SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1207)

2008 FINAL RESULTS ANNOUNCEMENT

The Board of directors (the "Board") of SRE Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 as set out below:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008
(Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	**2008**	2007
Revenue		**3,739,865**	3,350,446
Cost of sales	*4*	**(2,844,987)**	(2,713,929)
Gross profit		**894,878**	636,517
Selling and marketing costs	*4*	**(75,685)**	(112,345)
Administrative expenses	*4*	**(251,350)**	(173,746)
Other income		**–**	969
Other gains – net		**1,411,217**	1,302,738
Operating profit		**1,979,060**	1,654,133
Finance income		**152,521**	187,161
Finance costs		**(11,063)**	(140,105)
Finance income – net		**141,458**	47,056
Share of profits and losses of associates		**(443,186)**	(31,021)

	Notes	2008	2007
Profit before tax		**1,677,332**	1,670,168
Tax	*5*	**(893,471)**	(641,960)
Profit for the year		**783,861**	1,028,208
Attributable to:			
Equity holders of the parent		**247,936**	1,019,040
Minority interests		**535,925**	9,168
		783,861	1,028,208
Dividends-proposed final	*7*	–	96,000
Earnings per share attributable to ordinary equity holders of the parent (expressed in Hong Kong cents per share)	*6*		
– Basic		**8.91**	42.95
– Diluted		**8.64**	41.81

BALANCE SHEETS

31 December 2008

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

		Group		Company	
	Notes	**2008**	2007	**2008**	2007
ASSETS					
Non-current assets					
Property, plant and equipment		**1,668,269**	1,429,956	**282**	272
Investment properties		**5,248,073**	1,842,375	**–**	–
Prepaid land lease payments		**885,914**	1,108,527	**–**	–
Properties under development for long-term investment		**–**	880,124	**–**	–
Goodwill		**447,495**	422,627	**–**	–
Investments in subsidiaries		**–**	–	**4,565,875**	4,260,440
Advances to subsidiaries		**–**	–	**1,073,459**	857,205
Interests in associates		**530,402**	972,668	**–**	–
Deferred tax assets		**19,811**	–	**–**	–
Other non-current assets		**279,042**	63,159	**279,042**	41,801
		9,079,006	6,719,436	**5,918,658**	5,159,718
Current assets					
Prepaid land lease payments		**6,654,264**	5,554,483	**–**	–
Properties held or under development for sale		**3,096,513**	4,109,523	**–**	–
Inventories		**30,885**	24,673	**–**	–
Dividends receivable from subsidiaries		**–**	–	**390,573**	976,131
Amounts due from associates		**138,968**	11,048	**132,438**	3,868
Prepayments and other current assets		**66,404**	78,891	**555**	638
Other receivables		**642,145**	1,106,464	**–**	252
Accounts receivable	*8*	**18,165**	54,817	**–**	–
Prepaid income tax		**5,303**	23,837	**–**	–
Cash and bank balances		**1,575,476**	1,939,359	**170,687**	269,482
		12,228,123	12,903,095	**694,253**	1,250,371
Total assets		**21,307,129**	19,622,531	**6,612,911**	6,410,089

	Notes	Group 2008	Group 2007	Company 2008	Company 2007
EQUITY AND LIABILITIES					
EQUITY					
Issued capital and premium		**4,003,101**	3,956,327	**4,003,101**	3,956,327
Other reserves		**1,019,625**	555,442	**527,086**	262,737
Retained profits					
– Proposed final dividend		–	96,000	–	96,000
– Others		**1,449,859**	1,192,117	**5,817**	1,573
Equity attributable to equity holders of the parent		**6,472,585**	5,799,886	**4,536,004**	4,316,637
Minority interests		**1,400,776**	783,469	–	–
Total equity		**7,873,361**	6,583,355	**4,536,004**	4,316,637
LIABILITIES					
Non-current liabilities					
Interest-bearing bank and other borrowings		**3,045,114**	2,629,211	**216,865**	351,078
Guaranteed notes		**1,537,947**	1,540,928	**1,537,947**	1,540,928
Deferred tax liabilities		**1,430,596**	755,355	–	–
		6,013,657	4,925,494	**1,754,812**	1,892,006
Current liabilities					
Interest-bearing bank and other borrowings		**1,495,640**	1,164,570	**142,620**	142,182
Convertible bonds-host debts		**62,008**	35,363	**62,008**	35,363
Derivative financial liabilities		**88,470**	19,604	**88,470**	19,604
Advances received from the pre-sale of properties under development		**1,171,996**	2,392,775	–	–
Accounts payable	*9*	**1,357,377**	1,596,202	–	–
Other payables and accruals		**2,241,817**	2,072,911	**21,024**	4,297
Current income tax liabilities		**983,491**	831,880	–	–
Amounts due to related companies		**19,312**	377	**7,973**	–
		7,420,111	8,113,682	**322,095**	201,446
Total liabilities		**13,433,768**	13,039,176	**2,076,907**	2,093,452
Total equity and liabilities		**21,307,129**	19,622,531	**6,612,911**	6,410,089
Net current assets		**4,808,012**	4,789,413	**372,158**	1,048,925
Total assets less current liabilities		**13,887,018**	11,508,849	**6,290,816**	6,208,643

