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## SRE GROUP LIMITED

上置集團有限公司\*

(incorporated in Bermuda with limited liability)

(Stock Code: 1207)

### 2010 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 2010 as set out below:

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

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

	Notes	2010	2009
<b>Revenue</b>	4	<b>6,288,774</b>	2,830,596
Cost of sales	5	<b>(3,749,581)</b>	(1,593,931)
Gross profit		<b>2,539,193</b>	1,236,665
Other (losses)/gains – net		<b>(166,993)</b>	1,087,899
Selling and marketing costs	5	<b>(169,542)</b>	(198,916)
Administrative expenses	5	<b>(455,916)</b>	(345,047)
<b>Operating profit</b>		<b>1,746,742</b>	1,780,601
Finance income		<b>71,317</b>	16,884
Finance costs		<b>(312,946)</b>	(179,114)
Finance costs – net		<b>(241,629)</b>	(162,230)
Share of profits and losses of associates		<b>25,459</b>	(93,927)

	<i>Notes</i>	<b>2010</b>	2009
<b>Profit before tax</b>		<b>1,530,572</b>	1,524,444
Income tax expense	6	<u>(815,083)</u>	<u>(506,662)</u>
Profit for the year		<u><b>715,489</b></u>	<u>1,017,782</u>
<b>Other comprehensive income</b>			
Exchange differences on translation of financial statements into presentation currency		<u>383,775</u>	<u>15,786</u>
<b>Other comprehensive income for the year, net of tax</b>		<u><b>383,775</b></u>	<u>15,786</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			
		<u><b>1,099,264</b></u>	<u>1,033,568</u>
Profit attributable to:			
Owners of the parent		<b>629,652</b>	785,081
Non-controlling interests		<b>85,837</b>	232,701
		<u><b>715,489</b></u>	<u>1,017,782</u>
Total comprehensive income attributable to:			
Owners of the parent		<b>915,133</b>	797,350
Non-controlling interests		<b>184,131</b>	236,218
		<u><b>1,099,264</b></u>	<u>1,033,568</u>
Earnings per share attributable to ordinary equity holders of the parent	7		
– Basic		<u><b>17.47 cents</b></u>	<u>24.47 cents</u>
– Diluted		<u><b>16.79 cents</b></u>	<u>23.70 cents</u>

Details of the dividends paid and proposed for the year are disclosed in Note 8.

# STATEMENTS OF FINANCIAL POSITION

31 December 2010

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

		<b>Group</b>		<b>Company</b>	
	<i>Notes</i>	<b>2010</b>	2009	<b>2010</b>	2009
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment		<b>2,627,299</b>	2,684,121	<b>2,712</b>	3,229
Completed investment properties		<b>6,624,338</b>	6,329,400	–	–
Investment properties under construction		<b>111,646</b>	193,879	–	–
Prepaid land lease payments		<b>399,796</b>	565,492	–	–
Goodwill		<b>671,979</b>	453,788	–	–
Investments in subsidiaries		–	–	<b>5,148,045</b>	4,433,839
Advances to subsidiaries		–	–	<b>2,153,125</b>	1,346,117
Investments in associates		<b>72,182</b>	87,807	–	–
Derivative financial asset		<b>55,894</b>	–	–	–
Deferred tax assets		<b>432,186</b>	177,588	–	–
Non-current accounts receivable	9	<b>109,598</b>	106,365	–	–
Other non-current assets		<b>57,974</b>	362,935	–	279,485
		<b>11,162,892</b>	10,961,375	<b>7,303,882</b>	6,062,670
<b>Current assets</b>					
Prepaid land lease payments		<b>11,017,446</b>	7,954,454	–	–
Properties held or under development for sale		<b>6,124,508</b>	4,705,378	–	–
Land development for sale		<b>4,416,924</b>	4,353,169	–	–
Inventories		<b>29,759</b>	19,852	–	–
Dividends receivable from subsidiaries		–	–	<b>886,004</b>	727,651
Amounts due from associates		<b>8,113</b>	1,825	–	–
Prepayments and other current assets		<b>671,331</b>	261,014	<b>3,117</b>	51,506
Other receivables		<b>1,186,348</b>	1,329,071	–	86
Accounts receivable	9	<b>607,865</b>	401,322	–	–
Prepaid income tax		<b>113,854</b>	83,820	–	–
Cash and bank balances		<b>5,402,966</b>	4,602,822	<b>158,162</b>	84,821
		<b>29,579,114</b>	23,712,727	<b>1,047,283</b>	864,064
Total assets		<b>40,742,006</b>	34,674,102	<b>8,351,165</b>	6,926,734

	<i>Notes</i>	<b>Group</b>		<b>Company</b>	
		<b>2010</b>	2009	<b>2010</b>	2009
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Issued capital and premium		<b>4,736,489</b>	4,736,489	<b>4,736,489</b>	4,736,489
Other reserves		<b>1,142,493</b>	1,221,202	<b>909,129</b>	714,834
Retained profits		<b>2,665,801</b>	2,234,050	<b>124,762</b>	246,098
		<hr/>	<hr/>	<hr/>	<hr/>
Equity attributable to owners of the parent		<b>8,544,783</b>	8,191,741	<b>5,770,380</b>	5,697,421
Non-controlling interests		<b>2,782,378</b>	3,115,939	–	–
		<hr/>	<hr/>	<hr/>	<hr/>
Total equity		<b>11,327,161</b>	11,307,680	<b>5,770,380</b>	5,697,421
		<hr/>	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Interest-bearing bank and other borrowings		<b>8,863,028</b>	5,942,549	<b>171,548</b>	293,366
Convertible bonds-host debts		<b>354,548</b>	312,219	<b>354,548</b>	312,219
Guaranteed senior notes		<b>557,322</b>	552,463	<b>557,322</b>	552,463
Deferred income from sale of golf club membership		<b>632,478</b>	639,041	–	–
Deferred tax liabilities		<b>2,076,251</b>	1,638,787	–	–
		<hr/>	<hr/>	<hr/>	<hr/>
		<b>12,483,627</b>	9,085,059	<b>1,083,418</b>	1,158,048
		<hr/>	<hr/>	<hr/>	<hr/>

