



SRE GROUP LIMITED

上置集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1207)

UNAUDITED INTERIM RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2009

Group Financial Highlights

For the six months ended
30 June 2009

Revenue (HK\$'000)	387,610
Gross Profit (HK\$'000)	111,425
Gross Profit Margin (%)	29%
Net Profit attributable to equity holders of the Company (HK\$'000)	177,264
Basic earnings per share (HK cents)	6.29
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 2009, together with comparative figures for the previous corresponding period in 2008. The unaudited interim financial statements for the six months ended 30 June 2009 have been reviewed by the Company’s Audit Committee.

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Notes	2009 Unaudited	2008 Unaudited
Revenue	4	387,610	2,655,800
Cost of sales		(276,185)	(1,890,120)
Gross profit		111,425	765,680
Selling and marketing costs		(44,722)	(52,071)
Administrative expenses		(93,719)	(133,350)
Other income		3,533	–
Other gains – net	5	232,767	4,329,286
Operating profit		209,284	4,909,545
Finance income		9,347	122,472
Finance costs		(12,815)	(131,037)
Finance (costs)/income – net		(3,468)	(8,565)
Share of (losses)/profit of associates		(47,081)	8,742
Profit before tax		158,735	4,909,722
Tax	6	(32,503)	(1,661,510)
Profit for the period		126,232	3,248,212
Profit attributable to:			
Equity holders of the parent		177,264	1,819,314
Minority interests		(51,032)	1,428,898
Other comprehensive income			
Exchange differences on translation		3,578	443,985
Other comprehensive income for the period, net of tax		3,578	443,985
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		129,810	3,692,197

	Notes	2009 Unaudited	2008 Unaudited
<hr/>			
Total comprehensive income attributable to:			
Equity holders of the parent		180,201	2,180,717
Minority interests		(50,391)	1,511,480
		<hr/> 129,810 <hr/>	<hr/> 3,692,197 <hr/>
Earnings per share attributable to ordinary equity holders of the parent			
– Basic		6.29 cents	66.50 cents
– Diluted		8.27 cents	65.50 cents
		<hr/> 8.27 cents <hr/>	<hr/> 65.50 cents <hr/>

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

Interim Consolidated Statement of Financial Position

At 30 June 2009 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

		30 June	31 December
		2009	2008
	Notes	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		1,618,575	1,668,269
Investment properties		5,250,455	5,248,073
Prepaid land lease payments		876,538	885,914
Goodwill		447,698	447,495
Interests in associates	9	963,217	530,402
Deferred tax assets		41,687	19,811
Other non-current assets		279,167	279,042
		9,477,337	9,079,006
Current assets			
Prepaid land lease payments		6,608,409	6,654,264
Properties held or under development for sale		3,768,526	3,096,513
Inventories		29,725	30,885
Amounts due from associates		2,082	138,968
Prepayments and other current assets		84,156	66,404
Other receivables		763,608	642,145
Accounts receivable	11	26,160	18,165
Prepaid income tax		56,331	5,303
Cash and bank balances		1,639,285	1,575,476
		12,978,282	12,228,123
Total assets		22,455,619	21,307,129

		30 June	31 December
		2009	2008
	Notes	Unaudited	Audited
EQUITY AND LIABILITIES			
Equity			
Issued capital and premium	12	4,118,386	4,003,101
Other reserves		1,022,562	1,019,625
Retained profits		1,627,123	1,449,859
Equity attributable to equity holders of the parent		6,768,071	6,472,585
Minority interests		1,350,385	1,400,776
Total equity		8,118,456	7,873,361
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings	13	2,919,399	3,045,114
Guaranteed notes	14	1,562,594	1,537,947
Deferred tax liabilities		1,452,764	1,430,596
		5,934,757	6,013,657
Current liabilities			
Interest-bearing bank and other borrowings	13	1,836,342	1,495,640
Convertible bonds-host debts	15	34,197	62,008
Derivative financial liabilities		77,151	88,470
Advances received from the pre-sale of properties under development		2,579,923	1,171,996
Accounts payable	16	1,057,067	1,357,377
Other payables and accruals		1,948,610	2,241,817
Current income tax liabilities		857,772	983,491
Amounts due to related companies		11,344	19,312
		8,402,406	7,420,111
Total liabilities		14,337,163	13,433,768
Total equity and liabilities		22,455,619	21,307,129
Net current assets		4,575,876	4,808,012
Total assets less current liabilities		14,053,213	13,887,018

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

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

(Unaudited)	From 1 January 2009 to 30 June 2009									
	Attributable to equity holders of the parent									
	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Other reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2009 (Audited)	4,003,101	7,238	248	214,076	722,123	75,940	1,449,859	6,472,585	1,400,776	7,873,361
Total comprehensive income	-	-	-	-	2,937	-	177,264	180,201	(50,391)	129,810
Share issue upon CB conversion	115,285	-	-	-	-	-	-	115,285	-	115,285
At 30 June 2009 (unaudited)	4,118,386	7,238	248	214,076	725,060	75,940	1,627,123	6,768,071	1,350,385	8,118,456

(Unaudited)	From 1 January 2008 to 30 June 2008									
	Attributable to equity holders of the parent									
	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Other reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2008 (Audited)	3,956,327	16,869	248	214,076	324,249	-	1,288,117	5,799,886	783,469	6,583,355
Total comprehensive income	-	-	-	-	361,403	-	1,819,314	2,180,717	1,511,480	369,197
Revaluation reserve transfer to retained profits upon sale of properties	-	(9,631)	-	(13,953)	-	-	23,584	-	-	-
At 30 June 2008 (unaudited)	3,956,327	7,238	248	200,123	685,652	-	3,131,015	7,980,603	2,294,949	10,275,552

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

Condensed Consolidated Cash Flow Statement

As at 30 June 2009 (Amounts expressed in thousands of Hong Kong dollar unless otherwise stated)

	Note	For the six months ended 30 June	
		2009 (Unaudited)	2008 (Unaudited)
Operating activities			
Net cash inflow from operating activities	17	512,860	159,695
Interest paid (incl capitalise interest)		(191,187)	(196,558)
PRC taxation paid		(259,289)	(328,915)
Net cash outflow from operating activities		62,384	(365,778)
Investing activities			
Increase of property, plant and equipment		(5,903)	(173,012)
Increase in properties under development for long-term investment		–	(56,621)
Increase in investments in an associate		(182,871)	(14,043)
Interest received		3,694	7,648
Net cash (used in) investing activities		(185,080)	(236,028)
Financing activities			
Increasing in borrowings		182,264	302,512
Net cash generated from financing activities		182,264	302,512
Increase/(decrease) in cash and cash equivalents		59,568	(299,294)
Cash and cash equivalents at 1 January		1,575,476	1,939,359
Effect of foreign exchange rate changes, net		4,241	132,694
Cash and cash equivalents at 30 June		1,639,285	1,772,759

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

Note to the Financial Statements

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

1. Basis of Preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and the disclosure requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited.

