SRE GROUP LTD.

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 2010

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2010
Revenue (HK$'000)	**1,984,218**
Gross Profit (HK$'000)	**745,807**
Gross Profit Margin (%)	**38%**
Net Profit attributable to equity holders of the Company (HK$'000)	**160,771**
Basic earnings per share (HK cents)	**4.46**
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 2010 together with comparative figures for the previous corresponding period in 2009. The unaudited interim financial statements for the six months ended 30 June 2010 have been reviewed by the Company's Audit Committee.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

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

	Notes	**2010 Unaudited**	2009 Unaudited
Revenue	*3*	**1,984,218**	387,610
Cost of sales		**(1,238,411)**	(276,185)
Gross profit		**745,807**	111,425
Selling and marketing costs		**(66,281)**	(44,722)
Administrative expenses		**(243,788)**	(93,719)
Other income		**–**	3,533
Other gains/(losses) – net	*4*	**(26,868)**	232,767
Operating profit		**408,870**	209,284
Finance income		**18,276**	9,347
Finance costs		**(121,241)**	(12,815)
Finance (costs)/income – net		**(102,965)**	(3,468)
Share of (losses)/profit of associates		**8,359**	(47,081)
Profit before tax		**314,264**	158,735
Tax	*5*	**(279,233)**	(32,503)
Profit for the period		**35,031**	126,232
Profit attributable to:			
Owners of the parent		**160,771**	177,264
Non-controlling interests		**(125,740)**	(51,032)
Other comprehensive income			
Exchange differences on translation of financial statements into presentation currency		**107,788**	3,578
Other comprehensive income for the period, net of tax		**107,788**	3,578

	Notes	**2010** **Unaudited**	2009 Unaudited
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**142,819**	129,810
Total comprehensive income attributable to:			
Owners of the parent		**237,150**	180,201
Non-controlling interests		**(94,331)**	(50,391)
		142,819	129,810
Earnings per share attributable to ordinary equity holders of the parent			
– Basic		**4.46 cents**	6.29 cents
– Diluted		**4.38 cents**	8.27 cents

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

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

	Notes	**30 June 2010 Unaudited**	31 December 2009 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**2,601,229**	2,684,121
Completed investment properties		**6,388,167**	6,329,400
Investment properties under construction		**330,124**	193,879
Prepaid land lease payments		**566,574**	565,492
Goodwill		**640,406**	453,788
Interests in associates		**66,979**	87,807
Financial asset at fair value through profit and loss		**82,210**	–
Deferred tax assets		**202,337**	177,588
Non-current accounts receivable	*8*	**98,822**	106,365
Other non-current assets		**338,858**	362,935
		11,315,706	10,961,375
Current assets			
Prepaid land lease payments		**9,424,874**	7,954,454
Properties held or under development for sale		**6,113,290**	4,705,378
Land infrastructure under development for sale		**4,534,050**	4,353,169
Inventories		**37,833**	19,852
Amounts due from associates		**1,839**	1,825
Prepayments and other current assets		**110,686**	261,014
Other receivables		**1,384,756**	1,329,071
Accounts receivable	*8*	**305,905**	401,322
Prepaid income tax		–	83,820
Cash and bank balances		**3,060,058**	4,602,822
		24,973,291	23,712,727
Total assets		**36,288,997**	34,674,102

	Notes	**30 June 2010 Unaudited**	31 December 2009 Audited
EQUITY AND LIABILITIES			
Equity			
Issued capital and premium		**4,736,489**	4,736,489
Other reserves		**1,307,194**	1,221,202
Retained profits		**2,236,450**	2,234,050
Equity attributable to owners of the parent		**8,280,133**	8,191,741
Non-controlling interests		**2,681,307**	3,115,939
Total equity		**10,961,440**	11,307,680
LIABILITIES			
Non-current liabilities			
Interest-bearing bank and other borrowings		**8,951,020**	5,942,549
Guaranteed senior notes		**554,927**	552,463
Deferred income from sale of golf club membership		**628,890**	639,041
Deferred tax liabilities		**1,921,787**	1,638,787
		12,056,624	8,772,840
Current liabilities			
Interest-bearing bank and other borrowings		**649,884**	1,589,958
Convertible bonds-host debts		**316,284**	312,219
Advances received from the pre-sale of properties under development		**4,952,860**	4,943,649
Accounts payable	*9*	**2,796,870**	3,176,373
Other payables and accruals		**2,332,343**	2,339,360
Current income tax liabilities		**1,352,257**	1,428,561
Guaranteed senior notes, current portion		**98,817**	95,813
Deferred income arising from construction of ancillary public facilities		**771,618**	696,291
Amounts due to related companies		**–**	11,358
		13,270,933	14,593,582
Total liabilities		**25,327,557**	23,366,422
Total equity and liabilities		**36,288,997**	34,674,102
Net current assets		**11,702,358**	9,119,145
Total assets less current liabilities		**23,018,064**	20,080,520