		<b>Group</b>		<b>Company</b>	
	<i>Notes</i>	<b>2010</b>	2009	<b>2010</b>	2009
<b>Current liabilities</b>					
Interest-bearing bank and other borrowings		<b>3,169,554</b>	1,589,958	<b>980,454</b>	45,950
Advances received from the pre-sale of properties under development		<b>4,546,137</b>	4,943,649	—	—
Accounts payable	<i>10</i>	<b>3,358,631</b>	3,176,373	—	—
Other payables and accruals		<b>2,421,148</b>	2,339,360	<b>516,913</b>	25,315
Current income tax liabilities		<b>2,323,911</b>	1,428,561	—	—
Guaranteed senior notes, current portion		—	95,813	—	—
Deferred income arising from land development		<b>1,111,837</b>	696,291	—	—
Amounts due to associates		—	11,358	—	—
		<u><b>16,931,218</b></u>	<u>14,281,363</u>	<u><b>1,497,367</b></u>	<u>71,265</u>
<b>Total liabilities</b>		<u><b>29,414,845</b></u>	<u>23,366,422</u>	<u><b>2,580,785</b></u>	<u>1,229,313</u>
<b>Total equity and liabilities</b>		<u><b>40,742,006</b></u>	<u>34,674,102</u>	<u><b>8,351,165</b></u>	<u>6,926,734</u>
<b>Net current assets/(liabilities)</b>		<u><b>12,647,896</b></u>	<u>9,431,364</u>	<u><b>(450,084)</b></u>	<u>792,799</u>
<b>Total assets less current liabilities</b>		<u><b>23,810,788</b></u>	<u>20,392,739</u>	<u><b>6,853,798</b></u>	<u>6,855,469</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

(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 2010	4,736,489	6,498	248	215,706	734,392	84,997	179,361	2,234,050	8,191,741	3,115,939	11,307,680
Total comprehensive income for the year	-	-	-	-	285,481	-	-	629,652	915,133	184,131	1,099,264
Revaluation reserve transfer to retained profits upon sale of properties	-	(4,230)	-	-	-	-	-	4,230	-	-	-
Appropriation from retained profits	-	-	-	43,560	-	-	-	(43,560)	-	-	-
Equity-settled share options to management of a subsidiary	-	-	-	-	-	3,954	-	-	3,954	2,446	6,400
Changes due to decrease in equity interests in a subsidiary	-	-	-	-	-	(7,933)	-	-	(7,933)	7,933	-
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	154,456	154,456
Acquisition of non-controlling interests	-	-	-	-	-	(399,541)	-	-	(399,541)	(639,013)	(1,038,554)
Final 2009 dividend declared	-	-	-	-	-	-	-	(158,571)	(158,571)	-	(158,571)
Dividends to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(43,514)	(43,514)
At 31 December 2010	<u>4,736,489</u>	<u>2,268*</u>	<u>248*</u>	<u>259,266*</u>	<u>1,019,873*</u>	<u>(318,523)*</u>	<u>179,361*</u>	<u>2,665,801</u>	<u>8,544,783</u>	<u>2,782,378</u>	<u>11,327,161</u>

Attributable to owners of the parent

	Issued capital and premium	Asset revaluation reserve	Share option reserve	Surplus reserve	Exchange fluctuation reserve	Equity component of			Non- controlling interests	Total equity	
						Other reserves	convertible bonds	Retained profits			
At 1 January 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 issued convertible bonds 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 to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(23,408)	(23,408)
At 31 December 2009	<u>4,736,489</u>	<u>6,498*</u>	<u>248*</u>	<u>215,706*</u>	<u>734,392*</u>	<u>84,997*</u>	<u>179,361*</u>	<u>2,234,050</u>	<u>8,191,741</u>	<u>3,115,939</u>	<u>11,307,680</u>

\* *These reserve accounts are all booked under the consolidated reserves of HK\$1,142,493 thousand (2009: HK\$1,221,202 thousand) in the consolidated statement of financial position.*

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

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

	Notes	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in)/generated from operations	11	(1,350,070)	3,112,001
Interest paid		(668,171)	(471,367)
Income tax paid		(150,535)	(288,897)
		<hr/>	<hr/>
Net cash flows (used in)/from operating activities		(2,168,776)	2,351,737
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(196,644)	(84,428)
Proceeds from disposal of property, plant and equipment		4,349	1,952
Proceeds from disposal of an investment property		–	34,044
Construction of investment properties		(149,376)	(114,260)
Payments for prepaid land lease payment		(266)	(105,175)
Acquisition of subsidiaries, net of cash acquired		(223,685)	(121,289)
Disposal of subsidiaries		300,000	(3,718)
Earnest money paid to third party companies for acquisition of two companies		–	(25,906)
Increase in investments in associates		–	(145,631)
Increase in time deposits with original maturity over three months		(265,551)	(2,953)
Dividends received from associates		36,443	8,521
Interest received		30,111	16,551
		<hr/>	<hr/>
Net cash flows used in investing activities		(464,619)	(542,292)



	<i>Notes</i>	<b>2010</b>	2009
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from issuance of convertible bonds		–	479,236
Net proceeds from issuance of new shares		–	486,176
Payments of expenses incurred for the listing of existing shares of a subsidiary		<b>(32,046)</b>	–
Amounts received from sale of treasury shares of a subsidiary		<b>30,676</b>	–
Capital divestment of non-controlling shareholders of subsidiaries		–	(227)
Acquisition of non-controlling interest and related derivative financial asset		<b>(662,698)</b>	–
Cash paid by a subsidiary to purchase its own shares		–	(42,153)
(Increase)/decrease in pledged bank deposits		<b>(971,369)</b>	55,134
Decrease/(increase) in restricted deposits in relation to interest payments for bank borrowings		<b>7,390</b>	(40,894)
Proceeds from short-term borrowings		<b>329,885</b>	–
Repayments of short-term borrowings		<b>(90,857)</b>	(453,566)
Proceeds from long-term borrowings		<b>8,008,926</b>	5,366,301
Repayments of long-term borrowings		<b>(4,215,693)</b>	(3,563,036)
Cash received from the capital injection from non-controlling shareholders of subsidiaries		<b>154,456</b>	–
Net cash paid on redemption of guaranteed senior notes		<b>(103,734)</b>	(817,715)
Dividends paid to non-controlling shareholders of subsidiaries		<b>(44,664)</b>	(21,798)
Dividends paid to the Company's shareholders		<b>(158,571)</b>	–
		<hr/>	<hr/>
Net cash flows from financing activities		<b>2,251,701</b>	1,447,458
		<hr/>	<hr/>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(381,694)</b>	3,256,903
Cash and cash equivalents at beginning of year		<b>4,134,112</b>	873,523
Effect of foreign exchange rate changes, net		<b>134,886</b>	3,686
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>3,887,304</b>	4,134,112
		<hr/> <hr/>	<hr/> <hr/>

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 under construction, completed 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.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HKFRS 5 Amendments Included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Other than as further explained below regarding the impact of amendments to HKAS 1 included in Improvements to HKFRSs 2009, the adoption of the new and revised HKFRSs has had no significant financial effect on the Group’s financial statements.

