn](http://www.sre.com.cn)

## E-mail

[general@sregroup.com.hk](mailto:general@sregroup.com.hk)