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

Note to the Financial Statements
(Amounts expressed in HK$'000 unless otherwise stated)

1. Basis of preparation and accounting policies

1.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with IAS 34.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2009.

1.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*

The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position or performance of the Group.

IFRIC 17 *Distribution of Non-cash Assets to Owners*

This interpretation provides guidance on accounting for arrangements whereby an entity distributes noncash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position or performance of the Group.

Improvements to IFRSs (issued May 2008)

In May 2008, the Board issued its first omnibus of amendments to its standards. All amendments issued are effective for the Group as at 31 December 2009, apart from the following:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and had no impact on the financial position or financial performance of the Group.

Improvements to IFRSs (issued April 2009)

In April 2009 the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IFRS 8 *Operating Segment Information*: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information.

IAS 7 *Statement of Cash Flows*: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement. The transaction is reflected in the Statement of Cash Flows.

IAS 36 *Impairment of Assets*: The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 2 *Share-based Payment*
IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
IAS 1 *Presentation of Financial Statements*
IAS 17 *Leases*
IAS 38 *Intangible Assets*
IAS 39 *Financial Instruments: Recognition and Measurement*
IFRIC 9 *Reassessment of Embedded Derivatives*
IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

2. Operating Segment Information

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

- The property development segment develops and sells residential and commercial properties;
- The land infrastructure development segment engages in land infrastructure development and the construction of ancillary public facilities;
- The property leasing segment leases offices and commercial properties owned by the Group which are classified as investment properties;

- The hotel operations segment provides hotel accommodation, hotel catering and conference hall services; and

- The corporate and other operations segment comprises, principally, golf course operations and the provision of property management services.

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

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

An analysis by business segment is as follows:

	Six months ended 30 June 2010 (unaudited)					
	Property development	**Land infrastructure development**	**Property leasing**	**Hotel operations**	**Corporate and other operations**	**Total**
Segment revenue						
Sales to external customers	1,579,548	147,420	68,210	125,485	63,555	1,984,218
Intersegment sales	–	–	–	–	19,638	19,638
	1,579,548	147,420	68,210	125,485	83,193	2,003,856
Reconciliation:						
Elimination of intersegment sales						(19,638)
Revenue						1,984,218
Segment profit/(loss)	530,399	(48,258)	29,033	(41,030)	(61,274)	408,870
Finance income						18,276
Finance costs						(121,241)
Finance costs – net						(102,965)
Share of profits and losses of associates						8,359
Profit before tax						314,264

	Six months ended 30 June 2009 (unaudited)					
	Property development	Land infrastructure development	Property leasing	Hotel operations	Corporate and other operations	Total
Segment revenue						
Sales to external customers	237,376	–	46,444	62,293	41,497	387,610
Segment profit/(loss)	14,001	–	(5,507)	(73,472)	274,262	209,284
Finance income						9,347
Finance costs						(12,815)
Finance costs – net						(3,468)
Share of profits and losses of associates						(47,081)
Profit before tax						158,735

3. Revenue

Revenue recognized during the period are as follows:

	For the six months ended 30 June	
	2010	2009
Sale of development properties	**1,645,803**	250,466
Development of land and construction of ancillary public facilities	**155,382**	–
Hotel operations	**132,159**	65,676
Revenue from property leasing	**75,097**	48,930
Property management income	**32,778**	–
Golf operation	**34,616**	–
Revenue from construction of infrastructure for an intelligent network	**2,794**	–
Other revenue	**25,302**	43,978
	2,103,931	409,050
Less: Business tax and surcharges (a)	**(119,713)**	(21,440)
Total revenue	**1,984,218**	387,610

(a) Business tax and surcharges

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

Government surcharges are calculated at certain percentages of business tax.