The principal effects of adopting these new and revised or amended HKFRSs are as follows:

HKAS 1 Presentation of Financial Statements: States that the terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

This has had no effect on the consolidated statement of comprehensive income. The effect on the statements of financial position is summarized as follows:

<b>Group and Company</b>	<b>31 December 2010</b>	31 December 2009
NON-CURRENT LIABILITIES:		
Increase in convertible bonds-host debts	<b>354,548</b>	312,219
CURRENT LIABILITIES:		
Decrease in convertible bonds-host debts	<b>(354,548)</b>	(312,219)

There was no impact on the total assets, total liabilities or net assets of the Group and the Company.

There was no impact on the statements of financial position at 1 January 2009, as the convertible bond was issued during the year of 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 development segment provides land infrastructure development and 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 results of the Group's operating segments 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:

	2010					
	Property development	Land development	Property leasing	Hotel operations	Corporate and other operations	Total
<b>Segment revenue</b>						
Sales to external customers	4,360,186	1,382,696	138,524	269,261	138,107	6,288,774
Intersegment sales	–	205,250	–	1,393	98,577	305,220
	<u>4,360,186</u>	<u>1,587,946</u>	<u>138,524</u>	<u>270,654</u>	<u>236,684</u>	<u>6,593,994</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						(305,220)
Revenue						<u>6,288,774</u>
<b>Segment profit/(loss)</b>	<u>1,303,814</u>	<u>718,347</u>	<u>(39,043)</u>	<u>(21,651)</u>	<u>(214,725)</u>	1,746,742
Finance income						71,317
Finance costs						(312,946)
Finance costs – net						<u>(241,629)</u>
Share of profits and losses of associates						25,459
<b>Profit before tax</b>						<u>1,530,572</u>
<b>Segment assets and liabilities</b>						
Segment assets	<u>22,031,440</u>	<u>6,686,681</u>	<u>6,967,206</u>	<u>2,025,077</u>	<u>2,959,420</u>	40,669,824
Investments in associates						72,182
<b>Total assets</b>						<u>40,742,006</u>
Segment liabilities	<u>16,595,220</u>	<u>2,582,665</u>	<u>3,307,966</u>	<u>146,400</u>	<u>6,782,594</u>	29,414,845
<b>Total liabilities</b>	<u>16,595,220</u>	<u>2,582,665</u>	<u>3,307,966</u>	<u>146,400</u>	<u>6,782,594</u>	<u>29,414,845</u>
<b>Other segment information:</b>						
Depreciation and amortization	9,988	9,663	123	128,217	35,041	183,032
Capital expenditure*	6,397	7,211	124,427	51,233	35,401	224,669
Fair value loss on derivative finance asset, net	–	–	–	–	6,178	6,178
Fair value loss on investment properties	–	–	137,842	–	–	137,842
Provision for impairment losses	–	–	–	–	21,256	21,256

\* Capital expenditure consists of additions of property, plant and equipment (HK\$96,491 thousand), investment properties (HK\$123,950 thousand) and prepaid land lease payments (non-current) (HK\$4,228 thousand).

2009

	Property development	Land development	Property leasing	Hotel operations	Corporate and other operations	Total
<b>Segment revenue</b>						
Sales to external customers	1,552,399	910,900	113,320	159,196	94,781	2,830,596
Intersegment sales	–	–	–	–	9,686	9,686
	<u>1,552,399</u>	<u>910,900</u>	<u>113,320</u>	<u>159,196</u>	<u>104,467</u>	<u>2,840,282</u>
Reconciliation:						
Elimination of intersegment sales						(9,686)
Revenue						<u>2,830,596</u>
<b>Segment profit/(loss)</b>	<u>253,150</u>	<u>532,297</u>	<u>628,570</u>	<u>(121,281)</u>	<u>487,865</u>	<u>1,780,601</u>
Finance income						16,884
Finance costs						(179,114)
Finance costs – net						(162,230)
Share of profits and losses of associates						(93,927)
<b>Profit before tax</b>						<u>1,524,444</u>
<b>Segment assets and liabilities</b>						
Segment assets	<u>16,771,222</u>	<u>6,036,235</u>	<u>6,753,736</u>	<u>2,212,531</u>	<u>2,812,571</u>	<u>34,586,295</u>
Investments in associates						87,807
<b>Total assets</b>						<u>34,674,102</u>
Segment liabilities	<u>13,316,164</u>	<u>2,525,710</u>	<u>1,842,959</u>	<u>68,476</u>	<u>5,613,113</u>	<u>23,366,422</u>
<b>Total liabilities</b>	<u>13,316,164</u>	<u>2,525,710</u>	<u>1,842,959</u>	<u>68,476</u>	<u>5,613,113</u>	<u>23,366,422</u>
<b>Other segment information:</b>						
Depreciation and amortisation	6,587	2,815	1,087	98,406	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)
Provision/(reversal of provision) for impairment losses	<u>2,739</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(106,765)</u>	<u>(104,026)</u>

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

## Geographical information

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

(b) Non-current assets

	2010	2009
Hong Kong	2,712	3,229
Mainland China	10,432,346	10,223,451
	<u>10,435,058</u>	<u>10,226,680</u>

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

## Information about major customers

Land development revenue from the Group's share of proceeds of land sale by local authorities in Shanghai accounted for approximately 22% (2009: 29%) of the Group's revenue in the year ended 31 December 2010.

The Group's other customers are widely dispersed. Other than mentioned in the previous paragraph, no revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer or a group of customers which are known to be under common control for the years ended 31 December 2010 and 2009.