2.1 Principal Accounting Policies

The financial statements have been prepared under the historical cost convention.

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 2008, except for the adoption of new standards and Interpretations as of 1 January 2009, noted below:

- HKFRS 8 *Operating Segment*

This standard requires disclosure of information about the Group’s operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting (See Note 3).

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

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owner, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expenses, either in one single statement, or in two linked statements. The Group has elected to present one statement.

2.2 Impact of New and Revised Hong Kong Financial Reporting Standards

The Group has adopted the new interpretations and amendments to HKFRSs as mentioned in note 2.1 for the first time for the current period's interim consolidated financial statements. The following new and revised HKFRSs were adopted 1 January 2009 and did not have a significant impact on the financial position or performance of the Group:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosure-Improving Disclosures about Financial Instruments</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation and Amendments</i> HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>

Apart from the above, the Group also adopted Improvements to HKFRSs* issued by HKICPA in 2009, which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

* Improvements to HKFRSs contains amendments to HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

2.3 Impact of Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

HKFRS 1 (Revised)	First-time Adoption of HKFRS ¹
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> ³
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement-Embedded Derivatives</i> ²

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

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

² Effective for annual periods beginning on or after 30 June 2009

³ Apply prospectively for transfer of assets from customers received on or after 1 July 2009

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

3. Segment Information

The Group's revenue and results for the periods ended 30 June 2009 and 2008 were mainly derived from property development, property leasing, hotel operation, corporate and other operations. In accordance with the Group's internal financial reporting, the Group has determined that the primary segment reporting basis is 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 the Group's customers and operations are located in Mainland China.

	Six months ended 30 June 2009 (unaudited)				Total
	Property development	Property leasing	Hotel operation	Corporate and other operations	
Segment revenue	237,376	46,444	62,293	41,497	387,610
Results					
Segment profit/(loss) before tax	14,001	(5,507)	(73,472)	223,713	158,735
	Six months ended 30 June 2008 (unaudited)				Total
	Property development	Property leasing	Hotel operation	Corporate and other operations	
Segment revenue	2,552,476	14,238	41,289	47,797	2,655,800
Results					
Segment profit/(loss) before tax	601,886	4,316,226	(43,408)	35,018	4,909,722

3. Segment Information (continued)

The following table presents segment assets of the Group's operating segments as at 30 June 2009 and 31 December 2008.

	Property development	Property leasing	Hotel operation	Corporate and other operations	Total
Segment assets					
At 30 June 2009 ⁽¹⁾	13,447,905	5,376,649	1,858,307	809,541	21,492,402
At 31 December 2008 ⁽²⁾	12,907,980	5,354,972	1,817,715	696,060	20,776,727

¹ At 30 June 2009, segment assets do not include interests in associated companies (HK\$963,217).

² At 30 June 2008, segment assets do not include interests in associated companies (HK\$530,402).

4. Revenue

Revenue recognized during the period are as follows:

	For the six months ended 30 June	
	2009	2008
Sales of properties held or under development	250,466	2,685,037
Revenue from property leasing	48,930	13,219
Revenue from hotel operations	65,676	43,360
Others	43,978	53,153
	409,050	2,794,769
Less: Sales taxes (a)	(21,440)	(138,969)
	387,610	2,655,800

4. Revenue (continued)

(a) Sales taxes

Sales taxes represent business tax (“BT”) and surtaxes.

The Group is subject to business tax (“BT”) at 5% on the revenue from the sale/pre-sale of properties and the installation of intelligent home network equipment and rental, and at 3% on the revenue from building of intelligent network infrastructure facilities (less payment to subcontractors from the construction of infrastructure for intelligent work). Some subsidiaries are subject to the following surtaxes:

- City development tax, a tax levied at 5% to 7% of BT or Value-Added Tax (“VAT”);
- Education supplementary tax, a tax levied at 3% of BT or VAT.

5. Other Gains/(losses) – net

	For the six months ended 30 June	
	2009	2008
Fair value gain on investment properties (Note 5a)	1,377	4,321,385
Negative goodwill arising from additional acquisition of an associated company (Note 9)	192,432	–
Reverse impairment of interest in associated company	104,379	–
Derivative financial instruments at fair value through profit or loss – fair value gain, net	(69,357)	10,729
Others	3,936	(2,828)
	232,767	4,329,286

- (a) As at 30 June 2008, the fair value gain on investment properties is mainly related to a shopping mall at the town area of Shenyang with fair value of approximately HK\$5,455 million of which the cost was HK\$1,029 million.

6. Tax

	For the six months ended 30 June	
	2009	2008
Current taxation		
– Mainland China enterprise income taxation	19,612	59,371
– Mainland China land appreciation taxation	13,952	114,218
	33,564	173,589
Deferred taxation		
– Mainland China enterprise income taxation	(1,061)	1,487,921
	(1,061)	1,487,921
Total tax charge for the year	32,503	1,661,510

(a) Income tax expense

The Group conducts a significant portion of its business in the PRC and the applicable enterprise income tax (“EIT”) rate of its subsidiaries operating in the PRC 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.

The Company is exempted from taxation in Bermuda until 2016. There were also no Hong Kong profits tax liabilities, as the Group did not have any assessable profit in Hong Kong.

6. Tax (continued)

(b) 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 sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditure. 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.

(c) Business tax (“BT”) and surtaxes

The Group is subject to business tax (“BT”) at 5% on the revenue from the sale/pre-sale of properties, installation of intelligent home equipment and property leasing, and at 3% on the revenue less payments to subcontractors from the construction of infrastructure for intelligent network. On top of BT, some subsidiaries are subject to the following surtaxes:

- City development tax, a tax levied at 5% to 7% of BT or Value-Added Tax (“VAT”);
- Education supplementary tax, a tax levied at 3% of BT or VAT.

(d) Value-added Tax (“VAT”)

The Group is subject to VAT, which is levied at a general rate of 17% on the gross turnover upon sale or purchase of goods. An input credit is available whereby VAT previously paid on purchases of raw materials, semi-finished products, etc., may be used to offset the VAT payable on sales to determine the net VAT payable. Sales and purchases are stated net of VAT in the consolidated profit and loss account.

6. Tax (continued)

(e) Withholding Tax

Pursuant to the new tax law, a 10% withholding tax is levied on dividends declared to foreign investors from 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 jurisdiction of the foreign investors. On 22 February, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 are exempted from withholding tax.