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

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

	Attributable to equity holders of the parent								
	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2007	2,042,586	12,012	248	77,894	63,019	361,884	2,557,643	396,981	2,954,624
Exchange realignment	–	–	–	–	261,230	–	261,230	67,750	328,980
Total income for the year recognised directly in equity	–	–	–	–	261,230	–	261,230	67,750	328,980
Profit for the year	–	–	–	–	–	1,019,040	1,019,040	9,168	1,028,208
Total income for the year	–	–	–	–	261,230	1,019,040	1,280,270	76,918	1,357,188
Effects of change in tax rate	–	2,567	–	–	–	–	2,567	–	2,567
Issue of shares upon conversion of convertible bonds	121,672	–	–	–	–	–	121,672	–	121,672
Share of equity movements in an associate	–	(18,196)	–	–	–	–	(18,196)	–	(18,196)
Acquisition of minority interests	–	–	–	–	–	–	–	(1,335)	(1,335)
Acquisition of a subsidiary	1,768,421	–	–	–	–	–	1,768,421	250,925	2,019,346
Capital contribution from minority shareholders of a subsidiary	–	–	–	–	–	–	–	61,728	61,728
Increase in fair value of previously held interest upon step acquisition to a subsidiary	–	106,955	–	–	–	–	106,955	–	106,955
Revaluation reserve transfer to retained profits upon sale of properties	–	(86,469)	–	–	–	86,469	–	–	–
Transfer from retained profits	–	–	–	136,182	–	(136,182)	–	–	–
Dividends relating to 2006									
– Cash dividends	–	–	–	–	–	(19,446)	(19,446)	–	(19,446)
– Scrip dividends	23,648	–	–	–	–	(23,648)	–	–	–
Dividends paid to minority shareholders	–	–	–	–	–	–	–	(1,748)	(1,748)
At 31 December 2007	3,956,327	16,869*	248*	214,076*	324,249*	1,288,117	5,799,886	783,469	6,583,355

	Attributable to equity holders of the parent									
	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Retained profits	Total	Minority 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**
Exchange realignment	**–**	**–**	**–**	**–**	**397,874**	**–**	**–**	**397,874**	**15,094**	**412,968**
Total income for the year recognised directly in equity	**–**	**–**	**–**	**–**	**397,874**	**–**	**–**	**397,874**	**15,094**	**412,968**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**247,936**	**247,936**	**535,925**	**783,861**
Total income for the year	**–**	**–**	**–**	**–**	**397,874**	**–**	**247,936**	**645,810**	**551,019**	**1,196,829**
Share of equity movements in an associate	**–**	**–**	**–**	**–**	**–**	**75,940**	**–**	**75,940**	**–**	**75,940**
Acquisition of minority interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(427)**	**(427)**
Capital contribution from minority 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	**–**	**–**	**–**	**–**	**–**	**–**	**(49,051)**	**(49,051)**	**–**	**(49,051)**
– Scrip dividends	**46,774**	**–**	**–**	**–**	**–**	**–**	**(46,774)**	**–**	**–**	**–**
Dividends paid to minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(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 comprise the consolidated reserves of HK$1,019.625 million (2007: HK$555.442 million) in the consolidated balance sheet.*

NOTE:

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.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	*Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of adopting these new interpretations and amendments to HKFRSs are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 *HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

3. REVENUE AND SEGMENT INFORMATION

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; and gross rental income received and receivable from investment properties during the year.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as the majority of Group's customers and operations are located in Mainland China.

An analysis by business segment is as follows:

	Year ended 31 December 2008				
	Property development	**Property leasing**	**Hotel operation**	**Corporate and other operations**	**Total**
Segment revenue					
External sales	**3,515,811**	**67,663**	**96,886**	**59,505**	**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)**	**(443,186)**
Profit before tax					**1,677,332**
Income tax expense					**(893,471)**
Profit for the year					**783,861**
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**	**530,402**
Total assets	**12,907,980**	**5,354,972**	**1,817,715**	**1,226,462**	**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	**6,493**	**112**	**91,484**	**525**	**98,614**
Capital expenditure	**3,185,900**	**126,161**	**256,256**	**1,512**	**3,569,829**
Fair value gain on derivative financial liabilities, net	**–**	**–**	**–**	**7,240**	**7,240**
Fair value gain on investment properties	**–**	**1,394,587**	**–**	**–**	**1,394,587**
Impairment loss charges	**–**	**–**	**38,827**	**104,882**	**143,709**