## 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:

	2010	2009
Sale of development properties	4,589,437	1,633,588
Revenue from land development	1,467,053	958,725
Hotel operations	283,656	167,631
Revenue from property leasing	137,031	120,612
Property management revenue	103,011	60,673
Golf operation	68,936	34,504
Revenue from construction of infrastructure for an intelligent network	9,114	10,367
Sale of network hardware and installation of intelligent home equipment	2,610	4,786
Other revenue	4,431	1,870
	<u>6,665,279</u>	<u>2,992,756</u>
Less: Business tax and surcharges	(376,505)	(162,160)
Total revenue	<u>6,288,774</u>	<u>2,830,596</u>

(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, the installation of intelligent home equipment, the provision of property management services and property leasing, at 20% of the revenue from golf operation and at 3% of the net income received from the construction of infrastructure for an intelligent network after deducting amounts payable to subcontractors.

Government surcharges, 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**

	2010	2009
Cost of inventories sold (excluding depreciation)	3,615,770	1,475,766
Depreciation of property, plant and equipment	169,071	135,860
Employee benefit expense (including directors' emoluments)		
– Wages and salaries	114,324	103,511
– Equity-settled share option expense	6,400	4,470
– Other social welfare	39,337	31,745
	<u>160,061</u>	<u>139,726</u>
Operating lease payment in respect of buildings	11,625	14,091
Auditors' remuneration	11,582	12,225
Impairment of accounts receivable	–	377
Impairment of other receivable	21,256	–
Commission for sale of properties and land	30,387	90,782
Advertising costs	69,430	46,317
Miscellaneous tax	51,698	43,180
Transportation fee	25,001	16,899
Office expense	7,605	7,472
Exhibition fees	11,270	11,137
Water and electricity	19,536	14,975
Financial advisory service expenses	4,037	21,030
Business entertainment expenses	11,484	8,702
Expenses incurred for the listing of existing shares of a subsidiary	36,814	–
Others	118,412	99,355
	<u>4,375,039</u>	<u>2,137,894</u>

## 6. INCOME TAX

	2010	2009
Current taxation		
– Mainland China income tax (a)	719,484	210,417
– Mainland China LAT (c)	277,190	54,947
	<u>996,674</u>	<u>265,364</u>
Deferred taxation		
– Mainland China income tax	(275,073)	139,967
– Mainland China LAT	(9,831)	–
– Mainland China withholding tax (d)	103,313	101,331
	<u>(181,591)</u>	<u>241,298</u>
Total tax charge for the year	<u><u>815,083</u></u>	<u><u>506,662</u></u>

### (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 a preferential rate of 22% (2009: 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\$55 million as of 31 December 2010 (2009: HK\$57 million).

### (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 and land 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 5% (2009: 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\$59 million as of 31 December 2010 (2009: approximately HK\$26.82 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 dilutive potential ordinary shares are convertible bonds of the Company and potential ordinary shares of CNTD, including CNTD's Management Grant and its 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 embedded in the convertible bonds less any tax effect. The management stock options are treated as options and regarded as outstanding from the grant date.

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

	2010	2009
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	629,652	785,081
Interest expenses recognised on the host debt component of convertible bonds, net of tax	61,407	25,392
Net effect of dilutive potential ordinary shares of a subsidiary	(5,412)	—
	<u>685,647</u>	<u>810,473</u>
Profit attributable to ordinary equity holders of the parent before the above impact arising from convertible bonds	<u>685,647</u>	<u>810,473</u>
<b>Number of shares</b>		
	2010	2009
	<i>(Thousand shares)</i>	<i>(Thousand shares)</i>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	3,603,881	3,207,690
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	479,928	211,694
	<u>4,083,809</u>	<u>3,419,384</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of this announcement.

## 8. DIVIDENDS PAID AND PROPOSED

	2010	2009
Proposed final dividend – HK\$0.029 (2009: HK\$0.044) per ordinary share	<u>104,513</u>	<u>158,571</u>

A final dividend in respect of 2010 of HK\$0.029 per share was proposed at the meeting of Board of Directors held on 25 March 2011. Based on the total number of outstanding ordinary shares of 3,603,881,194 shares, the proposed dividends amounting to approximately HK\$104,513 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.

The dividend paid during the year of 2010 was approximately HK\$158,571 thousand (HK\$0.044 per share) (2009: Nil).

## 9. ACCOUNTS RECEIVABLE

### GROUP

	2010	2009
Accounts receivable	617,983	411,635
Less: Provision for impairment	<u>(10,118)</u>	<u>(10,313)</u>
	607,865	401,322
Non-current accounts receivable	<u>109,598</u>	<u>106,365</u>
	<u>717,463</u>	<u>507,687</u>
	2010	2009
Accounts receivable		
Receivables from land development for sale	555,791	326,226
Receivables from the sale of golf club membership	8,977	50,794
Receivables from hotel operations	10,010	5,455
Receivables from property leasing	3,660	4,367
Receivables from sale of residential and commercial properties	28,934	9,708
Receivables from network hardware and installation of intelligent home equipment	–	8,429
Others	10,611	6,656
Less: Provision for impairment	<u>(10,118)</u>	<u>(10,313)</u>
	607,865	401,322
Non-current accounts receivable		
Receivables from land development for sale	109,540	99,152
Receivables from the sale of golf club membership	<u>58</u>	<u>7,213</u>
	109,598	106,365
	<u>717,463</u>	<u>507,687</u>

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

	2010	2009
Within 6 months	57,294	201,473
6 months to 1 year	394,640	16,717
1 to 2 years	52,588	181,490
Over 2 years	223,059	118,320
	<u>727,581</u>	<u>518,000</u>

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

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

	2010	2009
Neither past due nor impaired	684,250	473,679
Past due but not impaired:		
Within 30 days	5,804	1,759
30 to 60 days	1,110	758
60 to 90 days	12,879	1,399
90 to 120 days	2	587
Over 120 days	13,418	29,505
	<u>717,463</u>	<u>507,687</u>

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:

	<b>2010</b>	2009
At beginning of year	<b>10,313</b>	9,920
Impairment losses recognised	–	377
Amount written off as uncollectible	<b>(541)</b>	–
Exchange realignment	<b>346</b>	16
	<hr/>	<hr/>
At end of year	<b><u>10,118</u></b>	<b><u>10,313</u></b>

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of approximately HK\$10 million (2009: approximately HK\$10 million) with an aggregate carrying amount before provision of approximately HK\$10 million (2009: 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