7. Earnings per Share

The calculation of earnings per share was based on the consolidated net profit of HK\$177,264,000 (2008: HK\$1,819,314,142) and the weighted average number of 2,819,936,752 shares (2008: 2,737,844,121 shares) in issue during the period. The calculation of diluted earnings per share was based on the consolidated net profit of HK\$255,018,933 (2008: HK\$1,810,730,028) and the diluted weighted average number of 3,083,881,197 shares (2008: 2,764,038,936 shares) in issue during the period.

8. Dividend

The Board had resolved not to declare an interim dividend for the six months ended 30 June 2009 (2008: Nil).

9. Interests In Associates

The interests in associates represents investments at cost and share of reserves of China New Town Development Company Limited (“CNTD”), Shanghai Housing Industry New Technology Development Company Limited, Shanghai Orda Opto-electronics Science and Technology Company Limited and Shanghai Telecom Broadband Networking Company Limited.

Sinopower, a wholly-owned subsidiary of the Company, had on 5 March 2009 entered into an agreement with CNTD, pursuant to which Sinopower has subscribed the Subscription Shares at S\$0.051 per CNTD Share at a total consideration of S\$34,680,000 (approximately HK\$177,214,800). After completion of the Subscription, the Group’s interests in CNTD increased from 32.03% to 49.24%. As a result, a negative goodwill of HK\$192,432 thousand was recorded.

10. Related Party transactions

- (a) Related party transaction carried out during the period:

During the period ended 30 June 2009 the Group purchased a piece of land from CNTD through public bidding procedure of which the government is in charge, at a total consideration of approximately HK\$309 million for the purpose of property development.

- (b) Amount due from Related Companies

As at 30 June 2009, balances with related companies are unsecured and mainly represents current amount due from associated companies which are interest free and are without fixed settlement period. The carrying amount of balances with related companies approximated their fair value.

- (c) During the period ended 30 June 2009, compensation to key management and their close family members is HK\$5.68 million.

11. Accounts Receivable

	30 June	Group
	2009	31 December 2008
Accounts receivable	33,723	28,085
Less: Provision for doubtful accounts	(7,563)	(9,920)
	26,160	18,165

11. Accounts Receivable (continued)

An aging analysis of accounts receivable is set out below:

	30 June 2009	31 December 2008
Within 1 year	28,763	17,574
1 – 2 years	2	591
Over 2 years	4,958	9,920
	33,723	28,085

The carrying amounts of the Group's accounts receivables were denominated in RMB, and approximated their fair value. There is no concentration of credit-risk with respect to accounts receivables, as the Group has a large base of customers.

12. Share Capital

In the first half of 2009, the Group has issued ordinary shares as follows:

	For the six months ended 30 June	
	2009	2008
	shares '000	shares '000
Exercise of Convertible Bond	150,000	50,000
Scrip Dividend	–	9,061
	150,000	59,061

All the above-mentioned shares issued rank pari passu in all respects with the existing ordinary shares in issue. The total authorized number of ordinary shares is 8,000 million shares (2008: 4,000 million shares) with a par value of HK\$0.10 per share (2008: HK\$0.10 per share). All issued shares are fully paid.

13. Interest-bearing Bank and Other Borrowings

As at 30 June 2009, the aggregate bank borrowings of the Group amounted to approximately HK\$4,756 million (31 December 2008: approximately HK\$4,541 million) of which, approximately HK\$4,646 million (31 December 2008: approximately HK\$3,886 million) were secured by pledge of the Group's property, plant and equipment, leasehold land, together with properties held under development for sale and construction-in-progress.

As at 30 June 2009, the Group's bank borrowings were secured by (a) pledging of certain property, plant and equipment with an aggregate net book value of approximately HK\$1,567 million; (b) pledging of certain leasehold land and properties held or under development for sale with an aggregate net book value of approximately HK\$5,792 million; and (c) pledging of investment properties with an aggregate net book value of approximately HK\$4,593 million.

14. Guaranteed Notes

On 24 April 2006, the Company issued guaranteed notes maturing on 24 April 2013 (the "Maturity Date"), in the aggregate principal amount of US\$200 million with fixed interest rate of 8.625% per annum (the "Guaranteed Notes"). The Guaranteed Notes are guaranteed by all of the investment holding subsidiaries of the Company which are not incorporated in the PRC except Anderson Land (Shanghai) Limited.

15. Convertible Bonds – Host Debts

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

Since the conversion options embedded in the CB3 do not meet the definition of equity instruments of the Company, the entire convertible bonds are accounted for as financial liabilities, and separated into the host debt component and embedded derivative component. The embedded derivatives are accounted for as financial liabilities at fair value through profit or loss. The host debt component is initially recognised as the excess of proceeds over the amount initially recognised as the derivative component, net of transaction costs allocated to the host debt component, and are subsequently measured at amortised cost. During the period ended 30 June 2009, the CB3 with a face value of HK\$82.5 million were converted when the relevant holders exercised their conversion option. The outstanding balance of the CB3 as at 30 June 2009 was HK\$82.5 million.

16. Accounts Payable

Group	30 June 2009	31 December 2008
Accounts payable	1,057,067	1,357,377

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

	30 June 2009	31 December 2008
Within 1 year	807,033	1,329,720
1 – 2 years	243,281	27,657
Over 2 years	6,753	–
	1,057,067	1,357,377

Accounts payable with aging of more than one year generally represent retention monies held by the Group in connection with various property projects. The carrying amounts of accounts payable approximated their fair value.

17. Condensed Consolidated Cash Flow Statement

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

	For the six months ended 30 June	
	2009	2008
Profit/(loss) before tax	158,735	4,909,721
Adjustments for:		
Depreciation of property, plant and equipment	56,423	38,731
Share of (profits)/losses of associates	47,081	(8,742)
Negative goodwill arising from additional acquisition of an associate company	(192,432)	–
Reversal of impairment of interests in an associate company	(104,379)	–
Fair value loss/(gain) on derivatives embedded in convertible bonds	69,357	(10,987)
Finance income	(9,347)	(7,648)
Finance costs	12,815	129,501
Fair value gain on investment properties	(1,377)	(4,321,385)
Operating profit before working capital changes	36,876	729,191
Decrease/(increase) in prepaid land lease payments	55,231	(377,140)
Decrease/(increase) in properties held or under development for sale	(491,810)	985,209
Decrease/(increase) in inventories	1,160	(553)
(Increase)/decrease in amounts due from related companies	136,886	3,863
(Increase) in prepayments and other current assets	(17,752)	(197,097)
Decrease in other receivables	(121,463)	394,086
Decrease/(increase) in accounts receivable	(7,995)	43,106
(Decrease) in accounts payable	(300,310)	(502,668)
(Decrease)/increase in other payables and accruals	(177,922)	(144,770)
(Decrease) in amounts due to related parties	(7,968)	–
Increase/(decrease) in advances received from the pre-sale of properties under development	1,407,927	(1,063,070)
Net cash inflow from operating activities	512,860	159,695