4. Other Gains/(losses) – net

	For the six months ended 30 June	
	2010	2009
Donor funds	**(17,092)**	–
Fair value gain/loss on investment properties	**(865)**	1,377
Negative goodwill arising from additional acquisition of an associated company	**–**	192,432
Reverse impairment of interest in associated company	**–**	104,379
Derivative financial instruments at fair value through loss – fair value gain, net	**–**	(69,357)
Loss on disposals of property, plant and equipment	**(6,802)**	–
Others	**(2,109)**	3,936
	(26,868)	232,767

5. Tax

	For the six months ended 30 June	
	2010	2009
Current taxation		
– Mainland China income tax	**130,608**	19,612
– Mainland China LAT	**121,223**	13,952
	251,831	33,564
Deferred taxation		
– Mainland China income tax	**(10,201)**	(1,061)
– Mainland China withholding tax	**37,603**	–
	27,402	(1,061)
Total tax charge for the period	**279,233**	32,503

(a) Mainland China income tax

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

For the pre-sale of properties under development, the tax authorities may impose income tax ahead of the completion of sale transactions and revenue recognition, based on certain estimations.

(b) Other income tax

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

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

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

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

For the pre-sale of properties under development, the tax authorities may impose LAT ahead of the completion of transactions and revenue recognition, generally based on 1% to 2% on proceeds of the sale and pre-sale of properties.

(d) Mainland China Withholding tax

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

6. Earnings per Share

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holder of the parent of HK$160,771,000 (2009: HK$177,264,000) and the weighted average number of 3,603,881,194 ordinary shares (2009: 2,819,936,752 shares) in issue during the period. The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent of HK$157,961,000 (2009: HK$255,018,933) and the diluted weighted average number of 3,603,881,194 ordinary shares (2009: 3,083,881,197 shares) in issue during the period.

7. Dividend

The Board had resolved not to declare an interim dividend for the six months ended 30 June 2010 (2009: Nil).

8. Accounts Receivable

	Group	
	30 June 2010	31 December 2009
Accounts receivable	**316,265**	411,635
Less: Impairment	**(10,360)**	(10,313)
	305,905	401,322
Non-current accounts receivable	**98,822**	106,365
	404,727	507,687

An aging analysis of accounts receivable is set out below:

	30 June 2010	31 December 2009
Within 6 months	**104,320**	201,473
6 months – 1 year	**45,337**	16,717
1 – 2 years	**125,572**	181,490
Over 2 years	**139,858**	118,320
	415,087	518,000

The 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.

9. Accounts Payable

	Group	
	30 June 2010	31 December 2009
Accounts payable	**2,796,870**	3,176,373

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

	30 June 2010	31 December 2009
Within 1 year	**2,350,404**	2,546,524
1 – 2 years	**369,251**	522,927
Over 2 years	**77,215**	106,922
	2,796,870	3,176,373

Accounts payable 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the period under review, the Group recorded a net revenue of approximately HK$1,980 million (2009: HK$388 million), an increase of approximately 418% compared with that of the corresponding period of last year. The increase in net revenue for the period was mainly due to the increase in property sales which is expected to further increase for the second half of the year. Profit attributable to equity holders of the Company amounted to approximately HK$160.7 million (2009: approximately HK$177.3 million), a slight decrease of approximately 9.36% compared with that of the corresponding period of last year.

Liquidity and Financial Resources

The Group's liquidity position remains sound. Cash and bank balances amounted to approximately HK$3,060 million as at 30 June 2010 (31 December 2009: approximately HK$4,603 million). Working capital (net current assets) of the Group as at 30 June 2009 amounted to approximately HK$11,834 million (31 December 2009: approximately HK$9,119 million), an increase of approximately 29.8%. Current ratio was at a healthy level of 1.89x (31 December 2009: 1.62x).

As at 30 June 2010, 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 55% (31 December 2009: 45%).

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

Charges on Assets and Contingent Liabilities

As at 30 June 2010, bank borrowings of approximately HK$9,264 million (31 December 2009: approximately HK$7,276 million) were secured by pledge of the Group's leasehold land, investment properties, property, plant and equipment and properties held or under development for sale.

As at 30 June 2010, the Group had no contingent liabilities (31 December 2009: nil) 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 2010 amounted to approximately HK$825,274.