	Year ended 31 December 2007				
	Property development	Property leasing	Hotel operation	Corporate and other operations	Total
Segment revenue					
External sales	3,209,511	40,846	39,030	61,059	3,350,446
Segment profit/(loss)	555,733	968,581	(76,503)	206,322	1,654,133
Finance income					187,161
Finance costs					(140,105)
Finance income-net					47,056
Share of profits and losses of associates	–	–	–	(31,021)	(31,021)
Profit before income tax					1,670,168
Income tax expense					(641,960)
Profit for the year					1,028,208
Segment assets and liabilities					
Segment assets	13,614,565	3,177,016	1,388,794	469,488	18,649,863
Interests in associates	–	–	–	972,668	972,668
Total assets	13,614,565	3,177,016	1,388,794	1,442,156	19,622,531
Segment liabilities	9,525,136	1,314,449	50,203	2,149,388	13,039,176
Total liabilities	9,525,136	1,314,449	50,203	2,149,388	13,039,176
Other segment information:					
Depreciation	4,359	911	28,517	642	34,429
Capital expenditure	4,896,315	707,507	74,387	778	5,678,987
Fair value loss on derivative financial liabilities	–	–	–	51,825	51,825
Fair value gain on investment properties	–	942,269	–	–	942,269
Impairment loss charges	3,672	–	–	7,262	10,934

4. EXPENSE BY NATURE

	2008	2007
Cost of inventories (excluding depreciation)	**2,757,227**	2,685,412
Depreciation of property, plant and equipment	**98,614**	34,429
Employee benefit expense (including directors' emoluments)		
– Wages and salaries	**75,465**	55,225
– Other social welfare	**17,656**	15,748
	93,121	70,973
Operating lease payment in respect of buildings	**9,308**	8,245
Auditors' remuneration	**4,215**	4,938
Accounts receivable provision	**562**	10,934
Commission for sale of properties	**8,290**	54,871
Advertising costs	**51,169**	44,411
Miscellaneous tax	**31,538**	15,553
Transportation fee	**12,897**	8,550
Others	**105,081**	61,704
	3,172,022	3,000,020

5. TAX

	2008	2007
Current taxation		
– Mainland China enterprise income taxation (a)	**258,230**	256,832
– Mainland China land appreciation taxation (c)	**31,827**	333,903
	290,057	590,735
Deferred taxation		
– Mainland China enterprise income taxation	**329,456**	51,225
– Mainland China land appreciation taxation	**91,161**	–
– Mainland China withholding taxation (d)	**182,797**	–
	603,414	51,225
Total tax charge for the year	**893,471**	641,960

(a) Mainland China enterprise income tax

The Group conducts a significant portion of its business in Mainland China and the applicable enterprise income tax ("EIT") rate of its subsidiaries operating in Mainland China is generally 25%.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of transaction and revenue recognition, based on certain estimations. There was no outstanding balance of prepaid income tax as of 31 December 2008 (2007: approximately HK$9.5 million).

(b) Other income tax

The Company is exempted from taxation in Bermuda until 2016. If taxes on profits assessable elsewhere it would be calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretions and practices in respect thereof.

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

LAT 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. The tax is incurred upon transfer of property ownership.

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transaction and revenue recognition, generally based on 1% to 2% on advances received. Prepaid LAT had been recorded in "prepaid income tax" with an amount of approximately HK$5.3 million as of 31 December 2008 (2007: approximately HK$14.3 million).

(d) Withholding tax

Pursuant to the new PRC Corporate Income Tax Law, 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 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, as adjusted to reflect the bonus issue.

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. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense and fair value gain less the tax effect.

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

	2008	2007
Profit attributable to ordinary equity holders of the Parent, used in the basic earnings per share calculation	**247,936**	1,019,040
Fair value gain on the derivative component of the convertible bonds, net of tax	**(7,240)**	(12,458)
Interest expenses recognised on the host debt component of convertible bonds, net of tax	**100**	7,349
Profit attributable to ordinary equity holders of the parent before the above impact arising from convertible bonds	**240,796**	1,013,931

	Number of shares	
	2008	2007
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (thousands)	**2,783,881**	2,372,406
Effect of dilution – weighted average number of ordinary shares: Convertible bonds (thousands)	**2,466**	52,926
	2,786,347	2,425,332
Basic earnings per share (HK$ per share)	**8.91 cents**	42.95 cents
Diluted earnings per share (HK$ per share)	**8.64 cents**	41.81 cents

7. DIVIDENDS

	2008	2007
Proposed final dividend of – nil (2007: HK$0.035) per ordinary share	**–**	96,000

The Board of Directors has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2008 (2007: HK$0.035 per ordinary share).