18. Events after the Statement of Financial Position Date

a) Subscription New Ordinary Shares and Convertible Bonds of CNTD

In July 2009, the Group entered into a Subscription Agreement with CNTD whereby, the Group will subscribe 222,295,064 new ordinary shares of CNTD (the “New Shares”) at an issue price of SGD0.07872 per share and up to RMB300,000,000 new 2% Convertible Bonds. On 30 August 2009, specific approval has been obtained from CNTD’s shareholders for the proposed placements and the issue of the New Shares and New Convertible Bonds to the Group. The final subscription amount of the bonds was RMB276,659,194.

b) Tender Offer and Consent Solicitation for the 8.625% Guaranteed Senior Notes Due 2013

In June, the Group announced a tender offer (the “Tender Offer”) to purchase for cash any and all of its US\$200,000,000 Guaranteed Senior Notes Due 2013 at a discount, and solicitation of consents (“Consents”) by holders of the Notes (“Holders”) to amend certain terms of the trust deed governing the Notes. The Tender Offer and Consent Solicitation commenced on 9 June 2009 and will expire on 14 July 2009, unless otherwise extended by the Company (such date and time, the “Expiration Date”).

Holders who validly tender and do not withdraw their Notes on or prior to 5:00 p.m., New York City Time, on 18 June 2009, unless otherwise extended by the Company (such date and time, the “Early Consent Deadline”), will be eligible to receive the total consideration of US\$800 for each US\$1,000 principal amount of the Notes tendered (the “Total Consideration”), which consists of (i) an amount of US\$725 (the “Purchase Price”), (ii) an amount of US\$62, which constitutes an early tender payment (the “Early Tender Payment”), and (iii) a consent payment of US\$13 (the “Consent Payment”), in each case for each US\$1,000 principal amount of the Notes, plus accrued and unpaid interest thereon up to, but not including, the date of payment (the “Settlement Date”).

18. Events after the Statement of Financial Position Date (continued)

b) Tender Offer and Consent Solicitation for the 8.625% Guaranteed Senior Notes Due 2013 (continued)

Holders who validly tender after the Early Consent Deadline but on or before the Expiration Date will be eligible to receive the Purchase Price only, plus accrued and unpaid interest thereon up to, but not including, the Settlement Date. Holders who do not tender their Notes but validly deliver Consents on or prior to the Early Consent Deadline, and do not validly revoke their Consents on or prior to the Early Consent Deadline, will be eligible to receive the Consent Payment only.

On 14 July, the Expiration Date, the Company had received Consents (including Consents deemed to have been delivered) from Holders representing approximately 79.10% of the total aggregate principal amount of Notes outstanding, and tenders of Notes representing approximately 64.27% of the total aggregate principal amount of Notes outstanding.

c) Proposed Placing of Existing Shares and Top-Up Subscription of New Shares

On 29 June 2009, Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch (the “Placing Agents”), SRE Investment Holding Limited (the “Selling Shareholder”) and the Company entered into the conditional Placing and Subscription Agreement pursuant to which the Selling Shareholder agreed to place, through the Placing Agents and the Placing Agents agreed to procure subscription, on a best efforts basis, of 520,000,000 shares (the “Placing Shares”), to not fewer than six Placees at a price of HK\$0.96 per Placing Share. The Placees and their ultimate beneficial owners are Independent Third Parties. The Placees and their ultimate beneficial owners are also independent of, and do not act in concert with, the Selling Shareholder. Pursuant to the Placing and Subscription Agreement, the Selling Shareholder agreed to subscribe for the same number of new shares (the “Subscription Shares”) as the Placing Shares that have been or will be successfully sold at the Placing Completion Date pursuant to the Placing and Subscription Agreement, and the Company agreed to allot and issue to the Selling Shareholder, the Subscription Shares at the Subscription Price, being HK\$0.96 per Subscription Share, which is the same as the Placing Price. The Subscription Shares were issued in July 2009.

18. Events after the Statement of Financial Position Date (continued)

- d) Proposed Issue of RMB Denominated USD Settled 6% Convertible Bonds Due 2014 Convertible into the Shares of the Company

On 29 June 2009, the Company entered into the Bonds Subscription Agreement with Credit Suisse (Hong Kong) Limited and Deutsche Bank AG, Hong Kong Branch (the “Joint Bookrunners”), pursuant to which each of the Joint Bookrunners agreed to use its best efforts to procure investors to subscribe and pay for the Bonds to be issued by the Company in an aggregate principal amount of up to RMB446.9 million (equivalent to approximately HK\$506.8 million). The Convertible Bonds were issued in July 2009.

- e) Conversion of 2.5% Coupon Convertible Bonds Due 2013

On 7 July 2009, the Group allotted and issued 149,999,999 shares pursuant to the conversion of 2.5% coupon Convertible Bonds (“CB”) due on 2013. All of the carrying amount of host debt and derivative financial liability related to the CB options at the conversion date was transferred to share capital and premium upon conversion of the bonds. Thus, till 7 July 2009, the CB has fully converted and no outstanding balance for its host debt or derivative financial liability.

19. Contingencies

Under the relevant PRC Laws, Shanghai Real Estate is jointly liable for all outstanding debts and amounts payable to creditors of Mengshan that were in existence prior to the Demerger. Such debts/amounts owing to creditors of Mengshan that Shanghai Real Estate is jointly liable for as at 30 June 2009 amounted to approximately HK\$1.36 million (RMB1.2 million).

20. Commitments

	30 June 2009 Unaudited	31 December 2008 Audited
Contracted, but not provided for		
Properties held or under development for sale	2,510,782	2,776,361
Cost consideration for potential business combination	108,455	108,498
Capital contributions payable to an associate	–	2,325
Sub-total	2,619,237	2,887,184
Authorised, but not contracted for		
Properties held or under development for sale	2,105,234	1,740,937
Sub-total	2,105,234	1,740,937
Total	4,724,471	4,628,121

21. Corresponding Figures

Certain corresponding figures to the current year's interim consolidated financial statements have been restated (Note 2) and reclassified in accordance with disclosure requirements and also to conform with current year's presentation.

22. Approval of the Interim Condensed Consolidated Financial Statements

The interim consolidated financial statements were approved and authorised for issue by the board of directors on 22 September 2009.