BUSINESS REVIEW

In 2009, China's real estate market went through both a downturn and a vigorous rebound, resulting in a V-shaped reversal. In 2010, with state and local governments implementing strict macro-control policies, real estate prices and trading volume have softened to varying degrees in different localities, and the real estate market has gradually become more rational and stable.

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

REAL ESTATE DEVELOPMENT

Progress in Sales

The Group's major projects up for sale in the first half of 2010 were Cedar Villa Original, Rich Gate SeaView, Lake Malaren Garden, Haikou Bund Centre, Shenyang Rich Gate and Central-Ring Centre.

In the first six months of 2010, the Group sold total floor area of 73,460 m^2, generating sales proceeds of RMB1,251,890,000. Details of these projects follow:

Cedar Villa Original

The Cedar Villa Original rests on Lake Malaren, Luodian Nordic New Town, Baoshan District, Shanghai. It boasts the benefits of proximity to Lake Malaren and high-end facilities including a golf course, featuring a golden Tuscany style of authentic Italian origin. The Cedar Villa Original land was purchased in April 2009, and sales commenced after only twelve months, ie. in May of this year, and enjoyed a favorable reception. A total of 92 villas were sold in the first half of 2010, with a total area of 11,468 m^2, yielding revenue of RMB248.62 million (an average of RMB21,680 per m^2).

Rich Gate Sea View

Rich Gate Sea View situates at seaside at Jinshan in Shanghai. This location emphasizes the four vistas of sea, river, garden and hanging garden in the development of a seaside city complex. Robust sales of the Rich Gate Sea View residential continued during the first half of 2010, selling 29 units from January to June 2010, with gross floor area of 3,745 m^2, for a total of RMB63.3 million, (averaging RMB16,904 per m^2).

Lake Malaren Garden

Lake Malaren Garden resides in Luodian Nordic New Town, Baoshan District, Shanghai. These golf club garden villas feature eclectic European architecture, a palatable harmony with the natural beauty, architectural features and cultural environment of the Nordic New Town. The quality of the Rich Gate brand has attracted much attention. A total of 56 up-market villas and 2 townhouses were sold in the first half of 2010, with a total area of 11,215 m^2, for gross revenue of RMB314.21 million.

Haikou Bund Centre

During the first half of 2010, Hainan's real estate market witnessed vigorous sales, brought on by the central government's policy of positioning the province as an International Tourism Island, and subsequently cooled off as a result of the strict macro-control measures by central and local governments. The Haikou Bund Centre project managed to adjust its strategies proactively, aptly and swiftly, selling 305 units of Rich Gate (phase-1) from January to June 2010, with a total area of 28,619 m^2, for RMB406.46 million (averaging RMB14,202 per m^2 – an increase of 50.6% from 2009). Sales proceeds actually received during this period amounted to RMB409.29 million.

Shenyang Albany

Shenyang Albany first featured in the Spring Housing Fair of Shenyang of 26 March 2010, with the sales office opening on 9 April and sales for phase-1 of the project commencing 29 May 2010. In the first half of 2010, 137 units were sold with a total area of 10,878 m^2, yielding revenue of RMB93.22 million.

Central-Ring Centre

As a landmark of the Central business district, the Central-Ring Centre has attracted an increasing number of companies with its Grade-A office buildings and high standard facilities. Sales increased in the first half of 2010 for the office building targeted for sale, with a total area of 2,977 m^2 sold from January to June 2010, yielding RMB72.70 million in revenue.

Development Progress

Adhering to development plans and construction timelines delineated at the beginning of 2010, the Group and its subsidiary companies have been carrying out engineering work in an orderly and standardized fashion, while making every effort to uphold our high standard of quality. Our major projects are outlined in the following:

Cedar Villa Original

Construction of Cedar Villa Original is divided into Sections A and B, with various forms of property, such as courtyard, villa and apartment. As of 30 June 2010, construction of the foundation, first-, third- and fourth-floor structures of the villas in Section A and foundation filling of the low-rise apartment have been completed. The structures of Villas 1 through 12 in Section B have all been completed, along with a portion of the outdoor construction of Villa 13. The roofs of Blocks 1 through 8 in the courtyard have been completed, along with the structures of the seventh and eighth floors of the medium high-rise apartment and the structures of Blocks 5 and 6.