The dividends paid during the years ended 2008 and 2007 were approximately HK$49,050,875 (HK$0.035 per share) and approximately HK$19,445,536 (HK$0.020 per share) respectively.

Pursuant to a resolution passed at the general meeting on 21 May 2008, the Company offered to its shareholders scrip dividends equivalent to HK$0.035 per ordinary share of HK$0.10 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.

8. ACCOUNTS RECEIVABLE

	2008	2007
Accounts receivable	**28,085**	65,751
Less: Provision for doubtful accounts	**(9,920)**	(10,934)
	18,165	54,817

An aging analysis of accounts receivable is set out below:

	2008	2007
Within 1 year	**17,574**	53,238
1-2 years	**591**	1,579
Over 2 years – impaired	**9,920**	10,934
	28,085	65,751

The receivables that are aged within two years are neither past due nor impaired. They mainly relate to receivables from customers with reasonably good credit worthiness. There is no significant collateral or any other credit enhancement over these balances.

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

	2008	2007
At beginning of year	**10,934**	1,977
Impairment losses recognised	**562**	10,934
Amount written off as uncollectible	**(2,237)**	(1,977)
Exchange adjustment	**661**	–
At end of year	**9,920**	10,934

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of approximately HK$10 million (2007: approximately HK$11 million) with a carrying amount of HK$10 million (2007: HK$11 million). The individually impaired accounts receivable are outstanding for over two years and are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

9. ACCOUNTS PAYABLE

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

	2008	2007
Within 1 year	**1,329,720**	1,341,902
1-2 years	**27,657**	253,498
Over 2 years	**–**	802
	1,357,377	1,596,202

Accounts payable represent payables arising from property construction. Accounts payable with aging of more than one year generally represent retention monies held by the Group in connection with various property projects.

RESULTS AND DIVIDEND

In 2008, the Group recorded a net revenue of approximately HK$3,740 million (2007: HK$3,350 million), which increased by approximately 11.6% compared with that of 2007. Profit attributable to shareholders was approximately HK$248 million, a decrease of 75.7% compared with approximately HK$1,019 million in 2007.

The Board of Directors has resolved not to recommend the payment of final dividend in respect of the year ended 31 December 2008 (2007: HK$0.035 per ordinary share).

FINANCIAL RESOURCES AND LIQUIDITY

The Group's liquidity position remains strong. As at 31 December 2008, cash and bank balances amounted to approximately HK$1,575 million (2007: HK$1,939 million). Working capital (net current assets) of the Group as at 31 December 2008 amounted to approximately HK$4,808 million (2007: HK$4,789 million), an increase of 0.4% from previous year. Current ratio was at a healthy level of 1.65x (2007: 1.59x).

As at 31 December 2008, the total liabilities to total equity decreased to 1.71x (2007: 1.98x). At the balance sheet date, the Group's gearing ratio is approximately 51% (2007: 52%), calculated on the basis of the Group's net payables and borrowings (after deducting cash and bank balance of approximately HK$1,575 million) over total capital (total equity plus net payables and borrowings).

BUSINESS REVIEW

During 2008 pressure from the deteriorating external environment together with the adjustment of domestic structural policies subjected China's economic growth, which is characterized by reliance on exports and investment, to rigorous challenges. As a result the Chinese economy entered a phase of adjustment, and in response to these rapid changes at both international and domestic level, the Government was forced to take a series of significant steps. These included intensifying reforms, adjusting the growth model, restructuring the economy, increasing state investment and transforming what was previously a stable fiscal policy. This involved imposing strict control on the fiscal side, while monetary policy remained relatively lax, both aiming to enhance national and corporate competitiveness.

The year in retrospect shows us the Chinese real estate market went through the mill. In fact diminishing demand, declining prices, fund-raising problems and evolving policies were the most striking features of the period. In order to counter these problems the State Council Office issued guidelines on healthy real estate development in December 2008, and these provided unprecedented stimulus to the industry, evidencing for the first time Government support for real estate development.

In view of these circumstances the Group focused on product quality, while not underestimating the need to maximise cash by redoubling sales campaigns, designed to accelerate the recovery of outlays, and through only prudent expansion. The Group succeeded in making marked progress on all fronts through the exchange of ideas, through careful analysis of current conditions, by taking up the challenge of negative situations, and through cooperation and detailed planning.

Property Sales

Under these circumstances the Company's affiliates turned difficulties into challenges and responded to them proactively, according priority to sales and accelerating the recovery of capital. They adopted a number of sales strategies for unsold units, pressed ahead with new property sales and achieved impressive results. A total area of 141,588 m^2 was sold with a consideration of HK$2.08 billion.

Sales of properties developed by the Company at Beverly Oasis Garden, Jiangnan Oasis Garden and Thousand Island Oasis Garden entered their closing stages. Our prevailing tactics throughout were to realise our profit as soon as possible by exploring potential sales to old customers, while pinpointing the advantages of mature properties.