Management Discussion and Analysis

Financial Review

During the period under review, the Group recorded a net revenue of approximately HK\$388million (2008: HK\$2,656 million), a decrease of approximately 85.4% compared with that of the corresponding period of last year. Profit attributable to equity holders of the Company amounted to approximately HK\$177.3 million (2008: approximately HK\$1,819 million), a decrease of approximately 90.3 % compared with that of the corresponding period of last year.

The decrease in net revenue for the period was mainly due to the decrease in property sales. The decrease in profit attributable to equity holders of the Company was mainly due to the large fair value gain recorded in 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\$1,639 million as at 30 June 2009 (31 December 2008: approximately HK\$1,575 million). Working capital (net current assets) of the Group as at 30 June 2009 amounted to approximately HK\$4,576 million (31 December 2008: approximately HK\$4,808 million), a decrease of approximately 4.8%. Current ratio was at a healthy level of 1.54x (31 December 2008: 1.65x).

As at 30 June 2009, the gearing ratio, being the Group's net borrowings (total borrowings minus cash and bank balance to total capital (equity plus net borrowings)), was approximately 41.4% (31 December 2008: 41.8%).

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

Charges on Assets and Contingent Liabilities

As at 30 June 2009, bank borrowings of approximately HK\$4,646 million (31 December 2008: approximately HK\$4,113 million) were secured by pledge of the Group's leasehold land, together with properties held under development for sale and construction-in-progress.

As at 30 June 2009, the Group had no contingent liabilities (31 December 2008: HK\$15 million) in respect of guarantees to assist home buyers to obtain mortgage loans from banks and complete mortgage procedures.

Under the relevant PRC Laws, Shanghai Real Estate is jointly liable for all outstanding debts and amounts payable to creditors of Mengshan that were in existence prior to the De-merger. Such debts/amounts owing to creditors of Mengshan that Shangzhi Real Estate is jointly liable for as at 30 June 2009 amounted to approximately HK\$1.36 million (RMB1.2 million).

Business Review

In the wake of the global financial crisis and a far-reaching recession in China's economy in 2008 confidence in the real-estate market has been recovering in 2009 in line with the Government's increased investment in infrastructure and implementation of policies to increase domestic demand and to promote the real-estate sector. This led to release of the pent-up demand, which had been suppressed for nearly a year. In the first half of 2009 sales and prices in the property market increased throughout the country, and this trend was especially marked in major cities such as Shanghai. This positive development can be regarded as signalling general economic recovery.

The Group's affiliates were able to seize these opportunities, and as a result they achieved satisfactory sales in the first half of 2009 by the strategic use of differentiated and targeted marketing strategies focusing on the special features of each project. We are pleased to report that our other activities similarly continued to make good progress, and the Group is in a position to report healthy and stable development.

Progress in Sales

The Group's major projects up for sale in the first half of 2009 were Cedar Island Oasis Garden, Central-Ring Centre, Lake Malaren Garden, Albany Oasis Garden Phase II (綠景曉園), Haikou Bund Centre, Jiang Nan Rich Gate, Thousand Island Oasis Garden and Shenyang Rich Gate.

During the first six months of 2009 the Group sold a total floor area of 148,251 m², generating sales proceeds of some RMB2,421 million. The details of these projects are as follows:

Cedar Island Oasis Garden

Cedar Island Oasis Garden possesses favourable advantages in terms of personalized features, superior decoration, comprehensive equipping and an ecological community, which lead to it being well received by owners looking to upgrade their circumstances. As of 30 June 2009 a total area of 86,673 m² had been sold, realising RMB1,051 million. Sales at Cedar Island Oasis Garden during March ranked first for the month in Shanghai in terms of units sold (393 units), area sold (39,975 m²) and sales proceeds (almost RMB0.5 billion). A further 204 units came on to the market on 16 May, with over 90% being sold on the first day.

Central-Ring Centre

Central-Ring Centre is located in Changfeng, Shanghai at the commercial core of a central ecological district. The A-grade twin-tower office building is well suited as the headquarters of small and medium enterprises, so it has attracted from other districts a number of well-known enterprises. As of 30 June 10,228 m² of office area had been sold for a total of RMB231 million.

Lake Malaren Garden

This is the third generation of high-end residences to be built in the Rich Gate series, located at Luodian Nordic New Town, Shanghai. These golf club garden villas feature eclectic European architecture with personalized functional design, exquisite gardens and landscaping and exclusive scenic elevators rarely encountered in upmarket villas. Thus it has attracted considerable buyer interest, since it features these distinctive advantages when compared with other developments. Moreover the developer launched a teamwork marketing strategy and adopted new measures such as holding exhibitions and road shows at regional centres. Sales were robust with 86 villas sold as at 9 June out of 88 villas launched on 3 May 2009. As of 30 June a total area of 18,211 m² had been sold for a total of RMB404 million.

Albany Oasis Garden

Following the achievement of remarkable sales of Phase I, Phase II of Albany Oasis Garden (綠景曉園) was launched on 26 June 2009. This phase consists of 2 blocks of residential properties, a clubhouse and shops with a total area of some 50,000 m². These newly-launched 420 units are upgraded from Phase I, which was already prime quality. Sales were very active on the first day, ensuring a continuation of the fantastic sales in the inner ring achieved by Albany Oasis Garden. As of 30 June an area of 17,682 m² had been sold for a total of RMB509 million.

Haikou Bund Centre

Haikou Bund Centre is located on the north corner of Binhai Road in Haikou City, Hainan, to the north overlooking Haidian Island while to the west facing Century Bridge, a Haikou landmark. This location endows it with the key elements of sea, river, cityscape and landscape. The plan is to develop it into an international cultural and entertainment hub beside the sea, integrating leisure, commerce, shopping, culture and entertainment, and incorporating vacation and tourist features, so that it is to become the Haikou city that never sleeps. A ceremony was held on 28 February 2009 to mark the opening of the sales centre and the simultaneous launch of sales in Haikou, Shanghai and Shenyang. 220 units were initially available for reservation, and 70% were spoken for on the first day, while official signing of presale contracts commenced in May. As of 30 June floor area of 7,463 m² had been sold for a total of RMB70 million.