Cedar Island Oasis Garden

This year marks the final development stage of Cedar Island Oasis Garden. The first half of the year largely involved the preparation of 1,174 residential units for delivery in Section C, with a total area of 125,000 m^2. As of the end of June, over 1,000 units have been delivered. Currently, work mainly involves landscaping and interior decoration.

Albany Oasis Garden

In 2010, construction of Phase 2 of the Albany Oasis Garden and the greenery project on Zhongxing Road commenced simultaneously. The construction department has delineated viable plans and instituted effective measures to meet construction timelines. As of July 2010, Blocks 1 and 2 of Phase 2 commenced large area decoration with landscaping. Excavation and construction of underground pipe and conduit infrastructure are gradually coming underway for the greenery project on Zhongxing Road as well.

Meilan Lake Garden

In 2010, construction of the Meilan Lake Garden mainly involves delivery of Phase 1 and finalization of civil works for Phases 2 and 3. Currently, outdoor work for Phase 1 is virtually complete, and structures of Phases 2 and 3 have also been completed, with installation of facades, doors and windows having begun. The first batch of 136 units of Phase 1 will be delivered by 30 September. Interior decoration of Phase 1 has entered the wood installation stage, and the first batch of decorated units is scheduled for completion and inspection by relevant departments on 15 August, with the interior decoration of the first batch of units to be fully completed before the end of August.

Central-Ring Centre

In the first half of 2010, changes in the development plan and detailed design of Block 6 of Central-Ring Centre were completed and have been filed for approval. To prepare for the construction of the project, the project company has also mapped out a construction timeline.

Rich Gate Sea View

Construction of Rich Gate Sea View fully commenced in 2010. The Company carried out engineering work according to the plans delineated at the beginning of the year. As of the end of June, primary civil construction was virtually complete, with 70% completion of exterior wall construction. Full completion is anticipated in early September. Interior decoration is 60% completed, with full completion anticipated in late October. The overall outdoor and gardening work has commenced and is slated for completion at the end of December.

Shenyang Albany

The Shenyang Albany project achieved a major breakthrough in the first half of 2010. The project company proceeded with the construction, focusing on safety and quality. Structures of five buildings in Shenyang Albany were completed on 12 July 2010, with construction quality receiving 100% approval.

Haikou Bund Center

With steady progress in the structural construction of the Haikou Bund Center over the last year, construction of the main structure of five residential buildings in Phase 1 of Rich Gate reached completion and construction of the second structure has commenced. All of the buildings have satisfactory passed inspections for planning, design and construction quality. Installation of utilities and facilities has commenced. On 28 April 2010, construction of Phase 1 of the Haikou Bund Centre Westin Hotel project commenced.

Relocation

Albany Oasis Garden

Relocation, a major goal for Albany Oasis Garden in 2010, commenced in March 2010 for Phase III of the project. Relocation has been implemented in an open and transparent manner throughout the process. As of 30 June, 417 families have signed contracts, representing approximately 26% of total relocation work, and relocation for 290 families was completed.

Minhang Project

The Minhang Project is located at the Qizhong golf course. The project company completed relocation of the Qizhong training course in March 2010 and had finished all works needed for the temporary facilities, thus, well prepared the project for its next stage of development.

Shenyang Albany

Relocation for Shenyang Albany has been undertaken in accordance with state laws and regulations as well as relevant relocation policies. The project company coordinated the relocation team and residents throughout the process. In addition to commencement of presale and construction on the land of Phase I, relocation for 71 families and 5 merchants was completed during the first half of the year, accounting for 9.85% and 20% of the total of 721 families and 25 merchants, respectively.

LAND DEVELOPMENT

During the first six months of 2010, two land parcels were sold in Wuxi project, which are expected to generate approximately RMB204 million for the project company. RMB99.8 million of such revenue was recognized in the first half of the year. On 4 August 2010, the company transferred the Luodian Project F1-4 and F1-6 for public tender. These two land parcels sold for approximately RMB522.5 million and RMB1.377 billion respectively (approximately RMB20,948 per m^2 gross floor area – a 129% increase over the highest price of RMB9,128 per m^2 in September 2009).