By year end Beverly Oasis Garden had seen a total 791 m^2 sold for HK$29.48 million, which comes to an average price of HK$37,300 per m^2, while one unit had been sold at Shanghai Rich Gate at RMB95,000 per m^2, a new high for the small units, producing a total figure of HK$32.45 million, while Thousand Island Oasis Garden saw a total of 1,779 m^2 sold, accounting for HK$34.80 million.

Company properties at Cedar Island Oasis Garden, Central-Ring Centre, Jiangnan Rich Gate and Shenyang Rich Gate have been ongoing sales projects recently. Here our sales strategy was aimed at optimising cash flow with our brand advantage and top-class quality. We took account of market segmentation based on property characteristics in arriving at specific sales points, enabling co-ordinated targeted selling. There follows an outline of the results at each property.

Cedar Island Oasis Garden was marketed as offering reasonably-priced top-quality apartments, and the luxurious decoration was appreciated by buyers. The development stood head and shoulders above its competitors by virtue of its superior equipment design, personalized features and superior decoration. During the year it achieved more than satisfactory sales and indeed for several months it ranked top in Shanghai. A total of 88,754 m^2 was sold for HK$1,140 million.

Jiangnan Oasis Garden achieved a breakthrough in fine villa decoration designed to create personalised demand. During the year this property was made available to all staff, and the results were remarkable. By year end a total area of 3,432 m^2 had been sold for an impressive HK$137 million, with the average price reaching RMB35,000 per m^2.

Central Ring Centre is adjacent to Changfeng Commercial District in east Shanghai and connects to the Hongqiao commercial area to the south. It is circled by the Central Ring and by rail networks leading to the west Shanghai international business centre. Its Lakefront Oasis Garden has been sold in its entirety, and as at year end 20,179 m^2 of the office portion had been sold, bringing in HK$444.32 million.

Shenyang Rich Gate was not seriously disadvantaged by the financial crisis at home and abroad, and in fact Shenyang real estate in general managed very respectable and steady growth during 2008. Shenyang Rich Gate represents our first move outside Shanghai, and after one year of marketing emphasising its high quality and advantageous location, we nearly finished selling these top-class residential units. By 31 December 2008, an area of 24,979 m^2 had been sold for HK$266 million.

Yosemite Oasis Community is being built in Shenyang with a total area of 947 m^2 sold for HK$4.83 million.

Property Investment

The retail portion of Shanghai Rich Gate is a magnet for top international brands and niche luxury and personalized fashion products and is known for its provision of VIP service. Throughout the year we maintained high occupancy in the above-ground shops, and our first half efforts to diversify led us to lease the entire underground lettable shopping area to a Japanese supermarket. This immediately resulted in record rental income, and the opening of the supermarket promises to generate steady traffic and stable sales for the shops. In this way the annual daily rental for shops here averaged RMB18.48 per m^2, the highest attaining RMB41 per m^2.

Shanghai Skyway Hotel (formerly Skyway Landis Hotel) had its first full year of operation in 2008, and it is fair to say it has done a lot to consolidate the basics, standardise its management, improve its reputation and develop aggressive strategies. In 2008 Skyway Hotel had to confront a declining number of guests and growing competition by focusing on marketing, appointing a new management company. Thus it was possible to develop more secure guest sources, such as business travellers, travel agency business, meeting and exhibition business and an expanded Japanese market. All these measures together lead us to expect growth in revenue in 2009. During the year the hotel saw rising monthly revenue and made progress in cost control and service improvements.

The retail and office portion of Shanghai Central Ring Centre has a gross area of 60,285 m^2, lies adjacent to Hongqiao CBD with the Central Ring commercial district behind, and specialises in supplying leisure activities, food and beverages to middle-class consumers. By year end it had attracted a number of well-known outlets such as Starbucks and Will's, with the occupancy rate for shops and offices at around 66%. It had a soft opening in the second half, and we hope to secure a famous department store as anchor tenant.

Shenyang Rich Gate Shopping Mall has a gross area of 240,000 m^2, which makes it the largest mall in northeast China, and saw its soft opening on 8 April 2008. In its aim to provide a total format with multi-functional experience it has signed key names like Golden Jaguar and Watson's as tenants. Statistics show that the mall attracted in excess of three million customers between April and December, and it enjoys an excellent reputation.

Lexington Shenyang Rich Gate Hotel commenced operations at the end of July, since when the progress has been on target, and it has sound development potential. By approaching large customers, management established long-term cooperative relationships in an effort to ensure guest traffic. Another strong point is internal cost control, particularly at management level. By year end a total of 23,890 guests had stayed here – a respectable occupancy level.

