SRE GROUP LTD.

SRE GROUP LIMITED
上置集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1207)

2009 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 2009 as set out below:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Notes	**2009**	2008
Revenue	*4*	**2,830,596**	3,739,865
Cost of sales	*5*	**(1,593,931)**	(2,844,987)
Gross profit		**1,236,665**	894,878
Other gains – net		**1,087,899**	1,411,217
Selling and marketing costs	*5*	**(198,916)**	(75,685)
Administrative expenses	*5*	**(345,047)**	(251,350)
Operating profit		**1,780,601**	1,979,060
Finance income		**16,884**	152,521
Finance costs		**(179,114)**	(11,063)
Finance (costs)/income – net		**(162,230)**	141,458
Share of losses of associates		**(93,927)**	(443,186)

	Notes	**2009**	2008
Profit before tax		**1,524,444**	1,677,332
Income tax expense	*6*	**(506,662)**	(893,471)
Profit for the year		**1,017,782**	783,861
Other comprehensive income			
Exchange differences on translation of financial statements into presentation currency		**15,786**	412,968
Other comprehensive income for the year, net of tax		**15,786**	412,968
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,033,568**	1,196,829
Profit attributable to:			
Owners of the parent		**785,081**	247,936
Non-controlling interests		**232,701**	535,925
		1,017,782	783,861
Total comprehensive income attributable to:			
Owners of the parent		**797,350**	645,810
Non-controlling interests		**236,218**	551,019
		1,033,568	1,196,829
Earnings per share attributable to ordinary equity holders of the parent	*7*		
– Basic		**24.47 cents**	8.91 cents
– Diluted		**23.70 cents**	8.64 cents

Details of the dividends payable and proposed for the year are disclosed in Note 8 to the financial statements.

STATEMENTS OF FINANCIAL POSITION

31 December 2009

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

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

	Notes	Group 2009	Group 2008	Company 2009	Company 2008
EQUITY AND LIABILITIES					
Equity					
Issued capital and premium		**4,736,489**	4,003,101	**4,736,489**	4,003,101
Other reserves		**1,221,202**	1,019,625	**714,834**	527,086
Retained profits		**2,234,050**	1,449,859	**246,098**	5,817
Equity attributable to owners of the parent		**8,191,741**	6,472,585	**5,697,421**	4,536,004
Non-controlling interests		**3,115,939**	1,400,776	**–**	–
Total equity		**11,307,680**	7,873,361	**5,697,421**	4,536,004
LIABILITIES					
Non-current liabilities					
Interest-bearing bank and other borrowings		**5,942,549**	3,045,114	**293,366**	216,865
Guaranteed senior notes		**552,463**	1,537,947	**552,463**	1,537,947
Deferred income from sale of golf club membership		**639,041**	–	**–**	–
Deferred tax liabilities		**1,638,787**	1,430,596	**–**	–
		8,772,840	6,013,657	**845,829**	1,754,812

	Notes	Group 2009	Group 2008	Company 2009	Company 2008
Current liabilities					
Interest-bearing bank and other borrowings		**1,589,958**	1,495,640	**45,950**	142,620
Convertible bonds-host debts		**312,219**	62,008	**312,219**	62,008
Derivative financial liabilities		**–**	88,470	**–**	88,470
Advances received from the pre-sale of properties under development		**4,943,649**	1,171,996	**–**	–
Accounts payable	*10*	**3,176,373**	1,357,377	**–**	–
Other payables and accruals		**2,339,360**	2,241,817	**25,315**	21,024
Current income tax liabilities		**1,428,561**	983,491	**–**	–
Guaranteed senior notes, current portion		**95,813**	–	**–**	–
Deferred income arising from construction of ancillary public facilities		**696,291**	–	**–**	–
Amounts due to related companies		**11,358**	19,312	**–**	7,973
		14,593,582	7,420,111	**383,484**	322,095
Total liabilities		**23,366,422**	13,433,768	**1,229,313**	2,076,907
Total equity and liabilities		**34,674,102**	21,307,129	**6,926,734**	6,612,911
Net current assets		**9,119,145**	4,808,012	**480,580**	372,158
Total assets less current liabilities		**20,080,520**	13,887,018	**6,543,250**	6,290,816