### GROUP

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

	<b>2010</b>	2009
Within 1 year	<b>2,670,441</b>	2,546,524
1 to 2 years	<b>337,099</b>	522,927
Over 2 years	<b>351,091</b>	106,922
	<hr/>	<hr/>
	<b><u>3,358,631</u></b>	<b><u>3,176,373</u></b>

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

## 11. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash (used in)/generated from operations:

	<i>Notes</i>	<b>2010</b>	2009
Profit before tax		<b>1,530,572</b>	1,524,444
Adjustments for:			
Depreciation of property, plant and equipment		<b>169,071</b>	135,860
Impairment of accounts receivables		–	377
Impairment of other receivables		<b>21,256</b>	–
Reversal of impairment of interest in an associate		–	(104,403)
Loss/(gain) on disposal of property, plant and equipment, net		<b>20,162</b>	(81)
Share of profits and losses of associates		<b>(25,459)</b>	93,927
Fair value loss on derivative financial instruments		<b>6,178</b>	89,055
Loss/(gain) on redemption of Guaranteed Senior Notes		<b>4,798</b>	(179,102)
Fair value loss/(gain) on investment properties		<b>135,864</b>	(476,754)
Fair value loss on investment properties under construction		<b>1,978</b>	592
Gain on disposal of subsidiaries		–	(43,349)
Gain on bargain purchase of a subsidiary		<b>(28,940)</b>	–
Excess of share of fair value of net assets acquired over considerations for the acquisition of an additional interest in an associate (CNTD)		–	(300,415)
Loss on remeasurement (at acquisition-date fair value) of previously held equity interest in an acquiree (CNTD)		–	184,398
The Excess of acquisition-date amounts of the net assets acquired over the aggregate of consideration transferred, amount of non-controlling interests and acquisition-date fair value of the Group's previously held equity interest in the acquiree (CNTD)		–	(236,350)
Gain on disposal of an investment property		–	(26,397)
Dilution gain on an associate company		<b>(375)</b>	–
Management share option expenses		<b>6,400</b>	4,470
Expenses incurred for the listing of existing shares of a subsidiary		<b>36,814</b>	–
Finance income		<b>(71,317)</b>	(16,884)
Finance costs		<b>312,946</b>	179,114
		<b>2,119,948</b>	828,502

	2010	2009
Decrease in restricted bank deposits	182,578	230,760
Increase in prepaid land lease payments	(1,322,442)	(1,261,620)
Increase in properties held or under development for sale	(648,277)	(1,421,892)
(Increase)/decrease in inventories	(9,068)	12,133
Decrease in amounts due from associates	1,354	6,860
Increase in prepayments and other current assets	(371,216)	(856,357)
Increase in other receivables	(112,600)	(600,349)
(Increase)/decrease in accounts receivable	(167,808)	123,396
(Decrease)/increase in accounts payable	(267,610)	74,354
(Decrease)/increase in other payables and accruals	(548,488)	1,322,587
Decrease in amounts due to associates	(11,358)	(12,516)
Increase in land development for sale	95,483	652,379
Increase in deferred income	265,538	242,963
(Decrease)/increase in advances received from the pre-sale of properties under development	(556,104)	3,770,801
	<u>(1,350,070)</u>	<u>3,112,001</u>
Cash (used in)/generated from operations	<u>(1,350,070)</u>	<u>3,112,001</u>

**(a) Major non-cash transactions:**

	2010	2009
Payables to former shareholder of a subsidiary for acquisition of non-controlling interest	500,000	–
Prepayments used to settle purchase consideration for business combination	310,061	–
Payables to former shareholders of a subsidiary for business combination	21,154	–
Partial purchase considerations for additional shares in CNTD offset against earnest money for purchase of assets paid by the Company to CNTD, when CNTD was an associate of the Company	–	132,543
Conversion of CB3 into the Company's issued capital and share premium	–	247,212
	<u>–</u>	<u>247,212</u>

**12. EVENT AFTER THE REPORTING PERIOD**

On 9 December 2010, SRE Investment Holding Limited entered into a subscription agreement with the company to subscribe for a total of 700,000,000 Subscription Shares at the price of HK\$0.81 per subscription share. This subscription has been passed by the Independent Shareholders by way of poll at the SGM held on 27 January 2011.

## **RESULTS AND DIVIDEND**

In 2010, the Group recorded net revenue of approximately HK\$6,289 million (2009: HK\$2,831 million), which represents an increase by approximately 122.15% compared with that of 2009. Profit attributable to shareholders was approximately HK\$630 million, a decrease of 19.75% compared with approximately HK\$785 million in 2009.

The Board of Directors has resolved to recommend the payment of final dividend in respect of the year ended 31 December 2010 of HK\$0.029 per share (2009: HK\$0.044).

Such final dividend will be satisfied by way of a scrip dividend with an alternative to the Shareholders to elect to receive such final dividend (or part thereof) in cash in lieu of such scrip dividend (“Scrip Dividend Scheme”) subject to the approval by the Shareholders in the AGM. Circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to the Shareholders in May 2011. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued pursuant to the Scrip Dividend Scheme.

## **FINANCIAL RESOURCES AND LIQUIDITY**

The Group’s liquidity position remains stable. As at 31 December 2010, cash and bank balances amounted to approximately HK\$5,403 million (2009: HK\$4,603 million). Working capital (net current assets) of the Group as at 31 December 2010 amounted to approximately HK\$12,648 million (2009: HK\$9,431 million), an increase of 34.1% from previous year. Current ratio increased slightly to 1.75x (2009: 1.62x).

As at 31 December 2010, total liabilities to total equity increased to 2.60x (2009: 2.07x). At the end of the financial period, the Group’s gearing ratio is approximately 40% (2009: 26%), calculated on the basis of the Group’s net borrowings (after deducting cash and bank balance of approximately HK\$5,403 million) over total capital (total equity and net borrowings).

## **CHAIRMAN STATEMENT**

In terms of our development and progress, 2010 has been another landmark year for SRE Group Ltd. (the “Group”). The Group’s subsidiary China New Town Development Company Limited (CNTD) listed on HKEx on 22 October 2010, to realize a dual listing, following its successful listing on SGX in November 2007.

The Group has been listed in Hong Kong for twelve years while CNTD has been listed in Singapore for more than three years. Throughout this period, we have weathered vicissitudes in both global and national economic development and in the real estate industry. All the while, the Group has persistently adhered to a philosophy of quality, community service and sustainable development. We have conducted careful analysis of the challenges and opportunities brought about by market and policy changes, and along the way, we have strengthened our confidence, adjusted our ideology and made bold explorations to lay a solid foundation for continuous and healthy development of the Group’s businesses.