Land Bank

During the year the PRC Government improved its micro-management of land supply and strictly controlled hoarding. Statistics show 64 tenders issued in Shanghai during 2008, with an area of 16.12 million m^2 sold, of which 2.52 million m^2 was for residential purposes, thus accounting for 15.66% of the total, while the majority was for industrial use. The gloomy market led to the Government becoming more prudent with land for residential purposes.

A successful tender in June 2008 saw Haikou Century Harbour City Co., Ltd, a subsidiary of the Company, awarded a lot at Xingang, north of Binhaidadao, Haikou, Hainan Province, which covers an area of 227,000 m^2 and has permissible gross floor area of 900,000 m^2. The lot is near Haikou Century Bridge and has a unique view along the coast, which has destined it for development into a HOPSCA international ecology city.

Successful tenders in March and December 2008 saw Shenyang Lukang Property Co., Ltd, another subsidiary, obtain the rights for two neighbouring lots at Lixiang Village, Dongling, Shenyang. The area is 426,000 m^2, with permissible gross floor area of 468,000 m^2 and is close to two international 18-hole golf courses covering over 300,000 m^2 with a superb view of Meilan Lake. It is destined to be developed into top-class English ambience town houses and apartments with unique golfing features.

At the end of the year the Group was engaged in development of at least ten real estate projects with cumulative floor area of some 5 million m^2, which would be adequate to keep us well occupied for the next five years.

Relocation Work

Several developments involved relocation work, which the Group is now quite experienced at. During the first half Group companies advanced relocation work at each project in line with the year's target in an orderly way and with the aid of local government support, which facilitated our progress. In the second half we had to mitigate the downturn in the PRC real estate market caused by financial fluctuations, so the Group adjusted its relocation strategy, braking relocation at some projects while basically matching expenses and income. It is fair to say that generally relocation made significant progress during the year.

Relocation work at Albany Oasis Garden under Shanghai Shuo Cheng Real Estate Ltd. has two portions. The eastern one, a relocation site from the beginning, extends from Baotong Road in the east to Zhongxing Road and Lufeng Road in the south, and from Tongge Road, Gongxing Road and Zhiyuan Road in the west to Tiantongan Road in the north. The year saw relocation of 129 households and two companies, raising the aggregate number of families relocated to 4,471 and accounting for 82.02% of the total number of overall relocations. A total of 102 enterprises were relocated, accounting for 83.60% of the total.

Relocation work at Qinhai Oasis Garden under Shanghai Jinxin Real Estate Co. Ltd (formerly Shanghai Qinhai Real Estate Co. Ltd) commenced in September 2007. By year end 751 residents with home ownership certificates or leasing rights had been relocated, accounting for 40.88% of the total, as had one company.

Real Estate Development Co. Ltd in the logistics group of Liaoning Gaoxiao was awarded a demolition and removal permit for Shenyang Albany. The year saw relocation of 257 residents, which covered an area of 16,489 m^2.

Construction Projects

Guided by our mission of producing "high quality and premium" products, the Group focused on maximising the values of our products and the Company by luring mid-market and high-end customers with our outstanding quality of design, interior decoration and craftsmanship. The year went smoothly, the main projects being as follows:

Cedar Island Oasis Garden proceeded in line with plans made early in the year, which meant concentrating all the civil engineering work in 2008, so latterly a start was made on the construction superstructure of the buildings. Besides, decoration works for 360 residential apartments had also commenced by the end of 2008. In fact given the exigencies of quality decoration, this was the most important task at that stage. This section is expected to be handed over in July 2009, and then decoration of a further 120,000 m^2 residential apartments is to start from June 2009 onwards, with handover scheduled for January and June 2010.

Central-Ring Centre saw completion of the twin-tower office buildings, with buyers taking delivery. This marked completion of all except the hotel. The hotel has a gross floor area of 44,000 m^2, and its layout and design are still under close scrutiny.

Albany Oasis Garden saw commencement of Phase II in July 2008, and by year end the two underground levels had seen foundation, solidifying and excavation work completed on schedule. Preparation was made for the building service equipment list, the ancillary unit and professional subcontractor list, the entry arrangement plan and subcontractors' proposals.

Jiangnan Oasis Garden is a top-end villa catering to individual requests, meeting exacting standards and featuring the best in decoration. Despite the large amount of work required on the remaining decoration work this year, all villas and clubs were completed on schedule, and the features of the fashionably decorated villas were upgraded to 30 main systems, so measuring up to the high expectations of luxury customers.

Thousand Island Oasis Garden saw the focus on partial decoration of Phase III clubs, the renovation of houses and channel dredging. Thus the decoration and renovation work was completed and passed inspection, while dredging work is still under way.