Commercial Property Operation

During the first half of 2010, to cope with changes in market conditions and opportunities arising, we have continued to enhance management and operation of our commercial properties, adapt our business strategies for such changes, leverage advantages of our brand and management capabilities, aiming at improving our operating results through learning over experiences. Details include the following:

Shanghai Shops at Rich Gate

Shanghai Shops at Rich Gate achieved a full opening of all shops for the first time during the end of 2009 and beginning of 2010. Meanwhile, we focused in building our "Rich Gate" brand by upholding our brand-building targets of well servicing our tenants, maintaining the position of displacing and selling primium quality products and promoting a culture for classic things. By reinforcing brand positioning of Shops at Rich Gate, we seamlessly integrate quality community, quality properties and quality commercial area.

Shanghai Pullman Skyway Hotel

In 2010, capitalizing on the Expo, Shanghai Pullman Skyway Hotel improved its management, enhanced service quality and effectively controlled costs. For the first six months of 2010, the hotel recorded revenue of RMB90.28 million, net profit of RMB26.41 million and incurred total expenses of RMB58.85 million. Of the total revenue, room revenue amounted to RMB53.73 million and revenue from food and beverages tallied RMB34.69 million. Occupancy achieved 61.37% and GOP ratio reached 34.82% while the GOP value was RMB31.43 million – all significantly higher than for the same period of last year.

Shenyang Rich Gate Shopping Mall

Shenyang Rich Gate Shopping Mall combines a wide range of functions, such as shopping, fine food, leisure, entertainment, culture, sports & recreation and services. During the first half of 2010, the Mall adjusted its mode of operation, rationalized rents and upgraded shop exteriors. As of the end of June 2010, leases were entered for a total area of approximately 87,291 m^2, accounting for 77% of rentable area, and a total area of 41,628 m^2 has opened for business.

Central-Ring Centre

During the first half of 2010, Central-Ring Centre redoubled efforts for lease promotion. As of the end of June 2010, the total rented area of No. 10 (office building) was 15,575 m^2, representing an occupancy rate of 68% (22% above the rate as of December 2009). For the first six months of 2010, rental income totaled RMB7.48 million.

Land Bank

In January 2010, Shanghai Shangzhi Real Estate Development Co., Ltd. (Shangzhi Real Estate), a subsidiary of the Group, acquired 100% equity interest in Shanghai Haibo Real Estate Integrated Development Company Limited ("Haibo Real Estate"). Haibo Real Estate owns Lot 47/19, Block 1, Qunaizhenwei, Pudong New Area, with an area of 38,589 m^2.

In January 2010, Shanghai Shangzhi Real Estate Development Co., Ltd. (Shangzhi Real Estate), a subsidiary of the Group, acquired 100% equity interest in Shanghai Haibo Enterprise Development Company Limited (Xiapo Industrial). Xiapo Industrial owns Lot 47/8, Block 1, Qunaizhenwei, Pudong New Area, with land area of 19,589 m^2.

In January 2010, Shanghai Zhufu Property Development Co., Ltd., a subsidiary of the Group, acquired 100% equity interest in Shanghai Bairun Real Estate Company Limited ("Bairun Real Estate"). Bairun Real Estate owns the development rights to Lot 1/4, Block 798, Bansongyuan Street, Huangpu District, with land area of approximately 11,000 m^2 available for development. Through this acquisition, the Group added more downtown land lots to its land bank.

In April 2010, Shanghai Shangzhi Real Estate Development Co., Ltd. (Shangzhi Real Estate), a subsidiary of the Group, acquired 100% equity interest in Wuxi Zhongqing Real Estate Development Company Limited ("Wuxi Zhongqing"). Wuxi Zhongqing owns development rights to Lot 6-010-035-002 on the western side of Xinhong Road and the northern side of Xiyi Road, Xinchengzhen, Hongshan, Wuxi, with land area of 48,620 m^2. Through this acquisition, the Group strengthened the interaction between land development business of China New Town Development Company Limited (CNTD) and property development of the Group.

Financing Activities and Acquisitions

In February 2010, the listed company indirectly acquired 9% equity interest in Shenyang Huarui Shiji Asset Management Co., Ltd. (Huarui Asset Management) for a consideration of HK$305 million. Huarui Asset Management holds 100% interest in Shenyang Rich Gate Shopping Mall. Upon completion of the acquisition, the listed company will own 60% shareholding in Huarui Asset Management, and its share of interest in Shenyang Rich Gate Shopping Mall will increase accordingly.

In March 2010, Shanghai Skyway Hotel Co., Ltd. entered into a loan agreement for a syndicared facility of RMB1.3 billion with Industrial and Commercial Bank of China Limited, Huangpu Sub-branch, Shanghai and Agricultural Bank of China Limited, Jingan Sub-branch, Shanghai.