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

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

	Attributable to owners of the parent										
	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Other reserves	Equity component of convertible bonds	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2009	4,003,101	7,238	248	214,076	722,123	75,940	–	1,449,859	6,472,585	1,400,776	7,873,361
Total comprehensive income for the year	–	–	–	–	12,269	–	–	785,081	797,350	236,218	1,033,568
Share of equity-settled share options of an associate	–	–	–	–	–	3,969	–	–	3,969	–	3,969
Revaluation reserve transfer to retained profits upon sale of properties	–	(740)	–	–	–	–	–	740	–	–	–
Appropriation from retained profits	–	–	–	1,630	–	–	–	(1,630)	–	–	–
Issuance of shares upon conversion of convertible bonds	247,212	–	–	–	–	–	–	–	247,212	–	247,212
Issuance of new shares	486,176	–	–	–	–	–	–	–	486,176	–	486,176
Equity component of convertible bonds issued during the year	–	–	–	–	–	–	179,361	–	179,361	–	179,361
Equity-settled share options to management of a subsidiary	–	–	–	–	–	2,198	–	–	2,198	2,272	4,470
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(210,974)	(210,974)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	1,756,098	1,756,098
Changes due to increase in equity interests in a subsidiary	–	–	–	–	–	2,890	–	–	2,890	(45,043)	(42,153)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(23,408)	(23,408)
At 31 December 2009	4,736,489	6,498*	248*	215,706*	734,392*	84,997*	179,361*	2,234,050	8,191,741	3,115,939	11,307,680

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

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

NOTES:

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.

Operating cycle

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Amendments to HKFRS 1 and HKAS 27	*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	*Share-based Payment – Vesting Conditions* and *Cancellations*
HKFRS 3 (Revised) and HKAS 27 (Revised) and consequential amendments to HKAS 7, HKAS 12, HKAS 21, HKAS 28 and HKAS31	*Business Combinations* and *Consolidated and Separate Financial Statements* (early adopted)
HKFRS 7 Amendments	*Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), HKFRS 8 and HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on the financial statements of the Company and the Group.

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

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

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

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

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

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

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These disclosures, including the related comparative information, are shown in Note 3 to these financial statements.

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

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

(d) Improvement to HKAS 40 *Investment Property*

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

An analysis by business segment is as follows:

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

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

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

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

Geographical information

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

(b) Non-current assets

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

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

Information about major customers

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

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

4. REVENUE

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

An analysis of revenue is as follows:

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

(i) Business tax and surcharges

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

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

5. EXPENSE BY NATURE

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

6. INCOME TAX

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

(a) Mainland China income tax

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25%, in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group, in Mainland China, which are taxed at preferential rate of 20%.

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition based on certain estimations. The outstanding balance of prepaid income tax was approximately HK$57 million as of 31 December 2009 (2008: Nil).

(b) Other income tax

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

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

(c) Mainland China Land Appreciation Tax ("LAT")

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

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 1% to 2% on proceeds of the sale and pre-sale of properties. Prepaid LAT had been recorded in "prepaid income tax" with an amount of approximately HK$26.82 million as of 31 December 2009 (2008: approximately HK$5.3 million).

(d) Mainland China withholding tax

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

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

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

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

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

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

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

8. DIVIDENDS PAID AND PROPOSED

	2009	2008
Proposed final dividend of HK0.044 (2008: Nil) per ordinary share	**158,571**	–

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

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

Pursuant to a resolution passed at the general meeting on 21 May 2008, the Company offered to its shareholders scrip dividends in respect of 2007 of equivalent to HK$0.035 per share with an alternative for its shareholders to elect to receive the dividends in cash in lieu of all or part of their scrip dividend entitlements. As of 16 June 2008 (the date that the shareholders were required to elect alternatives), shareholders holding a total of 1,401,453,570 shares elected for cash dividend and cash dividends of approximately HK$49,050,875 were paid, while shareholders holding a total of 1,336,390,551 shares elected for scrip dividends, resulting in 46,037,076 shares being allotted at the price of HK$1.016 per share.