In 2010, the real estate market experienced the most stringent austerity measures ever, involving land, finance and taxation. These austerity measures manifest a long-term guiding influence for future development of the real estate market. The real estate industry will accelerate its pace of consolidation. The austerity measures and market competition impose higher requirements on capital strength and development capability of the real estate developers.

The Group will set a new round of five-year development goals based on China's 12th Five Year Plan. These goals will focus on consolidating and enhancing our strength and creativity in the area of capital structure, financing and fund raising, group organizational structure, control system, the company brand, product brands and corporate culture to ensure sustainable development. We believe the real estate industry will gradually move toward more stable development, and the Group will create both economic and social benefits.

The Group views our staff as our most valuable asset. In 2010, we have provided comprehensive and targeted training for staff through a variety of professional courses organized by renowned international and domestic universities. We believe that excellent staff and a well-trained team will make an important contribution to our future development.

I would like to take this opportunity to thank our shareholders, investors, banks and other financial institutions for their trust and support over the past year. I would also like to express my thanks to our board members for their contribution. In addition, I would like to signify my appreciation and gratitude to the Group's management and staff for their outstanding performance and dedicated service. We hope that we will continue to strengthen our confidence and solidarity so as to better contribute to the Group's future development.



## CO-CHAIRMAN AND CEO STATEMENT

### BUSINESS REVIEW

In 2010, the Group's major projects up for sale were Cedar Villa Original, Lake Malaren Garden, Rich Gate SeaView and Central-Ring Centre in Shanghai; Haikou Bund Centre in Hainan; Wuxi 江南華府 in Jiangsu; Shenyang Yosemite Oasis Community and Albany Oasis Garden in Liaoning. In 2010, the Group contracted a total amount of HKD4.96 billion, with gross floor area of approximately 239,570 square meters.

<b>Project Company</b>	<b>Sales Contracts Signed (HKDx1000)</b>	<b>Contractual Gross Area (m<sup>2</sup>)</b>
Shanghai Cedar Villa Original	1,367,702	48,321
Shanghai Lake Malaren Garden	1,242,788	36,704
Haikou Bund Centre	611,899	35,781
Shenyang Albany Oasis Garden	541,897	52,498
Shanghai Rich Gate SeaView	406,142	22,456
Wuxi ZhongQing	337,713	18,310
Shenyang Yosemite Oasis Community	113,928	17,132
Shanghai Albany Oasis Garden	84,244	790
Shanghai Central-Ring Centre	82,338	2,803
Other Projects	<u>173,021</u>	<u>4,775</u>
Total	<u><u>4,961,672</u></u>	<u><u>239,570</u></u>

In 2010, the Group recorded a net turnover of HKD6.29 billion, an increase of 122% from HKD2.83 billion in 2009. Gross profit for 2010 amounted to approximately HKD2.54 billion, up about 104.8% from HKD1.24 billion in 2009. Gross profit margin for 2010 was about 40% (2009: 44%).

Net revenue breakdown by activity:

<b>Revenue</b>	<b>2010</b> <i>(HKDx1000)</i>	<b>2009</b> <i>(HKDx1000)</i>
Sale of development properties	<b>4,589,437</b>	1,633,588
Revenue from land development	<b>1,467,053</b>	958,725
Hotel operations	<b>283,656</b>	167,631
Revenue from property leasing	<b>137,031</b>	120,612
Property management revenue	<b>103,011</b>	60,673
Golf operation	<b>68,936</b>	34,504
Revenue from construction of infrastructure for an intelligent network	<b>9,114</b>	10,367
Sale of network hardware and installation of intelligent home equipment	<b>2,610</b>	4,786
Other revenue	<b>4,431</b>	1,870
	<hr/>	<hr/>
Less: Business tax and surcharges	<b>(376,505)</b>	(162,160)
	<hr/>	<hr/>
Total revenue	<b><u>6,288,774</u></b>	<b><u>2,830,596</u></b>

### Development Projects

Our main development projects include Rich Gate SeaView, Lake Malaren Garden, Cedar Villa Original, Cedar Island Oasis Garden, Albany Oasis Garden, Central-Ring Centre and Bairun Project in Shanghai; Shenyang Albany and Yosemite Oasis Community in Liaoning; Wuxi 江南華府 in Jiangsu; Haikou Bund Centre in Hainan; and Jiaxing 湘府 (tentative name) Project in Zhejiang.

The Group has four major commercial real estate projects: three in Shanghai and one in Shenyang. Benefited from the Shanghai World Expo, commercial real estate, particularly hotel operations in Shanghai, had experienced an unprecedented growth. Under the influence of the prevailing austerity measures, the suppressed housing market has nonetheless highlighted the trend of increasing investment toward commercial real estate as the prospect of which becomes more promising. The stable development of commercial real estate will make an increasingly important contribution to our revenue.

<b>Commercial Property</b>	<b>Location</b>	<b>Details</b>
Shanghai Skyway Pullman Hotel	Luwan District, Shanghai	654 rooms
Shanghai Rich Gate Retail	Luwan District, Shanghai	Approx. 11,000 m <sup>2</sup>
Oasis Central Ring Center Shopping Mall	Putuo District, Shanghai	Approx. 34,000 m <sup>2</sup>
Shenyang Rich Gate Shopping Mall	Financial Golden Corridor, Shenyang	Approx. 240,000 m <sup>2</sup>

## **New Land Bank**

The development rights to Lot 47/19 and Lot 47/8, Block 1, Quneizhenwai, Pudong New Area, with a land area of 38,589 m<sup>2</sup> and 19,589 m<sup>2</sup>.

The development rights to Lot 1/4, Block 798, Bansongyuan Street, Huangpu District, with a land area of approximately 13,395 m<sup>2</sup> available for development, which is a scarce urban land in downtown area.

The development rights to Lot 6-010-035-002 on the western side of Xinhong Road and the northern side of Xiyi Road, Hongshan New Town, Wuxi, Jiangsu, with a land area of 48,620 m<sup>2</sup>.