In April 2010, the listed company acquired 97,939,859 shares of China New Town Development Company Limited (CNTD) at a price of HK$66.38 million on the SGX-ST. On the same day, Sinopower, a wholly owned subsidiary of SRE, served a notice to CNTD relating to the exercise of conversion rights attached to the underlying bonds. Upon completion of the acquisition and bond conversion, shareholding of the listed company in CNTD increased from 53.18% to 62.36%.

Business Outlook

The momentum of rapid growth in China's real estate market in the second half of 2009 extended into the first quarter of 2010. However, since April 2010, China's central government has implemented restrictive measures to curb the rise in housing prices driven by investment and speculative demand. Consequently, the growth in the area and amount of commodity properties sold has moderated.

Figures from the China Statistical Bureau relating to China's real estate sector and conditions of the real estate market indicated that the main areas where the Group operates are distinctive from the general market in China. Among these areas, the investment in real estate development of Hainan increased at a pace 200% above the national average, and the price index of new residential properties rose 60% year-on-year. There was a significant decrease in area and amount of commodity properties sold in Shanghai. The price index of new residential properties in Shenyang rose gently year-on-year, and it continued to record a sequential rise in June 2010.

Although China maintains an appropriately loose monetary policy, the degree of relaxation has been reduced. The People's Bank of China raised the deposit reserve requirement ratio of financial institutions three times, in increments of 0.5%, and the money supply is decreasing gradually. The People's Bank of China has decided to proceed further with reform of the RMB exchange rate regime and to enhance the RMB exchange rate flexibility. This means China will tolerate, to a certain extent, a slow appreciation of the RMB and that total domestic demand will be constrained, which will in turn reduce the possibility of a rate hike.

Looking into the second half of 2010, considering development of the real estate sector and trend of China's monetary policy, the sector will remain relatively stable with some decreases, returning to a more rational market status. After adjusting from the excessive surge in prices during the second half of 2009 and the first quarter of 2010, the market should resume a more stable and upward path in 2011.

EMPLOYEES

As at 30 June 2010, the Group had retained 3,024 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$70.2 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 2010.

CNTD'S MANAGEMENT STOCK OPTION PLAN ("MSOP") – MOVEMENT IN THE PERIOD

One of the Entitled Persons who has 3,000 thousand CNTD's shares left CNTD during the period ended 30 June 2010, so the Entitled Person's rights under the MSOP were forfeited according to the terms of MSOP.

On 7 April 2010, the Company transferred 4,128,750 treasury shares to entitled persons who exercised the 2nd tranche share options under the Management Grant implemented on 5 July 2007.

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

	2010	2009
	Number of CNTD's share	Number of CNTD's shares (after the share split)
Outstanding at the beginning of the year	**24,772,500**	27,750,000
Forfeited during the year	**(2,250,000)**	(225,000)
Exercised during the year	**(4,128,750)**	(2,752,500)
Outstanding at the end of the year	**18,393,750**	24,772,500
Exercisable at the end of the year	**4,905,000**	4,128,750

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 2010.

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 compiled with required standard set out in the Model Code.

AUDIT COMMITTEE

The Company established an audit committee on 12th November 2001 with terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee has five members comprising the two non-executive Directors and the three independent non-executive Directors. The unaudited interim financial statements for the period ended 30 June 2010 has been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

In April 2005 the Company adopted its own code on corporate governance practices which incorporates all the code provisions in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. Throughout the period, the Company complied with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 except for Code provisions E.1.2, which stipulates that the chairman of the board should attend the annual general meeting. The Chairman of the Board of Directors did not attend the annual general meeting for the year 2010 due to other business commitment.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report for 2010 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the Stock Exchange website (http://www.hkex.com.hk) in due course.

On behalf of the Board
SRE Group Limited
Shi Jian
Chairman

Hong Kong, China, 20th August 2010

As at the date of this announcement, the Board comprises eleven Directors, six of whom are executive Directors, namely Mr. Shi Jian, Mr. Li Yao Min, Mr. Yu Hai Sheng, Mr. Jiang Xu Dong, Mr. Shi Pin Ren and Mr. Yue Wai Leung, Stan; two of whom are non-executive Directors, namely Mr. 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*