9. ACCOUNTS RECEIVABLE

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

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

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

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

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

– Golf club membership: they are receivable in installments, the credit terms range from 2 to 3 years;

– Development of land infrastructure: there is no clearly specified credit terms, the receivables represent the Group's share of the proceeds from land sold by local governments through public auction, the collection of such receivables from the local governments are generally collectible within 6 months after the land sale. However, it may take the Group longer to receive certain portions (e.g. the amount attributable to public utility fee) of the receivable which takes more than one year.

– Others: generally within 6 months.

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

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

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

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

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

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

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

10. ACCOUNTS PAYABLE

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

	2009	2008
Within 1 year	**2,546,524**	1,329,720
1 to 2 years	**522,927**	27,657
Over 2 years	**106,922**	–
	3,176,373	1,357,377

Accounts payable represent payables arising from property construction. Accounts payable with aging of more than one year generally represent retention monies held by the Group in connection with various property projects. The accounts payable are non-interest-bearing and are normally settled within one year.

11. EVENTS AFTER THE REPORTING PERIOD

(a) On 10 February 2010, Sinopower, a wholly-owned subsidiary of the Company, entered into the conditional sale and purchase agreement (the "Acquisition Agreement") with an unrelated third party (the "Vendor"), pursuant to which Sinopower has conditionally agreed to purchase the entire issued share capital of Big Prime Limited (the "Sale Share") and the unsecured, non-interest bearing and repayable on demand loans in the sum of US$2,874,257 (approximately HK$22,419 thousand) (the "Loan") from the Vendor at the consideration of RMB305,000 thousand (approximately HK$346,000 thousand), which will be paid by Sinopower in cash at the completion of the Acquisition Agreement. Big Prime Limited is an investment holding company incorporated in the BVI and will be indirectly holding a 9% equity interest in Huarui Asset Management, a 51% owned subsidiary of the Company, through its wholly-owned Hong Kong subsidiary upon the completion of the Hong Kong subsidiary acquisition. Upon completion of the acquisition, Huarui Asset Management will become a 60% owned subsidiary of the Company.

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

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

The completion of the acquisition is conditional upon certain conditions being satisfied or waived by Sinopower on or before 10 November 2010. Up to the date of issuance of these financial statements, this acquisition transaction has not been completed because certain conditions precedent have not been fulfilled.

(b) In February 2010, the Company has entered into a Financial Services Co-operation Agreement with a bank, whereby the bank has agreed in principle, upon fulfilment of certain conditions to make available to the Company term loan facilities in an aggregate amount of not more than RMB10 billion (equivalent to HK$11.36 billion). The agreement will expire after 5 years and is renewable subject to the mutual agreement between the two parties.

RESULTS AND DIVIDEND

In 2009, the Group recorded net revenue of approximately HK$2,831 million (2008: HK$3,740 million), which represents a decrease by approximately 24.3% compared with that of 2008. Profit attributable to shareholders was approximately HK$785 million, an increase of 216.5% compared with approximately HK$248 million in 2008.

The Board of Directors has resolved to recommend the payment of final dividend in respect of the year ended 31 December 2009 of HK$0.044 per share (2008: Nil).

FINANCIAL RESOURCES AND LIQUIDITY

The Group's liquidity position remains stable. As at 31 December 2009, cash and bank balances amounted to approximately HK$4,603 million (2008: HK$1,575 million). Working capital (net current assets) of the Group as at 31 December 2009 amounted to approximately HK$9,119 million (2008: HK$4,808 million), an increase of 89.7% from previous year. Current ratio decreased slightly to 1.62 x (2008: 1.65x).

As at 31 December 2009, total liabilities to total equity increased to 2.07x (2008: 1.71x). At the end of the financial period, the Group's gearing ratio is approximately 45% (2008: 51%), calculated on the basis of the Group's net payables and borrowings (after deducting cash and bank balance of approximately HK$4,603 million) over total capital (total equity plus net payables and borrowings).

CHAIRMAN'S STATEMENT

The year 2010 marked the 17th anniversary of SRE Group's property development in China and the 11th anniversary of its listing in Hong Kong. Our core ideology of long-term sustainable growth over the past ten years has laid a solid foundation for our development in the coming decade. We have built a team of over 3,000 continuously learning and innovating employees, while expanding our total assets to approximately RMB35 billion. Our properties have not only extended from our headquarters in Shanghai to adjacent cities, but also into the North East, in locations such as Shenyang city of Liaoning province, and to the South, in locations such as Haikou city of Hainan province. Meanwhile, our property portfolios have broadened from residential to a mix of residential and commercial (hotel, retail and office). Our consistent emphasis on building high quality homes won us a record-breaking sales contract, amounting to over RMB5 billion in 2009. We believe sales momentum will continue in 2010, particularly from our Shanghai and Haikou projects.