Development Progress

High quality design and construction is fundamental to every one of our projects. So the Group and its subsidiary companies maintain strict and consistent quality standards, in our aim of pursuing perfection in all details. We refine specific points during construction to enhance our control over the progress of a development and to improve efficiency without compromising quality of work. Adhering to the plans delineated at the beginning of 2009 regarding development and construction timelines, the Group and its subsidiary companies have been carrying out engineering work in an orderly fashion and making every effort to enhance our quality standards with the aim of perfect quality completion. Our major projects are:

Cedar Island Oasis Garden

In the first half of 2009 the construction of Cedar Island Oasis Garden again achieved a consecutive 183 days incident-free. The full central landscaped area was opened on 15 March, whereas Blocks 1-5 in section 3.1 of Lot C were completed and passed for decoration on 15 June. As of 30 June all work on section 2.3 of Lot B had been completed, so making for delivery in July. All work on the kindergarten area was also completed, thus ensuring we can deliver a complete and excellent environment. In addition to this Blocks 6-12 in section 3.2 of Lot C saw the completion of installation of rain water drainage and sewerage and the dismantling of scaffolding, with these blocks expected to be ready for decoration on 15 September.

Albany Oasis Garden

In the first half of 2009 construction and decoration of three show-houses on the third floor of Block 2 were completed and delivered to the sales department for showing. As of 30 June 2009 structural construction on 19F of Blocks 1 and 2 of Albany Oasis Garden Phase II (綠景曉園) were completed. Construction of two floors of the commercial building I in Phase II was also completed, and work has now commenced on part of the roof.

As for relocation work in connection with Albany Oasis Garden up to 30 June 2009 the assessment and management of unlicensed stalls along Zhonghua New Road and Baochang Road were put in place with follow up measures. Site inspection, individual investigation, consolidating and detailed listing of residents and units in Zhongxin City were also conducted, laying the foundation for smooth major relocation in the second half of the year.

Lake Malaren Garden

In early 2009 the demonstration area, interior and exterior decoration of the sales office, decoration and equipment for two show-houses, the exterior of show-houses and 6,000 m² landscaped area of Lake Malaren Garden were all completed, which puts us on target for the launch of sales on 25 April. As of 30 June 2009 construction work on 15 blocks of Phase I had been completed, structural work on two houses of Phase II was finished up to the third floor, and the show-houses had also been completed.

Rich Gate Sea View

As of 30 June 2009 the concrete casting of Blocks 1, 2 and 3 had been completed up to the 10F, 12F and 17F respectively. The bent frame for the 2F of the Block 2 podium had been completed. 90% of reinforcement bars had been installed for 1F of Block 1 podium. Walls for the basement and garage had been up to 70% completed. On 13 June a completion ceremony was held for the Rich Gate Sea View sales office, and its fine, elegant decoration received very favourable comments.

Shenyang Albany

Liaoning Gao Xiao Support Group Property Development Co., Ltd., a Group member, obtained the land use right certificate for 42,725.8 m² of Lot 2007-024 (covering 153,696 m²) to the east of Heping South Street, Heping, Shenyang (Sports Department) on 30 April 2009. Relocation of the 800 families involved has been completed. Construction for the high-rise apartments with a total area of 130,000 m² in Phase I of Shenyang Albany commenced on 10 June 2009. It is expected that foundation work will be completed by September 2009 and construction above ground will then commence.

Yosemite Oasis Community

In 2008 Shenyang launched a project to create an airport economic zone comprising two districts, three cities and six bases. Focusing on Taoxian International Airport, the Group cooperated with China New Town Development Company Limited to seize this major opportunity to develop the Shenyang airport tourist city. On 15 August an official inauguration was held for the first element of this tourist city, known as the Yosemite Oasis Community. It lies adjacent to a large ecology park and scenic Lake Malaren, spreading over 300,000 m². The adjoining villas are modelled on the English style in harmony with the naturally undulating terrain. As of 30 June 2009 a total of 6 villas had been completed, and construction work for 50 villas had been completed, paving the way for sales to begin in August.

Haikou Bund Centre

Rich Gate of Haikou Bund Centre Phase I comprises 5 apartment blocks with prime decoration, a service apartment building, the riverside commercial area and a yacht pier. Construction commenced in early 2009 with piling completed on 22 April, and foundations finished by the end of June. Currently all site formation work has been completed, as has excavation work for Blocks 3 and 7. The service apartments, riverside commercial area and yacht pier are now undergoing design adjustment.

Commercial Property Operation

With the benefit of several years of development and experience, the Group's commercial property operation and management has continuously matured. In the first half of 2009 we continued enhancing the management and operation of our commercial properties, analysed the market and capitalised on market opportunities. We improved our results by applying advanced operational and management concepts, and by taking advantage of our own brand and management. Individual details follow:

Shops at Rich Gate

Shops at Rich Gate are adjacent to Shanghai's fashionable Xintiandi area and focus on high-end consumers with customised taste. A large number of leading international brands have selected this location for their flagship stores, transforming it into a showcase for high-end overseas goods. During 2009 renewed effort was made to attract tenants, and two overseas banks, namely ANZ and Citibank, signed up. All first basement shops of the mall have been rented.

Shanghai Pullman Skyway Hotel

Located in the culturally prosperous Luwan District, this hotel is well equipped and boasts convenient access. In March 2009 Accor, a famous French hotel group, established its presence through Shanghai Skyway Hotel, subsequently renamed Pullman Shanghai Skyway Hotel. This is the first hotel in Shanghai with the Pullman name, and it demonstrates the essence of hotel management as practiced by Pullman, which raises the quality of general management. In the first half of 2009, the revenue of Pullman Shanghai Skyway Hotel has been increasing month by month and significant improvement has been made in cost control and service quality.

Central-Ring Centre Commercial Plaza

Central-Ring Centre Commercial Plaza is located in Putuo District adjacent to Zhenru, Shanghai's second centre, a few steps away from the exit of the planned subway line No. 13. The building has a totally transparent curtain wall. By capitalising on the design connection between the office building and the circular shopping streets, it achieves a seamless transition between the business and commercial areas. The Plaza focuses on upscale dining and bars, with leisure, entertainment and education brand names to create a commercial environment dubbed "business at leisure", so redefining regional commerce. As of 30 June 2009 renting was completed successfully and all units had been leased. Currently about 30% of the tenants have opened their doors, and it is expected that the remainder will be fully open by year-end.

Shenyang Rich Gate Shopping Mall

Situated in the prime section of Baizhan Commercial Ring, the largest commercial district of Shenyang, Rich Gate Shopping Mall combines a wide range of functions such as shopping, fine food, leisure, entertainment, culture, recreation and sports, services and tourism. It is currently the largest mid-to high-end multi-functional HOPSCA city compound accommodating a full range of sectors. In the first half of 2009 a total area of nearly 7,000 m² was newly rented out.

Land Bank

On 30 April 2009 Shanghai Oasis Garden Real Estate Co., Ltd., a Group member, acquired by tender land rights for Lot D2-2, Luodian New Town, Baoshan District. The land covers an area of 96,842 m² with a plot ratio below 1.2 for residential purposes. As a result of the tender the Group has grown its prime land bank, thus ensuring sustained development into the future.