Lake Malaren Garden (formerly known as "Rich Gate Mansion") is located at Luodian New Town, Shanghai, and abuts Lake Malaren Golf Club, Lake Malaren Resort and new outlets. After extensive research into the design with regard for market conditions our subsidiary quantified its unique positioning. Construction began in August 2008, and by year end the temporary sales office had been handed over to sales department after decoration. Other projects completed included putting green gradient reshaping and arbour planting at the riverside demonstration landscaping area. Civil engineering work for the clubs and two show-houses was completed, and it is expected that 15 buildings in Phase I will be completed and receive pre-sale permits during the first half of 2009.

Rich Gate Sea View located at Jinshan riverside in Shanghai has seen completion of layout and adjustments to design, with construction starting in September. This led to most of the floor formation works of the basement and part of the ±0.0 structure being completed.

Yosemite Oasis Community construction began in June, and by the end the year of 36 townhouses are under construction, covering an area of 100,000 m^2. It also received its pre-sale permit, and sales commenced at year end, with Phase I scheduled to be handed over in November 2009.

Shenyang Albany Oasis Garden is located at Heping in central Shenyang, and its layout and elevation design have been finalised. We are confident that the products of phase I align with market demands and meet the needs of relocated residents, which is a major factor in assuring smooth relocation work, which is still under way.

Shenyang Rich Gate saw 1020 units in Phase I handed over, which represents a rate of 95%. The shopping mall was completed, along with service apartments and some offices. Preparation work for Phase II was under way, the plan being approved by the Shenyang Urban Planning Board, and tendering and bidding on schedule.

Haikou Bund Centre is a new project for the Group, and it is planned as an integrated coastal ecology city combining luxury apartments, coastal businesses and recreation, a 5-star hotel, grade A offices and a yacht club. Initial work is well under way, with site clearance, investigation, design, tendering and bidding all completed. Foundation work at sections A and B of Phase I has commenced, and it is planned that 100,000 m^2 of residential units will be completed in 2009, with 30,000 m^2 of service apartments being topped out. It is also planned that the construction of the Phase I yacht club, and the six Phase II riverside commercial buildings will also be completed during 2009.

Property Management

The Group is acutely aware of the importance of good management in property maintenance and to our brand name. Putting this into practice, Shanghai Real Estate Property Management Company Ltd, a Group subsidiary, primarily carries out management for Group properties. The Group additionally appoints renowned external companies to manage our luxury portfolio.

Shanghai Real Estate Property Management Company Ltd has established its reputation with the slogan "Home Sweet Home", and it is ranked Grade A in Shanghai for excelling in honest commitment. It is listed among the top 100 China Property Managers and the top 100 in all Asia.

Restructuring and Financing Activities

On December 15, 2008 the Group announced the issuance to selected investors of HK$165 million 2.5% p.a. convertible bonds due in 2013. These may be converted to 300 million ordinary shares ahead of maturity date at HK$0.55 per share.

The issuance of these convertible bonds increased Company liquidity, and will likely enlarge share capital, so positioning us well for the future.

The Group's Awards

2008 saw the Company, its subsidiaries and associates receive the following major awards:

Shanghai Jinwu Real Estate Co., Ltd. Central Ring Centre was awarded the Shanghai Urban Innovative Landmark Prize, the gold award for the year's most popular project, the Most Influential Landmark Prize, and units 1 and 3 were awarded the Shanghai White Orchid.

Shanghai Shuo Cheng Real Estate Co., Ltd. Albany Oasis Garden was awarded the Gold medal for the Best Design completion, and it also received the "Four Excellences Quality Community" award.

Shanghai Oasis Garden Real Estate Co., Ltd. Cedar Oasis Garden was classified as "Outstanding Shanghai Property Project" and "Landmark Shanghai Property Project", and it was one of in the most popular property projects on line in China.

Shanghai Hangtou Govern Real Estate Co., Ltd. Thousand Island Oasis Garden was awarded the Fifth Shanghai Residential Property Prize and Excellent Energy-Saving and Environmental Awareness Prize.

Shanghai Skyway Hotel Co., Ltd. Skyway Hotel received the Shanghai White Orchid and Best Design Prize at the Jingan International Shopping Carnival, and it was awarded the Five Star Gold and Diamond Medal and Prize and named the International Hotel with Greatest Potential.

Shanghai Real Estate Property Management Company Ltd. It was acclaimed as a Grade A Shanghai Enterprise for Honest Commitment in Property Management, the Image Enterprise for the year, AAA Enterprise and Top 100 China Property Management Enterprises and Top 100 Asia Property companies.

Business Outlook

The international financial crisis starting this year gave rise to the first ever relaxation of Government macro-economic control. Maintaining growth and promoting development became the primary economic aims, and such policies have begun to take effect.