Our focus remains in Shanghai, which is positioning to become a major financial, trading, shipping and economic center, while the Hainan market has become a new growth driver as it develops into an international travel destination.

Five years ago, we commenced to build our commercial portfolio in the belief that it would add long-term value to the Group. Today, our commercial portfolio has begun to scale up and contribute to top line growth. In Shanghai, our downtown hotel, retail shop and shopping mall are all up and running. We expect our downtown mall in Shenyang to become increasingly profitable as tenants continue to take advantage of this unique location. In the pipeline, we have uptown offices and hotels in Shanghai's Hongqiao and Zhabei districts, as well as a hotel in Haikou, which, when completed, will consolidate our commercial portfolio.

Our affiliate company, China New Town Development Co. Ltd. has been listed on the Singapore Stock Exchange for about three years and in 2009 reported its first profit since listing. Its unique business model in land development has proven successful after eight years of development. We foresee its continued contribution to the group's results in coming years.

I am confident we are well positioned to capture future growth in our property business. I would like to thank our shareholders, investors and our banks for their continued support. I would also like to thank my fellow directors for their contribution, and our management and staff for their stellar performance.

VICE CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In 2009, the Group's major projects for sale in Shanghai included: Albany Oasis Garden Phase II, Cedar Island Oasis Garden, Lake Malaren Garden, Rich Gate SeaView, Central-Ring Centre; in Haikou, HaikouBund Centre, and in Shenyang city, Shenyang Yosemite Oasis Community. In 2009, the Group sold 303,921 square meters of gross floor area, generating sales proceeds of HKD5.93 billion.

Project Company	**Sales contracts signed** *(HK'000)*	**GFA sold** *(sqm)*
Shanghai Albany Oasis Garden	1,591,406	46,030
Shanghai Cedar Island Oasis Garden	1,396,611	98,518
Shanghai Lake Malaren Garden	1,100,494	39,298
Shanghai Rich Gate SeaView	627,652	40,915
Shanghai Central-Ring Centre	494,111	18,596
HaikouBund Centre	348,819	29,139
Shenyang Yosemite Oasis Community	69,624	13,015
Other Project	298,715	18,410
Total	5,927,432	303,921

In 2009, the Group recorded net revenue of HKD2.83 billion, a decrease of 24.3% from 2008 (HKD3.74 billion). Gross Profit amounted to HKD1.24 billion, up 38% from 2008 (HKD890 million), with a Gross Profit margin of 44%, compared to 24% in 2008.

Revenue by nature:

	2009	2008
	HKD'000	*HKD'000*
Sale of development properties	**1,633,588**	3,705,960
Development of land and construction of ancillary public facilities	**958,725**	-
Hotel operation	**167,631**	102,010
Revenue from property leasing	**120,612**	72,939
Property management income	**60,673**	53,443
Golf operation	**34,504**	–
Revenue from construction of infrastructure for an intelligent network	**10,367**	4,103
Sale of network hardware and installation of intelligent home equipment	**4,786**	6,340
Other revenue	**1,870**	–
	2,992,756	3,944,795
Less: Business tax and surcharges	**(162,160)**	(204,930)
Total revenue	**2,830,596**	3,739,865

All commercial property recorded growth in 2009.

Property Development

Our main developing projects include Rich Gate SeaView, Lake Malaren Garden, Rich Gate I, Cedar Villa Original, Rich Gate Mansion, Cedar Island Oasis Garden, Albany Oasis Garden and Central-Ring Centre in Shanghai, Shenyang Albany and Yosemite Oasis Community, in Shenyang city, and HaikouBund Centre in Haikou.

The Group has four major commercial properties: three in Shanghai and one in Shenyang. We anticipate these properties yielding increasingly significant top line revenue for the Group.