Two parcels of land located in the south-western side of Huanhu Road, the northern side of Tanxiang, Xiangjiadang, Jiaxing, Zhejiang Province and the eastern side of Huanhu Road respectively, with a total site area of approximately 129,857.4 m<sup>2</sup>, the first acquisition by the Group of prime land bank in Zhejiang Province.

The land use right of a residential land XDG (XQ) – 2010 – 25 located in the northern side of EW3 Road and the western side of Xinhong Road, Hongshan Sub-district of Wuxi New District, with a land area of 127,637m<sup>2</sup>.

The land use rights of the 2nd, 3rd and 4th land parcel of Sanguan Village, Hongguang Town in Chengdu Pi County of Sichuan Province (serial code: PX3-5-3) for residential and utilities usage, with a land area of 90,981.84 m<sup>2</sup>.

## **Land Infrastructure and Pre-development Activities**

On 8 February 2010, the right to use the XDG (XQ)-2008-21 and XDG (XQ)-2008-28 residential land in Hongshan, Wuxi with a total land area of 119,680 m<sup>2</sup> (the preliminary land development of which has been completed by Wuxi Hongshan New Town Development Co., Ltd., a subsidiary of CNTD) was successfully assigned through the land authority under the local government at a total price of RMB244 million.

On 4 August 2010, the right to use the F1-4 and F1-6 residential land in Luodian New Town with a total land area of 151,151 m<sup>2</sup> (the preliminary land development of which has been completed by Shanghai Golden Luodian Development Co. Ltd., a subsidiary of CNTD) was successfully assigned through the land authority under the local government at a total price of RMB1,899.80 million.

On 27 December 2010, the right to use the XDG (XQ)-2010-25 residential land in Hongshan, Wuxi with a total land area of 127,637 m<sup>2</sup> (the preliminary land development of which has been completed by Wuxi Hongshan New Town Development Co., Ltd., a subsidiary of CNTD) was successfully assigned through the land authority under the local government at a price of RMB382.00 million.

## **Construction Work**

Adhering to the development plans and construction timelines formulated in early 2010, the Group and its subsidiary companies have been carrying out the respective development and construction projects in an orderly manner. Taking into account the actual situation of each company, strict pre-planning and interim controls have been implemented in all key areas, including design and construction, in order to be well targeted before construction and to ensure clear quality standards. The construction work has been carried out in a highly effective and practical manner, with stringent quality control procedures applied to ensure quality, progress, safety and meeting investment targets, with top priority being given to quality control and technical solutions.

### ***Cedar Villa Original***

For Cedar Villa Original, Section-A cap structure was largely completed in December 2010, and the construction work for exterior decoration and insulation has commenced; Section-B cap structure was completed in October 2010.

### ***江南华府***

After a year's time, refined decoration work for the last "Billion Dollar Mansion" of 江南华府 was completed on 31 July 2010, with the soft-mounted configuration in place by late August. The detached villa was launched on the market on 15 September 2010.

### ***Rich Gate SeaView***

As of the end of October 2010, curtain wall works for the 1st through 5th floors was largely completed. In December, acceptance checks on fire control, lightning protection, environmental testing, greenery, sanitation, postal services and transportation were duly passed with the landscaping work largely completed.

### ***Shenyang Albany***

Project construction area for Shenyang Albany during the year was approximately 130,000 m<sup>2</sup>. As of the end of 2010, all five buildings in Phase I have met the basic requirements of completion for indoor rough housing.

## **Acquisition**

### **The Group acquired 9% equity interest in Huarui Asset**

In May 2010, the Group acquired 9% equity interest in Shenyang Huarui Shiji Asset Management Co., Ltd. ("Huarui Asset") and thus the Group's interest in Shenyang Rich Gate Shopping Mall has reached 60%.

## **The Group acquired shares in CNTD and bond conversion**

In April 2010, the Group acquired 97,939,859 CNTD shares at a price of HKD66.75 million on the SGX-ST. On the same day, Sinopower, a wholly owned subsidiary of the Group, served notice to CNTD relating to the exercise of conversion rights attached to the underlying bonds. Upon completion of the previously mentioned acquisition and bond conversion, shareholding of the Group in CNTD increased to 62.36%.

## **Listing of China New Town Development Limited (CNTD) in Hong Kong by way of introduction**

On 22 October 2010, China New Town Development Limited (“CNTD”, a subsidiary of the Group) was listed on the Main Board of the HKEx by way of introduction. As a result, CNTD becomes dually listed in both Hong Kong and Singapore after its listing in Singapore on 14 November 2007.

## **The Group completed its acquisition of 20% equity interest in Liaoning High School Project**

In December 2010, the Group completed its acquisition of 100% equity interest in Goldjoy Investment Ltd, thereby increasing the Group’s interest in Liaoning High School Support Group Property Dev. Ltd. and hence in its development project, Shenyang Albany, from 70% to 90%.

## **Financing Activities**

In March 2010, Shanghai Skyway Hotel Co., Ltd. entered into a loan agreement for a new additional syndicated facility of RMB500 million with Industrial and Commercial Bank of China Limited, Huangpu Sub-Branch, Shanghai and Agricultural Bank of China Limited, Jingan Sub-Branch, Shanghai.

In August 2010, the Group received RMB600 million through the launch of “上信•攢金” Mature Property Investment Trust A Series – Central-Ring Centre Equity Fund Collective Investment Trust Scheme, in cooperation with Shanghai International Trust and Investment Co., Ltd.

In November 2010, Shenyang Huarui Shiji Asset Management Co., Ltd. entered into a loan agreement with Bank of China Limited, Shenyang Branch for a new additional loan facility of approximately RMB500 million.

## **THE GROUP’S AWARDS**

### **SRE GROUP LIMITED**

Awarded “Top 100 Real Estate Enterprises for 2010—Top 10 Robust Enterprises”, “Advanced Unit in National Charity” and “Advanced Unit in Shanghai Charity”.

### **Rich Gate SeaView**

Residential Building #3 passed the acceptance check by the “White Orchid” construction in Shanghai.

### **Shanghai Albany**

Phase II Project received the White Orchid Award for construction work in Shanghai.

### **Cedar Villa Original**

Awarded “2010 China Villa Festival-Integrated Award for Chinese Classic Villa”, “2010-2011 Happy Living and Popular Real Estate in Shanghai” and “2010 Top 10 Most Anticipated Properties in Shanghai Real Estate”.

### **Liaoning High School Support Group Property Dev. Ltd.**

Awarded “2010 Security Advanced Unit in Shenyang Construction Units”.