Financing Activities

9 June 2009 the Group offered to the note holders the repurchase at a discount of 20% of the US\$200 million 7-year high-yield notes issued in April 2006. The Group concurrently tapped the capital market for fund raising, and eventually placed 520 million of new shares and issued approximately RMB450 million convertible bonds, raising a total of approximately US\$129 million. The Group finally repurchased 64.3% of the high interest notes. These activities led to substantial improvement in the Group's debt structure and reduced its financing cost.

Following our “quality customer” award from the Shanghai Branch of Agricultural Bank of China on 25 February 2009 the Group was on 31 May again honoured as “quality customer” by the Head Office of Agricultural Bank of China. These honours are beneficial by expanding our fund-raising channels, and this can be expected to improve our financing environment.

Business Outlook

China’s economy has stabilized and is recovering

Throughout the first half of 2009 China’s economy exhibited resilience in the face of the global financial crisis, and made unprecedented progress against the backdrop of great challenges. The Chinese Government responded to the financial turmoil by aiming for stable and quite rapid economic growth, stating clearly its intention to continue with proactive fiscal policies and an appropriately relaxed monetary policy. After this implementation of strategies to ensure growth and facilitate development, positive indicators are evident in China’s economy, and there is a clear trend towards stability and recovery.

Economic growth has recently resumed, as shown when on 16 July 2009 the National Bureau of Statistics released China’s GDP growth data for the first half of the year. In today’s prices GDP in the first half grew 7.1% year-on-year, which is 1.0% faster than the previous period. Li Xiaochao, speaking for the National Bureau of Statistics, summarized this positive trend as “recovery, acceleration, progression and improvement”, referring to recovery of production growth; acceleration of domestic demand; progression in economic restructuring and improvement of livelihood.

Driven by the proactive fiscal policies and relaxed monetary policy, fixed asset investment increased sharply in the first half of 2009. According to statistics urban fixed asset investment grew 33.5% year-on-year in the first half (an accumulated growth of 32.9% year-on-year for January to May), representing an increase in overall growth of 7.2%.

A sustained recovery of Shanghai's economy; the situation is clearly better than expected

At a regular press conference held on 22 July 2009 by the Shanghai Municipal Government Cai Xucho, Chief Economist of the Shanghai Statistics Bureau, briefed the press on statistics for domestic economic development in Shanghai. According to preliminary data Shanghai achieved GDP of RMB 661.2 billion in the first half of 2009, representing a growth of 5.6% year-on-year after making adjustment for inflation and 2.5% faster than the first quarter. Primary output was RMB343.4 billion, a decrease of 0.5%. Secondary output decreased 3.6% to RMB 276.08 billion, with the rate of decrease 4.5% less than the first quarter. Tertiary output grew 14.2% to RMB381.682 billion, which was up 1.1% from the first quarter.

Total Shanghai fixed asset investment during the first half of the year was RMB216.087 billion, growing 9.6% year-on-year, which was 7.3% higher than the previous period and 7.9% higher than the first quarter. Investment in construction and improvement amounted to RMB135.21 billion, representing an increase of 14.7%. Real estate investment fell 3.1% to RMB62.36 billion. Within the total fixed asset figure urban infrastructure investment accounted for RMB81.83 billion, an increase of 22.9% year-on-year.

Total investment in new projects reached RMB101.63 billion in the first half year, increasing 23.3% year-on-year. Investment in new projects commenced this year amounted to RMB27.28 billion, representing a growth of 26%. The real estate sector output was RMB41.18 billion, growing 22.6% year-on-year and 29.6% faster than the previous period.

State supporting policies to facilitate healthy development of real estate

On 9 January 2009 Jiang Weixin, Minister of Housing and Urban-Rural Development, gave a speech entitled "Applying a scientific philosophy to facilitate housing and urban/rural development". He issued a call for the housing and urban/rural development system to do a better job in 2009 in 9 aspects. Two of these are regarded as the main themes, with the Government promoting housing development and social welfare and the provision of stable, healthy development of the real estate market, while continuing and strengthening the macro-economic control measures introduced in 2008.

On 27 May the State Council announced the adjustment of the capital ratio for fixed asset projects, reducing the minimum ratio of own funds from 35% to 20% for social welfare housing and general commodity housing. This shows Government has strengthened its support for developers investing in real estate, and the move boosted the confidence of enterprises.

According to the monthly update from the National Bureau of Statistics real estate investment in China amounted to RMB1, 450.5 billion from January to June 2009, which was up 9.9 % year-on-year, 3.1% higher than January to May. Such growth rate represented a 23.6% decrease year-on-year. The real estate index for June was 96.55, 0.61 higher than May. Investment in commodity residential housing for January to June was RMB1,018.9 billion, growing 7.3 % year-on-year (3.1% higher than January to May), which was 29.3% lower year-on-year, and accounted for 70.2% of real estate investment.

For January to June 2009 the area of real estate under construction by enterprises amounted to 2.4 billion m², an increase of 12.7% year-on-year, while new housing construction for the same period was 479 million m², decreasing 10.4% year-on-year with the reduction 5.8% less than the January to May period.

A generally relaxed monetary policy

On 8 July 2009 the People's Bank of China released data ahead of schedule of new loans for June, which revealed that loans of financial institutions increased RMB1.53 trillion from the previous month, and new loans amounted to RMB7.36 trillion for the first half year, far exceeding the target of RMB5 trillion and 1.5 times that of the whole 2008.

Although the sharp increase in credit is accompanied by an inflation risk, the state leaders and heads of relevant authorities have repeatedly emphasized that proactive fiscal policies and appropriately relaxed monetary policy will continue, and will focus on making dynamic fine-tuning using market measures in accordance with domestic and global economic momentum and price changes.

Sales of commodity properties increased sharply, while construction and completion decreased

According to the National Bureau of Statistics report, commodity properties sold in the country reached 341.09 million m² between January and June, an increase of 31.7% year-on-year, while residential property, office buildings and commercial property sales increased 33.4%, 7.6% and 16.4% respectively. Sales of commodity properties in the period amounted to RMB1, 580 billion, growing 53% year-on-year, and the sales of commodity residential property, office building and commercial property increased 57.1%, 19.9% and 30.2% respectively.

The total area of Shanghai commodity properties sold was 15,722,100 m², representing a growth of 27.9%, of which the areas of residential property sold was 14,431,200 m², representing a growth of 34.8%.