Commercial Property	**Location**	**Approx. Area**
Shanghai Skyway Pullman Hotel	Shanghai LuWan District	654 rooms
Shanghai Rich Gate Retail	Shanghai LuWan District	11,000 sqm
Oasis Central Ring Center Shopping Mall	Shanghai Putuo district	34,000 sqm
Shenyang Rich Gate Shopping Mall	Shenyang City Financial Golden Corridor	240,000 sqm

Land Bank

As of 31 December 2009, the Group had 11 projects under development. The Group also added two projects in Shanghai, with GFA of approximately 140,000 square meters during the year. The Group holds gross floor area of approximately 3.7 million square meters of land bank, which would be adequate to keep us well occupied for the next five years.

CNTD, a subsidiary company of the Group, has three new town projects in Shanghai, Wuxi and Shenyang which cover a total site area of approximately 35.5 sq.km. In terms of land parcels developed for sale, the three new towns have a total GFA of approximately 16 million sq.m.

Construction

Adhering to the plans delineated at the beginning of 2009 regarding development and construction timelines, the Group has conducted appropriate engineering work and finalized various construction projects to meet specified demands in number and quality. We have continually adapted experience gathered in the course of project development and construction, taking into account the specific characteristics of individual projects and optimizing workflow. Using this experience as a foundation, we have gradually built up documentation of standardized operating procedures for construction management and basic decoration work. This documentation provides guidance and standards for massive construction projects, while controlling costs. Moreover, we have made further progress in intelligent electrical wiring and standardization for property management companies. All these efforts support the Group's quality product strategy and marketing endeavors.

We expect the pace of construction will accelerate in 2010.

Financing Activities

Repurchased USD200 million in high yield notes

The Group placed 520 million new shares and issued a face value of RMB446.9 million convertible bonds in July 2009, which were oversubscribed by times of 3 and 2.5, respectively, raising a total of USD130 million. Subsequently, the Group repurchased a total of USD128 million high yield notes in July, enabling the Group to improve its capital structure.

Investing Activities

Acquired additional shares in CNTD to secure controlling interest

After the Group acquired additional shares and convertible bond in China New Town Development Company Limited (CNTD) in May and September of 2009, combined with CNTD's repurchase of treasury shares in December 2009, the Group's shareholdings in CNTD increased to over 50%.

Acquired 20% equity interest in Liaoning Gao Xiao

In October 2009, the Group has obtained corresponding shareholders' approval for an acquisition and upon the completion of which its interest in Liaoning Gao Xiao Support Group Property Development Co., Ltd. will increase from 70% to 90%, effectively increasing its interest in the Shenyang Albany project by the same amount. As at 31 December 2009, the acquisition has not been completed.

Agricultural Bank of China has granted the Group a blanket facility of RMB5.871 billion

In 2009, Agricultural Bank of China has recognized the Group as a key quality customer in the real estate sector and therefore granted a blanket facility of RMB5.871 billion which will be available for multiple drawdowns by different project companies upon fulfillment of certain conditions.

The Group's Awards

SRE Group awarded "Top 100 Real Estate Enterprises for 2009"

SRE Group ranked 22nd on the list of top 100 China real estate enterprises for 2009 and also ranked among the top 10 growth enterprises, according to the "General Report on Top 100 Real Estate Enterprises of China for 2009", published on 28 March 2009 by China Real Estate Association, Enterprise Research Institute, Development Research Center of the State Council, Real Estate Research Institute of Tsinghua University and China Index Academy.

Lake Malaren Garden

Lake Malaren Garden passed the AAA Pre-evaluation of Performance Assessment of Residential Buildings of the Ministry of Construction and won the Integrated Gold Award in the Sixth Competition of Excellent Residential Projects in Shanghai.

Albany Oasis Garden

Albany Oasis Garden earned the Planning and Design Award, House Design Award and Full Decoration Award in the Sixth Competition of Excellent Residential Projects in Shanghai, the Four Excellences Residential Community in Shanghai, Participating Enterprise in the Commercialization of Technical Platform for Full Decoration of Residential Property of Shanghai and Model Project for Evaluation of Satisfaction on Fully Decorated House for 2009 Model Enterprise.