### **Haikou Century Harbour City Co., Ltd.**

Earned the “Hainan Trustworthy Real Estate Development Enterprise Award”; Haikou Bund Centre awarded “2010 Hainan Real Estate Project of Best Investment Value”.

### **Shanghai Real Estate Property Management Co., Ltd.**

Awarded “National Advanced Unit in Property Management” and received the “Shanghai Quality Management Award”.

### **Shanghai Lake Malaren Property Management Co., Ltd.**

Awarded “Trustworthy A-Grade Property Management Enterprise in Shanghai”.

## **BUSINESS OUTLOOK**

China’s real estate market trends took numerous turns in 2010. While the market experienced a strong rebound at the beginning of the year, on 17 April 2010, the government promulgated what has been hailed as most severe property control policy ever, – the “Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities”, setting the tone for the property market throughout 2010. After a brief downturn in the property market accompanying local property control policies rolled out successively in all parts of China, the market witnessed a quick rebound in July and August. However, after the promulgation of the more refined “Notice from the People’s Bank of China and China Banking Regulatory Commission on Issues concerning the Improvement of Differential Housing Credit Policies” on 29 September 2010, purchase restriction order have been introduced in a number of cities. The frequent introduction of property control policies has turned 2010 into a year of real estate regulation.

According to the 2010 National Economy and Social Development Statistics published by the China National Statistics Bureau, total investment in real estate development in 2010 amounted to RMB4.82 trillion, an increase of 33.2% over the previous year. Of this total, investment in commercial residential building development accounted for RMB3.4 trillion, an increase of 32.9%; investment in office building development accounted for RMB180.7 billion, an increase of 31.2%; investment in commercial business space development accounted for RMB559.9 billion, an increase of 33.9%.

In 2010, national commodity housing sale area totaled 1.043 billion m<sup>2</sup>, an increase of 10.1% over the previous year. Of this total, sale area of commercial residential buildings, office buildings and commercial business space increased 8.0%, 21.9% and 29.9% respectively. Commodity housing sales rose 18.3% over the previous year to RMB5.25 trillion. In December, home sale prices in 70 large and medium-sized cities nationwide recorded a year-on-year increase of 6.4% and a month-on-month increase of 0.3%. Sale prices of homes and new commercial residential buildings in 70 large and medium-sized cities showed an initial increase and a then leveling-off year-on-year.

According to the figures from the Ministry of Land and Resources, total price of national land transactions for 2010 amounted to RMB2.7 trillion, representing a year-on-year increase of 70.4%.

According to the 2010 Shanghai National Economy and Social Development Statistics published by the Shanghai Municipal Statistics Bureau, Shanghai's new residential sales price index for the year increased 7.6% over the previous year. The commercial residential building price index increased by 8% over the previous year.

The current year, 2011, marks the first year for China to execute its "Twelfth Five-Year Plan" for national economic and social development. The situation confronting national economic development will remain complicated. The state will attempt to maintain continuity and stability of its macroeconomic policies while improving their pertinence, flexibility and efficiency, and will continue to implement proactive financial and prudent monetary policies, and properly deal with the delicacy of striking a managing balance between maintaining stable and vibrant economic growth, adjusting economic structure and inflation expectations so as to prevent the drastic fluctuations of its economy.

Nearly 20 years have passed since its establishment and more than a decade since the Group's first listing. In the interim, the Group has developed into a comprehensive real estate group engaged in new town development and secondary land development. In 2010, CNTD, a subsidiary of the Group, successfully achieved its dual-listing in both Hong Kong and Singapore to develop a broader platform for the Group's and CNTD's future operations in the capital market, thus forming a sound basis for better participation in new town development in the days to come.

In 2011, the Group will make timely adjustments to its strategies according to economic trends, increase the proportion of investment in commercial real estate development and seek further project development in second- and third-tier or even third- and fourth-tier cities with development potential in China to lay a solid foundation for the Group's next five-year plan. As a business with social responsibility, the Group will further improve the operation and scientific management of the projects under development, aiming at providing the customers with high quality properties and hence a better life.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December, 2010, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES OF ITS SUBSIDIARY, CHINA NEW TOWN DEVELOPMENT COMPANY LIMITED (“CNTD”)**

### **(i) Transfer of treasury shares**

On 7 April 2010, CNTD transferred 4,128,750 treasury shares by virtue of the exercise of share options under the Management Grant.

### **(ii) Conversion of convertible bonds**

On 19 April 2010, CNTD received from Sinopower investment Limited a subsidiary of the Company a conversion notice to exercise in full the conversion rights attached to the convertible bonds in aggregate principal amount of RMB275,994,230 at the predetermined conversion price of SGD0.07872 per ordinary share. As a result of the conversion of convertible bonds in full, all relevant convertible bonds were cancelled and a total of 754,145,894 new ordinary shares in the Company were issued and allotted to Sinopower Investment Limited.

### **(iii) Sale of treasury shares**

On 7 July 2010, CNTD sold the outstanding amount of 51,639,250 treasury shares in the open market at SGD0.105 per share on SGX-ST.

### **(iv) Repurchase of senior notes**

On 19 November 2010, CNTD repurchased the outstanding RMB87,360,000 in aggregate amount of the Senior Notes at 100 percent of its principal amount, together with all accrued but unpaid interest for the period from and including 12 September 2010 up to the date of redemption. The 17.75% US dollar settled Senior Secured Guaranteed Notes were issued on 12 September 2008 with the principal amount of RMB593,300,000 due on 12 September 2011. Further details are set out in the announcement of the Company dated 15 November 2010.

Save as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the subsidiary's listed securities during the year ended 31 December 2010.

## **EMPLOYEE**

As at 31 December 2010, the Group had retained 3,599 (2009: 3,159) 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\$138.5 million (2009: HK\$127.9 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 Thursday, 26 May 2011 to Tuesday, 31 May 2011 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 Wednesday, 25 May 2011.

## **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 2010 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/](http://www.equitynet.com.hk/sre/)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for 2010 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, 25 March 2011

*As at the date hereof, the Board comprises six 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 non-executive directors, namely Mr. Cheung Wing Yui and Mr. Jin Bing Rong and three independent non-executive directors, namely Mr. Jiang Xie Fu, Mr. E Hock Yap and Mr. Zhuo Fumin.*

*\* For identification purpose only*