The total construction area of Shanghai commodity property was 82,731,800 m², decreasing 2.4%, of which residential accounted for 53,502,000 m², namely a decrease of 4.5%. The total area of new starts reached 10,991,400 m², decreasing 6.8%, with residential accounting for 7,554,700 m², namely a decrease of 8.2%. The total area of commodity property completed was 7,707,200 m², decreasing 7.3%, of which residential accounted for 5,556,200 m², a decrease of 10.5%.

Retail market in Shanghai remained stable

According to retail research published recently by Jones Lang LaSalle, the total area of the retail market in Shanghai was 2.58 million m² in the second quarter of 2009. The average vacancy rate was 5.9%, an increase of 1% from the first quarter, while average daily rental was RMB46.3 per m², a decrease of 2.4%. In the second quarter the rental level remained relatively stable for most prime commercial districts in the city centre.

The Group firmly believes that the integrity of an enterprise and of its product quality is fundamental to its development. In the second half of 2009 the Group plans to adhere to its five core philosophies, namely innovation and integration; team spirit; big picture approach; professionalism and dedication to efficiency and standardized operations; and lastly proactive communication with domestic and overseas financial institutions. We aim to integrate and maximise our resources and advantages in eastern, north-eastern and southern China in terms of human, social and financial resources, and enhance our regional management system. We also plan to formulate concrete development strategies and key implementation measures for a new 5-year plan, as we are aiming at achieving excellent operating results while we celebrate the tenth anniversary of our listing on the Main Board of the Hong Kong Stock Exchange.

Directors' Interests in Shares

As at 30 June 2009, the interests and short positions of each Director and the chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long positions in Shares

Director	Personal Interests	Family Interests	Corporate Interests	Total	Approximate Percentage of Shareholding
Shi Jian	2,076,887	2,220 (Note 1)	1,768,400,938 (Note 2 and 3)	1,770,480,045	60.34%
Li Yao Min	2,220	–	–	2,220	0.0001%
Yu Hai Sheng	1,065,987	–	–	1,065,987	0.04%

Notes:

1. These Shares were held by Ms. Si Xiao Dong, the wife of Mr. Shi Jian.
2. These Shares were held by SRE Investment Holding Limited, (formerly known as "Good Time Resources Limited"), a company incorporated in the British Virgin Islands in which Mr. Shi Jian and his wife, Ms. Si Xiao Dong, together beneficially own 63% of its issued share capital. The remaining 37% interest in SRE Investment Holding Limited were held by other management staff of the Company including but not limited to Mr. Yu Hai Sheng, Mr. Li Yao Min, Mr. Yue Wai Leung, Stan and Mr. Jiang Xu Dong. Mr. Shi Jian and Mr. Li Yao Min, being executive Directors, are directors of SRE Investment Holding Limited.
3. On 29 June 2009, SRE Investment Holding Limited entered into a proposed placing of existing shares and top-up subscription of 520,000,000 new shares. After completion of the top-up Placing Shares on 9 July 2009, the approximate percentage of shareholding of SRE Investment Holding Limited and Shi Jian were reduced to 34.64% and 34.7% and respectively.

Save as mentioned above, as at 30 June 2009, none of the Directors or chief executive of the Company or any of their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to be Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares

As at 30 June 2009, all Directors had not been granted any options nor exercised any options. Save as disclosed above, during the period neither the Company nor its subsidiaries has made any arrangement through which directors of the Company could acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Substantial Shareholders' Interests

So far as is known to any Director or chief executive of the Company, as at 30 June 2009, the following persons (other than a Director or chief executive of the Company) or corporations had an interest or short position in the Shares and underlying Shares 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	No. of Shares Held	Interest in Underlying Shares of Equity Derivatives of the Company Pursuant to Convertible Notes	Aggregate Interests	Approximate Percentage of Shareholding
Si Xiao Dong	Beneficial owner, spouse and corporate interest	1,770,480,045 (Note 1 and 4)		1,770,480,045	60.34%
SRE Investment Holding Limited (Note 2 and 4)	Beneficial owner	1,768,400,938		1,768,400,938	60.27%
CITIC Group (Note 3)	Interest of the corporation controlled by CITIC Group	11,591,453	149,999,999	161,591,452	5.51%

Note 1: These Shares in which Si Xiao Dong is interested in comprise (i) 2,220 Shares being personal interest held by Ms. Si Xiao Dong; (ii) 1,768,400,938 Shares being interest held by SRE Investment Holding Limited in which Si Xiao Dong and her spouse, Mr. Shi Jian together beneficially own 63% of its issued share capital; and (iii) 2,076,887 Shares being personal interest of Mr. Shi Jian.

Note 2: These Shares were held by SRE Investment Holding Limited, a company incorporated in the British Virgin Islands in which Mr. Shi Jian and his wife, Ms. Si Xiao Dong, together beneficially own 63% of its issued share capital. The remaining 37% interest in SRE Investment Holding Limited were held by other management staff of the Company including but not limited to Mr. Yu Hai Sheng, Mr. Li Yao Min, Mr. Yue Wai Leung, Stan and Mr. Jiang Xu Dong. Mr. Shi Jian and Mr. Li Yao Min, being executive Directors, are directors of SRE Investment Holding Limited.

Note 3: CITIC Capital Holdings Limited, CITIC International Financial Holdings Limited, Gloryshare Investments Limited, Forever Glory Holdings Limited, Golden Gateway Enterprises Inc, CITIC Pacific Limited and CITIC Group are deemed to be interested in 5.51% of the issued share capital of SRE Group.

Note 4: On 29 June 2009, SRE Investment Holding Limited entered into a proposed placing of existing shares and top-up subscription of 520,000,000 new shares. After completion of the top-up Placing Shares on 9 July 2009, the approximate percentage of shareholding of SRE Investment Holding Limited and Si Xiao Dong were reduced to 34.64% and 34.7% and respectively.

Employees

As at 30 June 2009, the Group had retained 2003 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\$37.8 million. Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employee.

Share Option Scheme

No share options have been granted, exercised, cancelled or lapsed during the six months ended 30 June 2009 and no share options were outstanding as at 30 June 2009 and 2008.

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

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2009.

Directors' Compliance with the Code for Securities Transactions by Directors

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

Audit Committee

The Company established an audit committee on 12th November 2001 with terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee has five members comprising the two non-executive Directors and the three independent non-executive Directors.

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 2009 due to other business commitment.

Disclosure of Information on the Website of the Stock Exchange

The interim report for 2009 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, 22nd September 2009

As at the date of this announcement, the Board comprises ten Directors, five of whom are executive Directors, namely Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong and Mr. Yue Wai Leung, Stan; two of whom are non-executive Directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong; and three of whom are independent non-executive Directors, namely Mr. Jiang Xie Fu, Mr. E Hock Yap and Mr. Pan Long Qing.

* *For identification purpose only*