Central-Ring Centre

Central-Ring Centre's office building received the White Orchid Award for construction work in Shanghai (excellent construction in the city) and National Quality Construction award (equivalent to National Luban Award). It was also awarded the Preferred Headquarters for Elites, Best Commercial Potential (鋒采地產大獎), Real Estate Development and Modern Landmark for 2009.

Business outlook and analysis

In 2009, the Chinese real estate market rebounded. The economic stimulus measures and moderate monetary policy proved critical for the real estate market recovery. Moreover, related real estate policies promulgated by the government acted as catalysts for the recovery. At the beginning of the year, the government stuck to its preferential policies for stimulating the real estate market. Later, in mid-year, it increased land supply and rectified market order. At the end of the 2009, the government suppressed increasing property prices to ward off inflating a housing bubble. The Central Economic Working Conference convened in the early December 2009, stating its 2010 economic objective to maintain the continuity and stability of macro-economic policies, keep implementing proactive fiscal policies with moderately loose monetary policy, while placing emphasis on increasing the particularity and the flexibility of policies in response to new momentum and new circumstance. This meant that 2010 would witness no material reversal or fluctuation in macro-economic policies. The stable policy environment would also ensure enduring rapid macroeconomic recovery.

SRE Group has been in development nearly twenty years and has been a listed company for over a decade. Originally focusing on real estate, SRE Group's main business has evolved into new urban development and management. Currently comprising a dozen construction projects, SRE Group's business has gradually expanded to the South and Northeast regional metropolitan centers. At the same time, the Group has forged strong relationships with major financial institutions and accumulated an extensive customer portfolio.

Having successfully steered a course through the ups and downs of economic development and changing market environment, we have great confidence in both the Group and the future real estate market in China amidst a stable and rational macro-policy environment. In the coming year, we will further broaden our vision, integrating of the Group's various resources with our team's excellence, quality products and operational standards to continuously strive for greater development and innovation.

The Group will continue to develop its projects as planned, closely monitoring policy developments and adjusting our strategy accordingly.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

1. 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.

2. **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.

3. **Repurchase of US$200,000,000 Guaranteed Senior Notes Due 2013**

On 9 June 2009, the Company commenced (i) a tender offer (the "Tender Offer") to purchase for cash any and all of its US$200,000,000 Guaranteed Senior Notes Due 2013 ("the Notes") and (ii) a solicitation of consents by holders of the Notes to amend certain terms of the trust deed governing the Notes. On July 14 2009, (1) consents from holders of the Notes holding US$158,199,000 of the principal amount of the Notes, representing approximately 79.10% of the total aggregate principal amount of Notes outstanding, had been validly delivered and not been revoked; and (2) US$128,539,000 of the principal amount of the Notes, representing approximately 64.27% of the total aggregate principal amount of Notes outstanding, had been validly tendered and not been withdrawn. Following the settlement of the Tender Offer and consent solicitation, US$71,461,000 of the principal amount of the Notes will remain outstanding.

4. **Conversion of 2.5% Coupon Convertible Bonds Due 2013**

In 2009, the Group allotted and issued following shares pursuant to the conversion of 2.5% coupon Convertible Bonds ("CB") due on 2013. Thus, the CB has been fully converted.

Month	**Shares**
May	149,999,998
July	149,999,999
Total:	299,999,997

Save as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2009.

EMPLOYEE

As at 31 December 2009, the Group had retained 3,159 (2008: 2,716) 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$127.9 million (2008: HK$81.99 million). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of each individual employee.

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 year, 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.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 May 2010 to Friday, 28 May 2010 both days inclusive, during which period no transfers of shares will be registered. In order to qualify for entitlement to the proposed final dividend and attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Monday, 24 May 2010.

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 statements for the year ended 31 December 2009 has been reviewed by the Audit Committee.

APPRECIATION

It is my privilege to express my gratitude to our strategic investors and shareholders for their unstinting trust and support and to offer my heartfelt thanks to all directors, executives and staff members at all group companies for their team spirits and loyalty throughout the harsh and challenging 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 2009 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, 16 April 2010

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. Yue Wai Leung, Stan; non-executive directors are Mr. Cheung Wing Yui and Mr. Jin Bing Rong; and independent non-executive directors are Mr. Pan Long Qing, Mr. Jiang Xie Fu and Mr. E Hock Yap.

* *For identification purpose only*