Preliminary data from the National Bureau of Statistics of China give the annual GDP at RMB30,067 billion, representing an increase of 9.0% over the previous year. State fixed asset investment was RMB17,229 billion, an increase of 25.5% over 2007. Real estate investment reached RMB3,058 billion, an increase of 20.9% over the previous year, of which investment in commodity buildings reached RMB2,208 billion, an increase of 22.6%, office building investment reached RMB111 billion, an increase of 7.4%, and that in commercial buildings reached RMB320 billion, an increase of 14.9%.

The Shanghai Report on National Economic and Social Development issued by the Shanghai Statistics Bureau and approved by the National Bureau of Statistics of China gives GDP of Shanghai for the year of RMB1,369.82 billion, an increase of 9.7% over the adjusted 2007 figure, of which tertiary output accounted for RMB735.04 billion, up 11.3% over the previous year, and accounting for to 53.7% of overall GDP. State fixed asset investment during the year amounted to RMB482.95 billion, up 8.3% over 2007. Average urban household disposable income amounted to RMB26,675, up 12.9% over the previous year, while per capita consumption expenditure was RMB19,398 billion, up 12.4% over the previous year.

Completed real estate in Shanghai amounted to RMB136.69 billion, representing a 4.5% growth which is and 2% higher than the growth rate of the previous year, commodity property under construction reached 103.91 million m^2, a decrease of 3.5%. Completed residential property reached 24.75 million m^2, a decrease of 26.8%. Total of commodity property sold was 22.96 million m^2, 37.9% down from 2007. Sales amounted to only RMB189.54 billion, down 38.6% against last year, so with the threat of global economic woe people were cautious about purchasing residential property.

The total area of Shanghai residential property sold was 19.66 million m^2, which was a year-on-year decrease of 40.1%. Sales amounted to RMB160.85 billion, a year-on-year decrease of 40.6%, reflecting the worldwide crisis. The average rental of Grade A Shanghai offices was RMB7.9 per m^2 per day, a year-on-year decrease of 8.1%. Exceptionally, though, rentals for retail properties rose to $ 46.4 per m^2 per month, a year-on-year increase of 7.6 %.

Preparations for the Shanghai World Expo are now well underway. By the end of the year 229 countries/ and international organizations had confirmed their attendance breaking all previous records, and 176 parties had already signed contracts. The World Expo Centre, China Pavilion and Theme Pavilion have all been topped out, and the building of the infrastructure is well under way.

Shenyang, which is one of the Group's main strategic centres, has a real estate industry with healthy long-term prospects. This is because the living condition of Shenyang residents is much poorer than the country's average. Seeing Shenyang residents live in inferior quality housing when compared nationally, the local government focused on urban reconstruction to improve the environment, and this promoted the rapid growth of real estate by attracting foreign and domestic developers. This is why the price of residential properties in Shenyang bucked the trend and rose steadily despite global worries.

Hainan Province is a strategic region newly explored by the Group in 2008. Its geographical position and environmental advantages have led to buoyancy in tourism and have energised the property business, which has been outstanding since 2005 and possesses great investment potential.

Although the global economy has been heading down, and the real estate market may deteriorate further in 2009, a number of factors are expected to limit downward pressure. The implementation of fiscal and monetary policies by various governments should alleviate pressure on the global credit market. China's Government stimulus plan amounts to 16% of GDP, and we expect the real estate market to benefit, are confidently expecting increased stability.

The Group intends to face the challenge of the international situation and the domestic economy with astute policies, always remembering to stress product quality and maximise cash, so that we can build first-class properties with benefits for our shareholders and the community at large.

PURCHASE SALE AND REDEMPTION OF SHARES

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2008.

EMPLOYEE

Employees

As at 31 December 2008, the Group had retained 2,716 (2007: 1,940) employees in Hong Kong and the PRC. Total staff costs of the Group, excluding directors' remuneration, for the year under review amounted to approximately HK$81.99 million (2007: HK$61.61 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.

CORPORATE GOVERNANCE

In April 2005 the Company adopted its own code on corporate governance practices which incorporates all the code provisions and a majority of the recommended best practices 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.

AUDIT COMMITTEE

The Company established an audit committee on 12 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 audited annual financial report for the year ended 31 December 2008 has been reviewed by the Audit Committee.

APPRECIATION

Lastly, I would like to thank our strategic investors and shareholders for their constant trust and support and offer my heartfelt gratitude to all directors, executives of our group companies and staff members for their continuous hard work and loyalty over the year.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Company is published on the websites of the Company (www.equitynet.com.hk/sre/) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The annual report of the Company for 2008 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

On Behalf of the Board
SHI JIAN
Chairman

Hong Kong, 20 April 2009

As at the date of this announcement, the Company's executive directors are Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong and Mr. Lee Wai Man; non-executive directors are Mr. Cheung Wing Yui and Mr. Jing Bing Rong; and independent non-executive directors are Mr. Yeung Kwok Wing, Mr. Jiang Xie Fu and Mr. E Hock Yap.

** For identification purpose only*